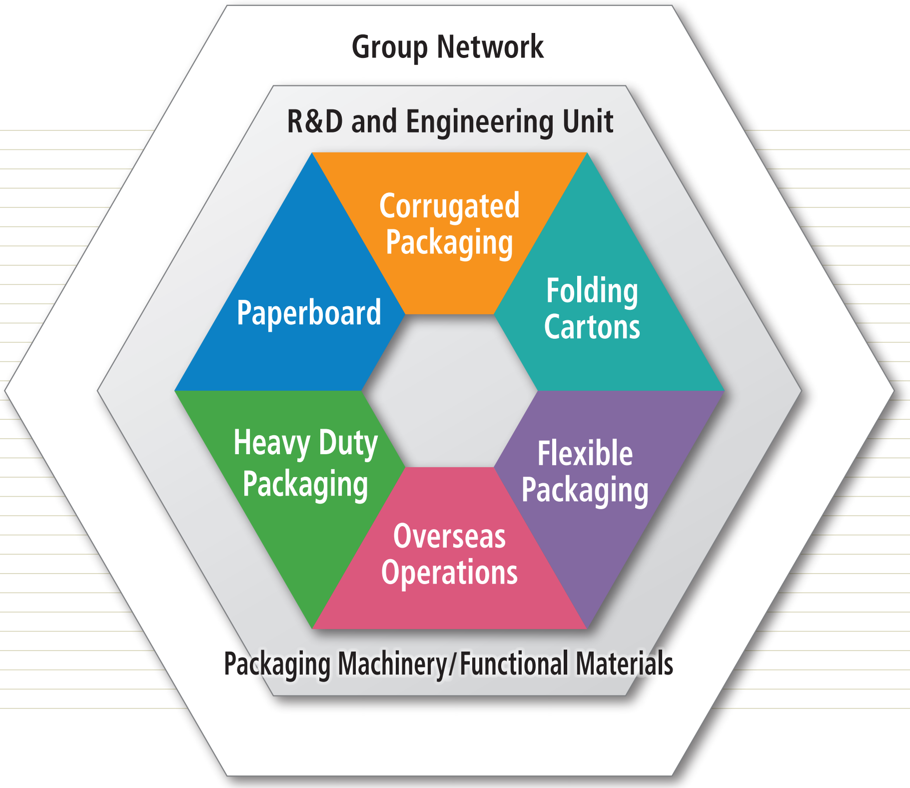
THE GENERAL PACKAGING INDUSTRY

ANNUAL REPORT 2016

For Year Ended March 31, 2016

The General Packaging Industry



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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 the "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.

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 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.

In 1909, more than a century ago, Rengo founder Teijiro Inoue manufactured the first corrugated board in Japan. Since then, the Rengo Group has led the evolution of the packaging industry and made history.

Today, our operations consist of six core businesses: paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business. Through this hexagonal business structure, the Rengo Group has emerged as the "General Packaging Industry (GPI)," an enterprise capable of proposing comprehensive solutions to meet all the needs of diverse industries.

Today, as the Company advances toward its next milestone in 2019, the 110th anniversary of its foundation, GPI Rengo is laying a firm foundation for the future.

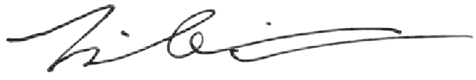
In our endeavors to become the foremost General Packaging Industry in the world, the challenge is to establish a system that enables us to satisfy various packaging needs as well as to provide highly sophisticated packaging solutions, based on a supply chain integrating materials procurement, logistics, and packaging processes in Japan and internationally. For this purpose, we are strengthening the earnings base of the hexagonal business structure. Essentially, the world's GPI is due to continue its efforts to foresee future needs and create packaging with higher value added by accelerating the innovation of both products and processes while using information technology more effectively.

Value-added packaging products are the fruits of intelligence and imagination. For the GPI Rengo to achieve further progress, it is necessary to strengthen its organization and its human resources. Considering the transformation of the way we work, our efforts are directed toward the cultivation of a working environment where diverse employees can work with gusto and fulfill their potential regardless of gender, age, disability, nationality, and other characteristics. In addition, to realize the corrugated packaging industry that we envision and build a better future, we are taking the initiative to eliminate long working hours and to help employees achieve a work-life balance by improving total factor productivity (TFP).

"The truth is in the workplace." Listening attentively to the opinions of customers, employees, communities, and various other stakeholders, the Rengo Group is striving to solve social problems through packaging to help create a more affluent and sustainable society.

With that in mind, we are enhancing corporate governance and management transparency to further improve corporate value and reinforce society's trust and confidence in Rengo.

In these endeavors, we would be grateful for the continued support of our shareholders, investors, and all other stakeholders.



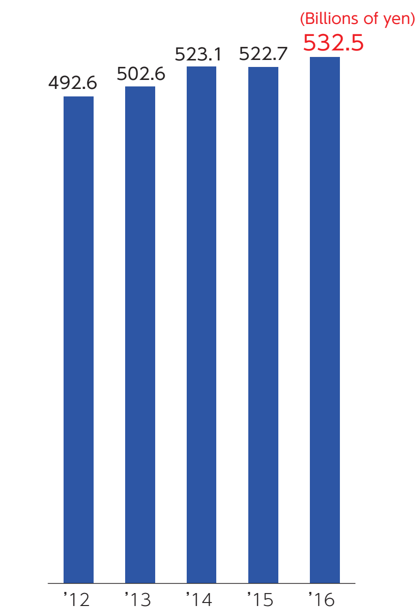
Kiyoshi Otsubo
Chairman, President & CEO

Consolidated Financial Highlights

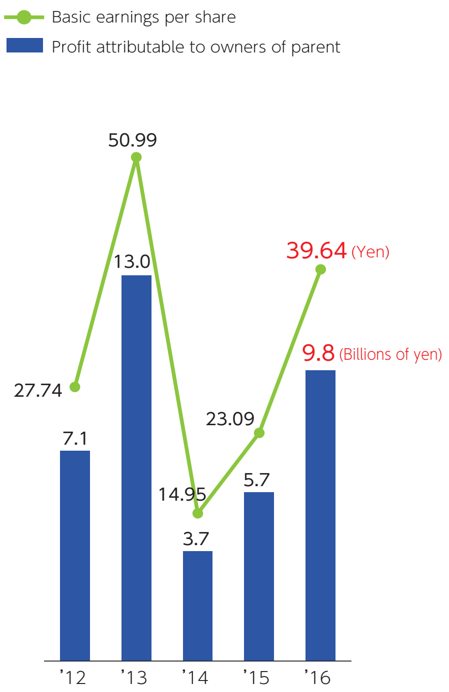
For the years ended March 31, 2016 and 2015	Millions of yen		% change	Thousands of U.S. dollars*1
	2016	2015	16/15	2016
For the Year:				
Net sales	¥ 532,534	¥ 522,672	1.9	$ 4,754,768
Operating income	15,727	5,568	182.5	140,420
Profit attributable to owners of parent	9,817	5,719	71.7	87,652
Capital expenditures	29,657	39,982	(25.8)	264,795
Depreciation and amortization	29,333	29,612	(0.9)	261,902
At Year-End:				
Total assets	¥ 644,690	¥ 655,675	(1.7)	$ 5,756,161
Interest-bearing debt	264,728	276,906	(4.4)	2,363,643
Net assets	221,734	222,391	(0.3)	1,979,768
	Yen		Change	U.S. dollars
Per share amounts (yen):				
Basic earnings	¥ 39.64	¥ 23.09	¥ 16.55	$ 0.35
Diluted earnings	–	–	–	–
Cash dividends applicable to the year	12.00	12.00	–	0.11
Net assets*2	872.17	873.60	(1.4)	7.79

*1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥112 to US$1 prevailing on March 31, 2016.
*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 non-controlling interests.

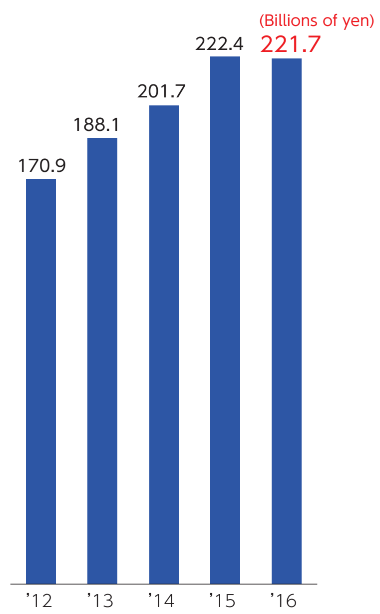
Net Sales



Profit Attributable to Owners of Parent / Basic Earnings per Share

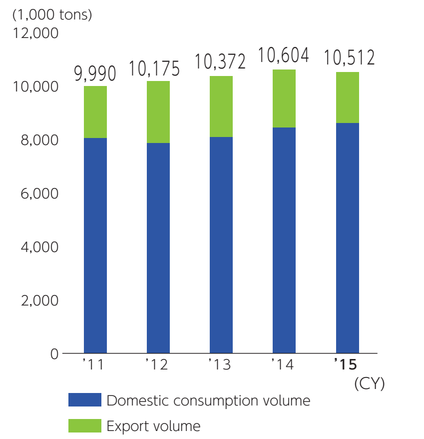


Net Assets



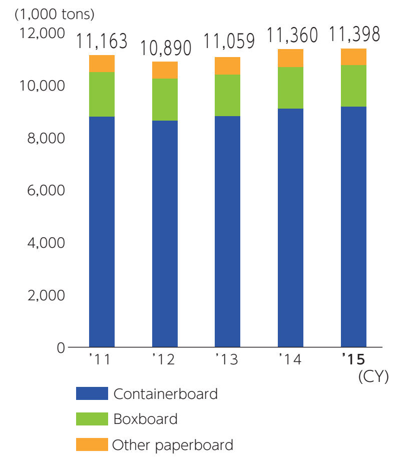
Domestic Consumption and Export of Old Corrugated Containers

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



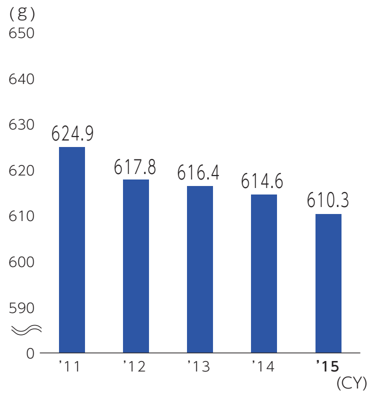
Production of Paperboard

Source: Ministry of Economy, Trade and Industry



Average Basis Weight* of Corrugated Board

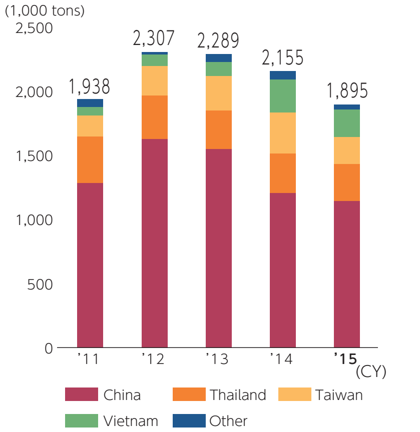
Source: Ministry of Economy, Trade and Industry



*Basis weight: g/square meter

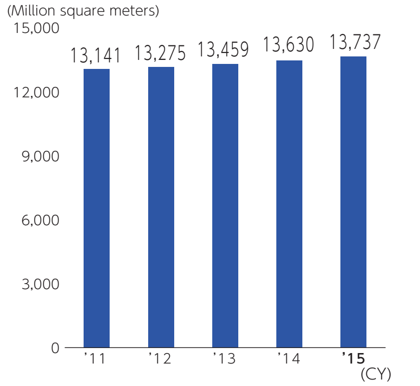
Export of Old Corrugated Containers by Country

Source: Ministry of Finance



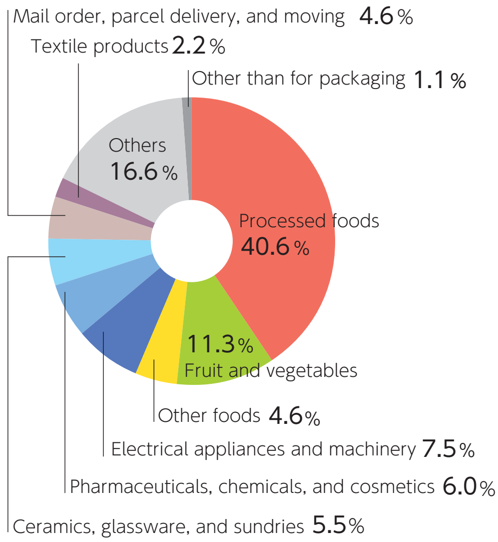
Production of Corrugated Board

Source: Ministry of Economy, Trade and Industry/ Japan Corrugated Case Association



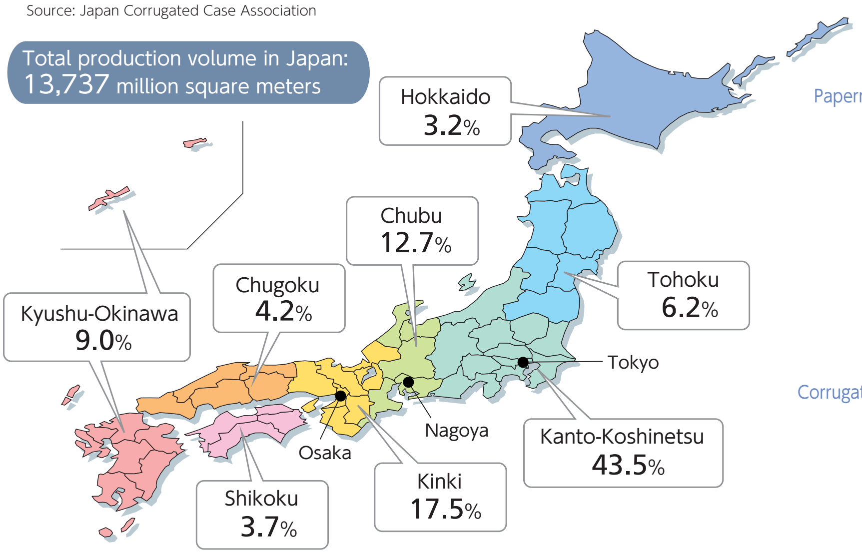
Breakdown of Demand for Corrugated Boxes by Market (2015 calendar year)

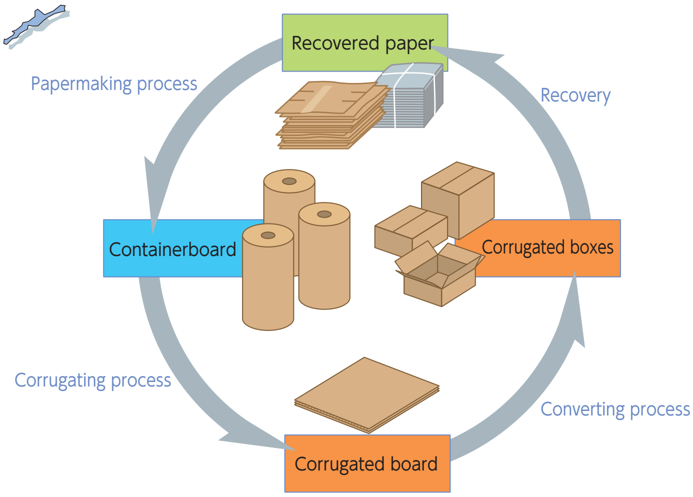
Source: Japan Corrugated Case Association



Production of Corrugated Board by Region (2015 calendar year)

Source: Japan Corrugated Case Association





Kiyoshi Otsubo
Chairman, President & CEO

Reinventing Packaging with Innovative Ideas and Technologies

As society has evolved, so too have packaging needs — in addition to protecting and transporting merchandise, nowadays we see a growing emphasis on its role in retail display and selling. As we prepare to celebrate our 110th anniversary in 2019, the Rengo Group is working to lay the foundation for the next 100 years by building on the hexagonal business structure comprising paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business. Chairman, President & CEO Kiyoshi Otsubo explains the latest initiatives undertaken by Rengo.

Review of Fiscal 2015

Higher profits across all business segments

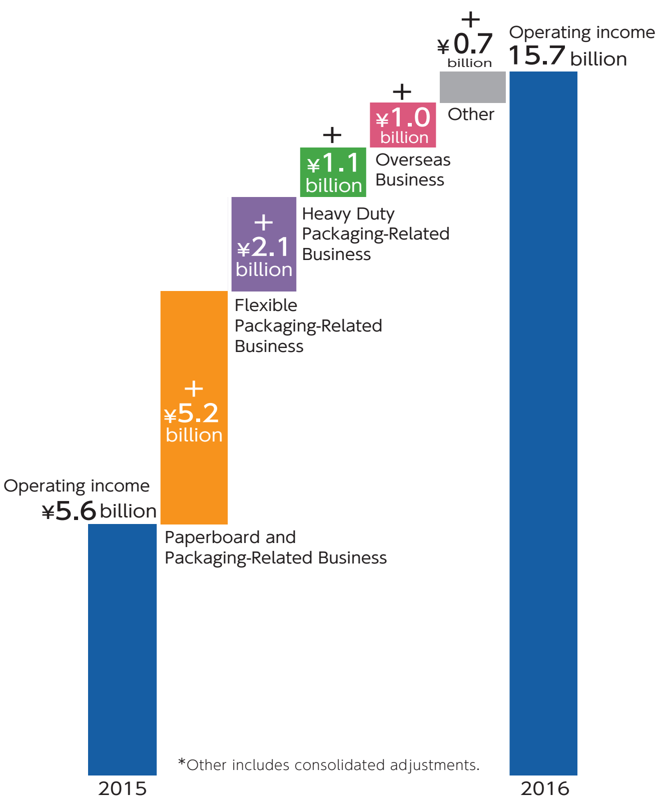
Q1 What progress has the Rengo Group made in the past year?

Otsubo: Regarding our consolidated performance in the fiscal year ended March 31, 2016, we posted net sales of ¥532,534 million, an increase of 1.9% compared with the previous year; operating income increased by 182.5% to ¥15,727 million and ordinary income rose by 133.0% to ¥16,634 million; and profit attributable to owners of parent rose by 71.7% to ¥9,817 million.

Over the past year, we have met needs for corrugated and other packaging products, while making further progress in creating more value by cultivating new sources of demand. The development of the Retail Mate series including Rengo Smart Display Packaging (RSDP) has added new value in upgrading the display and point-of-sale marketing capabilities of packaging, in addition to protecting merchandise during transport. These new products are becoming popular among our customers.

By making various improvements, we achieved record profits in the flexible packaging business and the heavy duty packaging business. Turning to the overseas business segment, our ongoing development of flexible and heavy duty packaging operations in China, Vietnam, Thailand, and Indonesia is driving growth.

Increase in operating income by each segment



*Other includes consolidated adjustments.

We started restructuring our paperboard production system in fiscal 2015 as well. We will make an effort not only in consolidating our production sites, which will include a mill closure, but also in the further improvement of our facilities to meet the need for thinner, more lightweight packaging products. Meanwhile, considering changes in the business environment, we withdrew from the printing paper business, and redirected resources to the boxboard business for mainstream packaging applications.

In fiscal 2015, we continued our efforts to reduce environmental burden and costs through investment in more energy-efficient production facilities and diversification of energy sources, even when lower prices for city gas, LNG and other energy sources already contributed to the improvement in earnings.

Domestic initiatives

Improving technological and proposal capabilities to create packaging solutions

Q2 The “smart corrugated packaging” proposed by the Rengo Group has been a great success. Is the Group continuing to make progress on this front?

Otsubo: One of the central concepts in the Rengo Group’s business operations in recent years has been “Less is more.” Based on this concept, we are pursuing development of innovative packaging solutions that deliver significant value with fewer resources. One of our key advances in this area is RSDP, which is a new type of smart corrugated product that aids merchandise stacking and in-store sales as well as the basic function of protecting goods during transport and handling. RSDP is not only useful for merchandise logistics, but also for opening and stacking to display merchandise quickly. By virtue of its superior design and display functionality, RSDP contributes to sales as it adds to the allure of products in stores and attracts shoppers’ attention. This represents true innovation in corrugated packaging products.

We are aggressively promoting the Retail Mate series of products, including RSDP, to create new value in logistics. One innovation we have developed is that of “Hybrid Score” which improves the folding characteristics of corrugated boxes, substantially raising efficiency in packing and unpacking operations. Another innovation in this series is the “Dual Open Box (DOB)” which can be opened without cutting tools, making stacking shelves considerably more efficient. Several kinds of easily stackable corrugated products, such as PopStack, which we have developed, are improving the efficiency of product display and in-store sales promotion. These products are powerful tools that help supermarkets, convenience stores and other retailers.

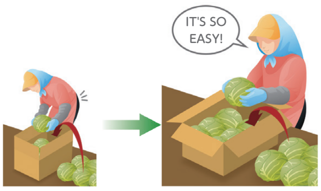
Rengo’s promotion of more lightweight and compact packaging materials helps improve packing efficiency at both the pallet and truck levels, resulting in materials that can add more value from an environmental perspective.

The rapidly expanding world of e-commerce presents new challenges at the logistics frontline. The packaging solution used to deliver the goods ordered by the customer in a simple, quick, low-cost fashion is becoming a point of service differentiation for the online retailing industry. Rengo has developed the Gemini Packaging System for e-commerce. Using just two standard sized corrugated sheets and wrapping film, the automated Gemini Packaging System automatically adjusts the packaging to various product dimensions, resulting in significantly reduced workload within the packing process.

Groundbreaking functionality of **Retail Mate** series

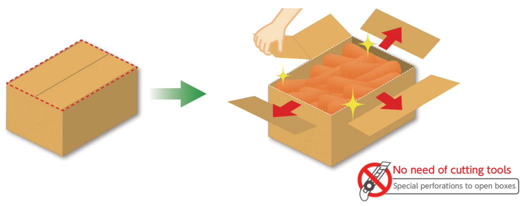
Hybrid Score

Additional function to fold flaps of the corrugated box outwards make it easier to pack and unpack goods without ruining the box.



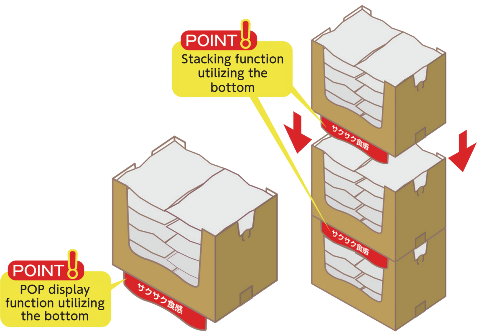
Dual Open Box (DOB)

Special perforations make it easy to tear off flaps without cutting tools, speeding up merchandise unpacking or refilling operations.



PopStack

Corrugated products with special press-down corners and POP display functions are useful for stacking boxes when setting up a sales area.



Domestic initiatives

Future growth from restructuring the production system

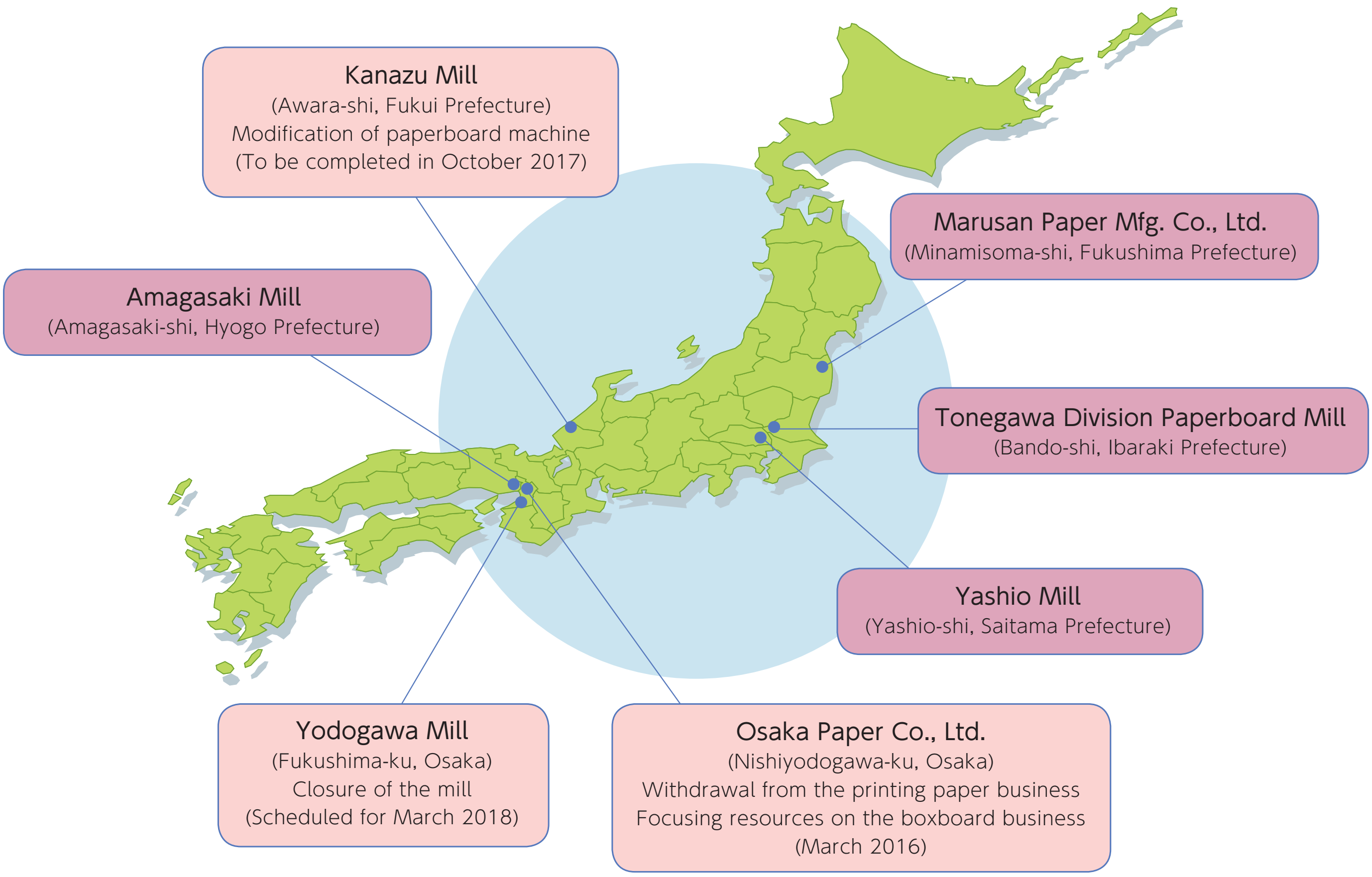
Q3 How is Rengo trying to use resources more efficiently in its paper and paperboard production system?

Otsubo: We have coined the phrase "Less Weight, Less Carbon" to express the Rengo approach to packaging. It incorporates the two ideas that lightweight, thin packaging can be strong and that it can also help reduce CO_2 emissions. Packaging products have undergone a transformation at Rengo based on the "Less Weight, Less Carbon" philosophy and its higher form of the concept of "Less is more." Demand for thinner and more lightweight containerboard and packaging products has been spurred by rising concerns over environmental issues. This is an inexorable trend.

Considering these changes in the market, we are making significant changes to the Group's production system for containerboard. In 2017, we plan to modify the paperboard machine No. 2 at the Kanazu Mill, which is currently used for producing corrugating medium, so that this equipment can produce linerboard as well. Following this modification, the Yodogawa Mill is to be closed by the end of March 2018. In consequence, the Group's six containerboard production sites will be consolidated to five. While the paperboard machine and facilities in this mill have been in operation for more than 40 years and are unsuited to the transition to thinner, lightweight linerboard, these measures will help rebalance our containerboard production capabilities in line with regional demand for different product grades, and we expect to reap significant improvements in terms of production efficiency and capacity utilization.

At Osaka Paper Co., Ltd., we have decided to withdraw from the printing paper business, which was centered on newsprint production, and focus its resources on the boxboard business instead. This is a reflection of declining newspaper circulation in Japan and other changes in business conditions. We believe that these structural reforms with an eye to the future will contribute to a much better earnings outlook for our paper and paperboard business.

Rengo Group's paper and paperboard mills (in Japan)



Rengo Group development

Finding new demand with petrochemical-derived packaging materials

Q4 How are flexible packaging and heavy duty packaging contributing to earnings in the Rengo Group's hexagonal business structure?

Otsubo: Our hexagonal business structure has been heavily weighted toward paperboard, corrugated packaging and folding cartons, all of which use wood fiber. In recent years, however, we have been generating growth in our flexible and heavy duty packaging businesses, both of which use films derived from petrochemicals as the raw material. The combined sales of these two businesses grew to account for almost 20% of our consolidated net sales in fiscal 2015. Both of these segments also achieved record profits.

Our significant progress over the past year made our hexagonal business structure closer to a perfect hexagonal shape befitting the definition of Rengo as the "General Packaging Industry (GPI)," satisfying all the packaging needs of customers across a wide range of industries.

In October 2015, as part of the expansion of the flexible packaging business, we took an equity stake in Sun·Tox Co., Ltd., a major supplier of plastic films to the Rengo Group for many years. This move helps us secure a steady supply of plastic films as raw materials so that we can reliably expand our supplies of flexible packaging products to customers as we grow the business.

Overview of Sun·Tox Co., Ltd.

●Head Office	1-7-1, Akasaka, Minato-ku, Tokyo
●Establishment	February 1992
●Shareholders	Tokuyama Corporation (80%), Rengo Co., Ltd. (20%)
●Representative	Yoshitaka Iijima, President
●Net Sales	¥17.4 billion (For the fiscal year ended March 31, 2016)
●Main Business	Manufacturing and sale of plastic film, sale of secondary processed products of film

Head office of Sun·Tox Co., Ltd.

Kanto Plant of Sun·Tox Co., Ltd.

Strengthening overseas operations

Preparing for growth in demand in ASEAN countries

Q5 What steps has Rengo taken to advance the overseas business?

Otsubo: Our overseas business is expanding steadily due to economic growth in China and countries across Southeast Asia. In recent years, we had recorded operating losses due to the rising costs of M&A-related goodwill amortization and depreciation associated with capital expenditures. However, this business segment returned to profit in the year ended March 2016.

We made progress in Asia during fiscal 2015. In Vietnam, our joint venture Vina Kraft Paper Co., Ltd. reinforced its leading position in the Vietnamese containerboard market amid continued growth in demand. It has decided to build an additional local containerboard production facility.

In June 2015, TC Flexible Packaging Co., Ltd. (TCFP), which is one of the core companies in our flexible packaging operations, took an equity stake in Tin Thanh Packing Joint Stock Company (BATICO), a flexible packaging product manufacturer based in Vietnam. In March 2016, Prepack Thailand Co., Ltd., which is a flexible packaging manufacturer and a subsidiary of TCFP, also commenced operations at a new plant. The flexible packaging operations of the Rengo Group in Southeast Asia continue to expand and upgrade amid continued growth in regional demand.

Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd.

In May 2016, consolidated subsidiary Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd., which manufactures and sells pharmaceutical packaging products in China, expanded its production capacity for aluminum used in Press Through Package (PTP) materials for packaging tablets and capsules. We aim to use the new state-of-the-art production facility to expand the Rengo Group's presence in the fast-growing market for pharmaceuticals in China.

We also recently agreed to acquire Tri-Wall Holdings Limited, a global supplier of heavy duty corrugated board that owns the globally recognized brands Tri-Wall Pak®, and Bi-Wall Pak®, and associated trademarks. The Tri-Wall Group has operations in Asia and Europe. Heavy duty corrugated board is widely used as a packing material in the automotive and aerospace industries for goods such as electrical equipment, machinery, electronic components, and glass products. Demand for heavy duty corrugated board is also expected to grow in packing goods for long-distance international transport.

Improving environmental performance

Fulfilling social responsibility via environmental impact reduction

Q6 The environmental impact reduction activities at Rengo's production facilities have been highly esteemed by external organizations. Please tell us more.

Otsubo: The signing of a global accord at the COP21 conference in Paris in December 2015 has spurred calls worldwide for greater action to combat global warming.

In accordance with the Environmental Charter, the Group is working toward a more efficient use of resources through reduced CO_2 emissions, less waste, as well as R&D and provision of commercial eco-friendly packaging materials through innovation driven by the concept of "Less is more."

We installed several new facilities at production sites during the fiscal year to promote more efficient use of resources and to help diversify energy sources. These included a steam turbine generator facility at the Kanazu Mill, a wood chip biomass power plant at the Yashio Mill, and a gas turbine power plant at the Amagasaki Mill. The substantially upgraded generation capacity at the Kanazu Mill has made the facility self-sufficient in terms of power. In fact, we can now sell surplus power to the regional electric utility, which has been struggling since the shutdown of its nuclear power plants, and conduct in-house power supply through wheeling.

The wood chip biomass power plant at the Yashio Mill is expected to reduce annual CO_2 emissions by around 65,000 tons. In other environmental initiatives, we took part in the carbon offset initiative at the G7 Ise-Shima Summit held in May 2016.

Yashio Mill's wood chip biomass power plant

In addition, all of Rengo's plants that produce corrugated packaging, folding cartons and containerboard mills including Marusan Paper Mfg. Co., Ltd. have been certified by the Forest Stewardship Council (FSC) for procuring forestry products from responsibly managed sources. FSC certification is an internationally recognized standard to show that the lumber and forestry products have been sourced from responsibly managed forests and then processed and distributed properly. This third-party certification confirms that Rengo's corrugated packaging contributes to forest preservation. We hope that the emphasis we put on the environmental functionality of our corrugated products helps in improving the environmental awareness of society.

Laying the foundation for the next 100 years

In pursuit of global GPI status

Q7 On what areas are you focusing as Rengo embarks on its second century in business?

Otsubo: Rengo will celebrate its 110th anniversary in 2019, three years from now. As a new initiative for our milestone, we have formulated "Vision110" as a common policy direction for the Rengo Group and all its employees to pursue. This policy is directed toward achieving to be the world's No.1 General Packaging Industry. In addition, the number 110 is not only a reminder of the approaching 110th anniversary, but also an indicator of our collective desire to improve our current performance by 10% in many areas.

One of my highest priorities as a top manager is human resources development. To become the world's No.1 General Packaging Industry, we must make further progress in creating a more diverse organization in which people of different genders, ages, nationalities, and other aspects can fulfill their potential.

Strengthening empowerment for women is one of the more urgent HR development issues. Rengo established the Section for the Promotion of Women Employees in 2014. In 2016, we formulated an action plan to empower female workers and are making efforts to promote a workplace environment in which women can display their capabilities. Relatively male-dominated workplace has been usual so far, however, we have recently expanded employment opportunities for women in a number of areas. About 80% of those working for Rengo in packaging design are now women, while more female sales representatives who liaise directly with customers are playing an active role.

True diversity is strengthened by the workplace environment in which various employees can work with vitality while they motivate each other and display their individual capabilities. This allows the Company to grow its capabilities while satisfying customers' various needs.

The challenge to become the world's No.1 General Packaging Industry can be achieved with a steadier earnings base of the hexagonal business structure satisfying various needs for packaging through highly sophisticated packaging solutions based on a supply chain integrating materials procurement, logistics, and packaging processes in Japan and internationally. Toward this purpose, it is necessary to foresee future needs and create packaging with higher value added by accelerating the innovation of both products and processes.

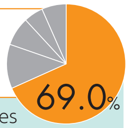
The Group is making efforts to establish a system which helps us to concentrate to manufacture packaging products more safely and more creatively, while using information technology including IoT more effectively in accordance with the principle of "Less is more." Thus, we are striving to be on higher ground. There is no goal for the World's No.1 General Packaging Industry, which is continuing to evolve with untiring efforts.

In these endeavors, we would be grateful for the continued support of our shareholders, investors, and all other stakeholders.

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.

Paperboard and Packaging-Related Business



Composition of Net Sales

FY2015

Net Sales

¥367,335million

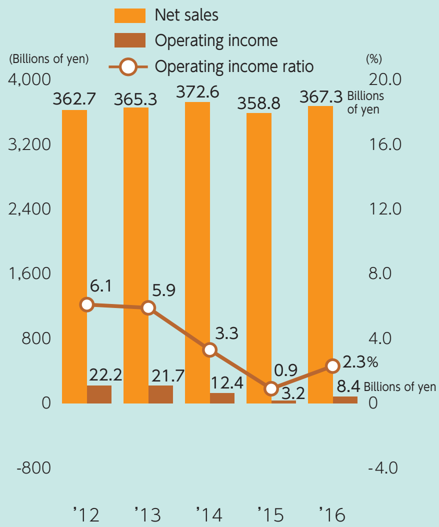
(Year-on-year increase of 2.4%)

Operating Income

¥8,406million

(Year-on-year increase of 160.7%)

Performance



Main Products and Services

Paperboard

- Containerboard
- Boxboard
- Tube board
- Chipboard

Paperboard Packaging

- Corrugated board
- Corrugated boxes
- Folding cartons

Major Group Companies

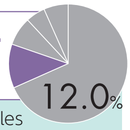
Paperboard:

- Marusan Paper Mfg. Co., Ltd.
- Osaka Paper Co., Ltd.

Paperboard Packaging:

- Yamato Shiki Co., Ltd.
- Settsu Carton Co., Ltd.
- Tokai Shiki Co., Ltd.
- Hinode Shiki Kogyo Co., Ltd.

Flexible Packaging-Related Business



Composition of Net Sales

FY2015

Net Sales

¥63,873million

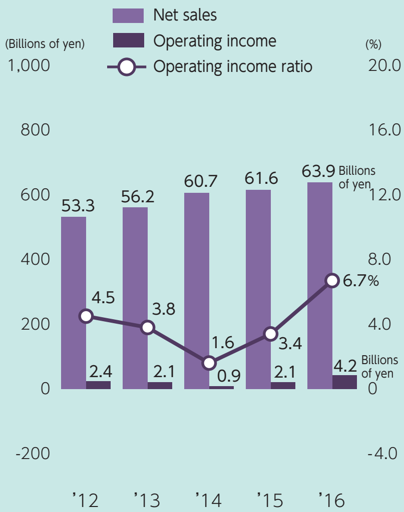
(Year-on-year increase of 3.6%)

Operating Income

¥4,249million

(Year-on-year increase of 102.0%)

Performance



Main Products and Services

- Flexible packaging
- Cellophane

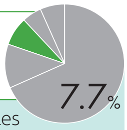
Major Group Companies

- Howa Sangyo Co., Ltd.

As an accomplished packaging partner, the Rengo Group, through unceasing new thinking and innovation, actively makes proposals to meet the diverse packaging needs of various industries. Defining ourselves as the “General Packaging Industry,” we are pursuing manufacture of corrugated packaging that is ahead of the times, people-friendly, environmentally considerate and whose authentic value resonates in one’s heart.

FY2015

Heavy Duty Packaging-Related Business



Composition of Net Sales

Net Sales

¥40,815million

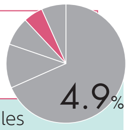
(Year-on-year increase of 0.5%)

Operating Income

¥1,740million

(Year-on-year increase of 179.7%)

Overseas Business



Composition of Net Sales

Net Sales

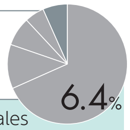
¥26,339million

(Year-on-year increase of 5.9%)

Operating Income

¥353million

Other Businesses



Composition of Net Sales

Net Sales

¥34,172million

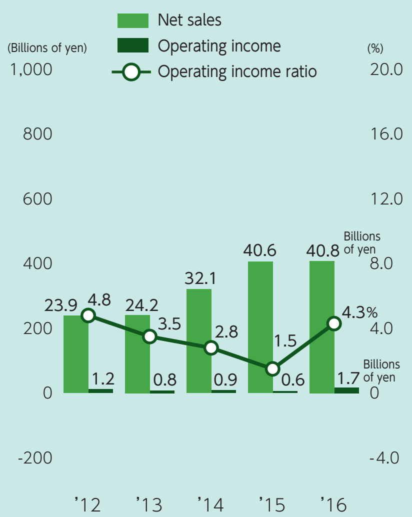
(Year-on-year increase of 1.6%)

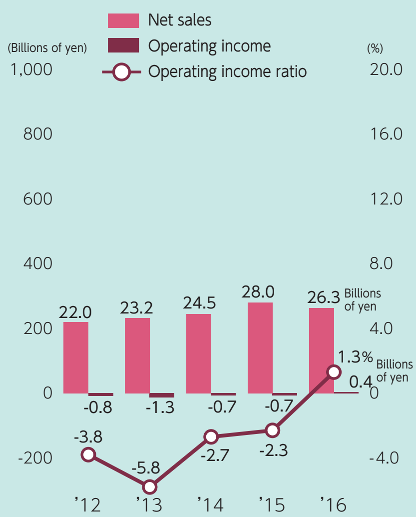
Operating Income

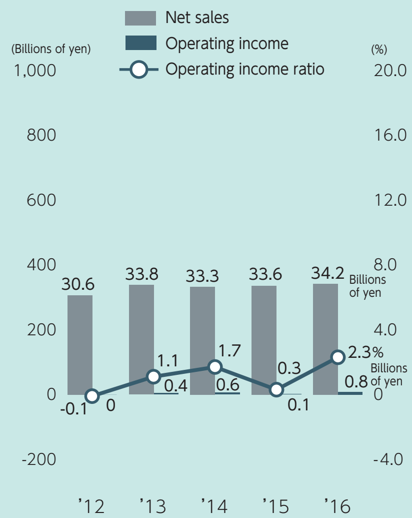
¥782million

(Year-on-year increase of 666.7%)

Performance







Main Products and Services

Heavy Duty Packaging-Related Business

- Polyethylene heavy duty bags
- Kraft paper bags
- Flexible container bags

Overseas Business

- Corrugated board
- Corrugated boxes
- Flexible packaging
- Flexible container bags
- Nonwoven products

Other Businesses

- Nonwoven products
- Packaging machines
- Printing paper*
- Transportation

*Completed withdrawal from the printing paper business by the end of March 2016

Major Group Companies

Heavy Duty Packaging-Related Business

- Nihon Matai Co., Ltd.

Overseas Business

- Dalian Rengo Packaging Co., Ltd.
- Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd.
- Matai (Vietnam) Co., Ltd.
- Wuxi Rengo Packaging Co., Ltd.

Other Businesses

- Rengo Nonwoven Products Co., Ltd.
- Yamada Kikai Kogyo Co., Ltd.
- Rengo Logistics Co., Ltd.
- Sanyo Jidosha Unso Co., Ltd.

Paperboard and Packaging-Related Business

The paperboard and packaging-related business recorded higher sales and profit than the previous year, assisted by revisions of product prices and a decrease in energy prices, despite increase in raw material prices.

Segment sales were ¥367,335 million, an increase of 2.4% year on year, and operating income was ¥8,406 million, an increase of 160.7%. The paperboard and packaging-related business accounted for 69.0% of consolidated net sales.


Various types of paperboard


Corrugated board


Corrugated boxes

Paperboard

The Rengo Group's business for manufacturing and sales of paperboard is 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 increased from the previous year's level as shipments of containerboard recovered in Japan and exports continued to increase although demand for boxboard decreased. In these circumstances, the Rengo Group reinforced its containerboard supply system and as a result, the Group's paperboard production volume in Japan amounted to 2,245 thousand tons, an increase of 7.5% year on year.

Paperboard sales increased 13.1% to ¥54.9 billion, accounting for 10.3% of consolidated net sales.

New Power Plants Start Operation at Kanazu, Yashio, and Amagasaki Mills

A new steam turbine generator facility installed at Kanazu Mill (Awara-shi, Fukui Prefecture) began operation in September 2015. As well as improving the efficiency of energy consumption, the new power plant has enabled Kanazu Mill to start selling electricity as a new business. The electricity is also distributed for use at Rengo's Yodogawa Mill (Fukushima-ku, Osaka).

The wood chip biomass power plant at Yashio Mill (Yashio-shi, Saitama Prefecture), which began operation in January 2016, uses wood chips, a by-product of the construction industry, as its main fuel source. This new facility contributes to the diversification of energy sources other than its primary fuel, which is currently city gas, and reduction of CO_2 emissions at Yashio Mill.

The gas turbine power plant at Amagasaki Mill (Amagasaki-shi, Hyogo Prefecture), which also began operation in January 2016, not only produces electricity but also makes effective use of waste heat to produce steam for more efficient energy consumption.


Amagasaki Mill's gas turbine facility


Kanazu Mill's steam turbine power plant

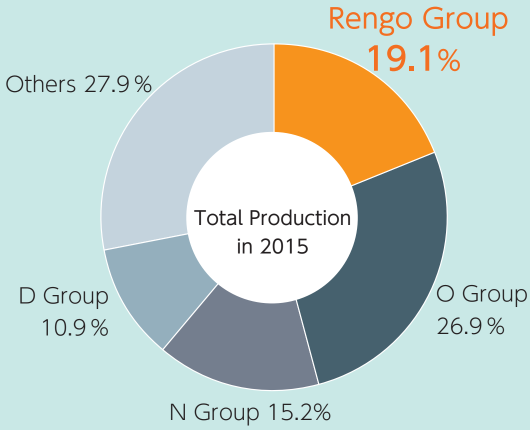
Sales (after intersegment elimination) (Millions of yen)

	2012	2013	2014	2015	2016
Paperboard	50,723	50,368	50,314	48,547	**54,922**

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

	2012	2013	2014	2015	2016
Paperboard	2,013	2,069	2,185	2,089	**2,245**

Major Manufacturing Groups' Shares of the Paperboard Market in Japan



Source: Japan Paper Association

Paperboard Packaging

The Rengo Group's business for manufacturing and sales of corrugated board and boxes is carried out independently by Rengo Co., Ltd., Yamato Shiki Co., Ltd., and Settsu Carton Co., Ltd.

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 higher than the previous year, because of an increase in demand for e-commerce applications as well as for food applications.

The Rengo Group's production volumes of corrugated packaging in Japan were virtually unchanged from the previous year. Production of corrugated board increased 0.7% year on year to 3,665 million square meters and production of corrugated boxes decreased 0.5% to 2,866 million square meters.

Sales of corrugated packaging increased 0.5% to ¥283.2 billion, accounting for 53.2% of consolidated net sales.

Shin-Tokyo Plant by Settsu Carton Co., Ltd. Commenced

Settsu Carton Co., Ltd. (Itami-shi, Hyogo Prefecture) opened the Shin-Tokyo Plant (Kawaguchi-shi, Saitama Prefecture) as a renewal of the Tokyo Plant (Yashio-shi, Saitama Prefecture). The new corrugated plant, completed in August 2016, is a state-of-the-art environmentally friendly facility incorporating innovative features such as photovoltaic power generation facilities.

Settsu Carton Shin-Tokyo Plant

Rengo Invests in Kato Danboru Co., Ltd.

Rengo acquired a 60% stake in Kato Danboru Co., Ltd. (Katsushika-ku, Tokyo), making it a subsidiary of Rengo. Kato Danboru is a corrugated packaging manufacturer with four production bases, in Noda-shi, Chiba Prefecture; Iwaki-shi and Iwase-gun in Fukushima Prefecture; and Kamakura-shi, Kanagawa Prefecture. Going forward, Rengo will dispatch officers to Kato Danboru and implement measures to increase the competitiveness of Kato Danboru's corrugated packaging business, while promoting collaboration of Kato Danboru's plants with neighboring plants directly managed by Rengo and with Rengo Group companies.

Sales (after intersegment elimination) (Millions of yen)

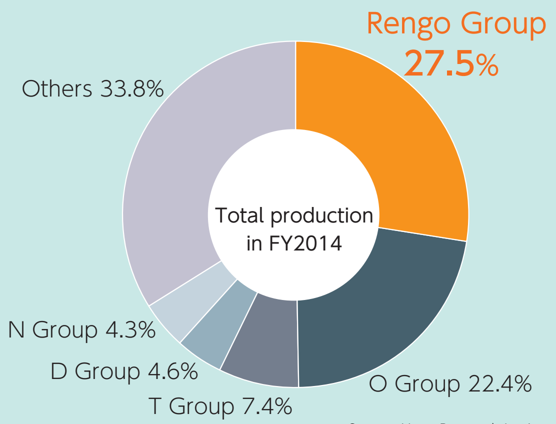
	2012	2013	2014	2015	**2016**
Corrugated packaging	286,210	288,769	295,800	281,853	**283,222**
Others	25,801	26,148	26,519	28,421	**29,191**

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

	2012	2013	2014	2015	**2016**
Corrugated board	3,610	3,587	3,804	3,640	**3,665**
Corrugated boxes	2,729	2,726	2,946	2,879	**2,866**

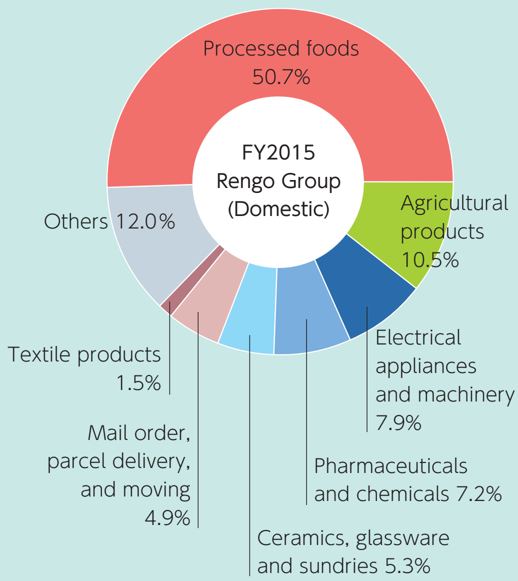
*Corrugated board production volume includes those converted into corrugated boxes.

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



Source: Yano Research Institute

Breakdown of Demand for Corrugated Boxes by Market



Flexible Packaging-Related Business


Film wraps


Labels


Cellophane

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

Market Environment and Business Results

The flexible packaging-related business recorded increases in sales and profit. Although unfavorable weather weakened the demand for beverage, fruit and vegetable applications, increased demand associated with convenience stores and cost reduction, as well as demand resulting from the shift from folding cartons, contributed to higher performance.

Segment sales were ¥63,873 million, an increase of 3.6% year on year, and operating income was ¥4,249 million, an increase of 102.0%. The flexible packaging-related business accounted for 12.0% of consolidated net sales.

Sales (after intersegment elimination) (Millions of yen)

	2012	2013	2014	2015	2016
Flexible Packaging-Related Business	53,319	56,213	60,663	61,627	**63,873**

Howa Sangyo Co., Ltd. Adds Automated Warehouse at Hikata Plant

Rengo's consolidated subsidiary, Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) opened an additional automated warehouse at its Hikata Plant (Asahi-shi, Chiba Prefecture).

Hikata Plant is Howa Sangyo's largest production site and produces a wide range of film packaging materials. With the construction of the automated warehouse, not only is the chronic lack of warehouse space resolved, but costs such as for external storage are also reduced. The system is built to be capable of handling future increases in demand.


New automated warehouse at Hikata Plant of Howa Sangyo Co., Ltd.

Heavy Duty Packaging-Related Business


Polyethylene heavy duty bags


Kraft paper bags


Flexible container bags

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

Market Environment and Business Results

Whereas sales of the heavy duty packaging-related business were virtually unchanged from the previous year primarily because of lower demand for container bags used for decontamination after the nuclear power plant accident, the heavy duty packaging-related business recorded higher profit than the previous year mainly owing to a decrease in prices of raw materials.

Segment sales were ¥40,815 million, an increase of 0.5% year on year, and operating income was ¥1,740 million, an increase of 179.7%. The heavy duty packaging-related business accounted for 7.7% of consolidated net sales.

Sales (after intersegment elimination) (Millions of yen)

	2012	2013	2014	2015	2016
Heavy Duty Packaging-Related Business	23,902	24,162	32,093	40,596	**40,815**

Overseas Business

Manufacturing and sales of the Rengo Group's products overseas are carried out mainly by the following companies: paperboard by Vina Kraft Paper Co., Ltd., corrugated board and boxes by Dalian Rengo Packaging Co., Ltd., flexible packaging by Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd., heavy duty packaging by Matai (Vietnam) Co., Ltd., and nonwoven products by Wuxi Rengo Packaging Co., Ltd.

Market Environment and Business Results

Sales of the overseas business decreased primarily because of a decrease in sales volume of the corrugated business in China, but the business returned to profit because of the robust performance of flexible packaging.

Corrugated production volume in the overseas business amounted to 247 million square meters, a decrease of 3.5%. Segment sales decreased 5.9% year on year to ¥26,339 million, and operating income was ¥353 million. The overseas business accounted for 4.9% of consolidated net sales.

Sales (after intersegment elimination) (Millions of yen)

	2012	2013	2014	2015	**2016**
Overseas Business	22,025	23,210	24,455	27,997	**26,339**

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

	2012	2013	2014	2015	**2016**
Paperboard (thousand tons)	177	165	70	—	—
Corrugated board (million sq. meters)	245	210	222	256	**247**
Corrugated boxes (million sq. meters)	224	189	207	229	**222**

*Corrugated board production volume includes those converted into corrugated boxes.

The Rengo Group's production volume of paperboard overseas, including production by equity-method affiliates, amounted to 412 thousand tons and that of corrugated board was 1,777 million square meters.

For our most recent developments, see page 16.

Other Businesses


Nonwoven products


Packaging machine


Viscopearl® (porous cellulose beads)

Manufacturing and sales of other products are carried out by the following companies: nonwoven products by Rengo Nonwoven Products Co., Ltd., packaging machines mainly by Yamada Kikai Kogyo Co., Ltd., and printing paper by Osaka Paper Co., Ltd. Rengo Co., Ltd. is involved only in sales of packaging machines.

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

Market Environment and Business Results

Sales and profit of other businesses increased from the previous year because of improved profitability of the nonwoven products business and the transport business.

Segment sales were ¥34,172 million, an increase of 1.6% year on year, and operating income was ¥782 million, an increase of 666.7%. Other businesses accounted for 6.4% of consolidated net sales.

Sales (after intersegment elimination) (Millions of yen)

	2012	2013	2014	2015	**2016**
Other Businesses	30,647	33,756	33,298	33,631	**34,172**

Rengo Logistics Co., Ltd. Opens Yashio Logistics Center

Rengo's consolidated subsidiary, Rengo Logistics Co., Ltd. (Nishiyodogawa-ku, Osaka), opened the Yashio Logistics Center (Yashio-shi, Saitama Prefecture) in May 2015 to improve the efficiency and speed of distribution. With 24-hours-a-day capabilities for receiving and shipping goods, Yashio Logistics Center serves as the base for distribution of Rengo Group's products centering on Yashio Mill's products. Furthermore, the center will be utilized as the key base for comprehensive logistics operations.


Yashio Logistics Center of Rengo Logistics Co., Ltd.

Osaka Paper Co., Ltd. Withdraws From Printing Paper Business

Rengo's consolidated subsidiary, Osaka Paper Co., Ltd. (Nishiyodogawa-ku, Osaka) has decided to withdraw from the printing paper business at the end of March 2016 and focus its resources on the boxboard business.

Amid accelerating economic and social globalization, capitalizing on the superior packaging technologies it has cultivated over the years, the Rengo Group is addressing the packaging needs of customers overseas. We are contributing to the enhancement of packaging culture and economic development wherever we operate.

Major developments

June 2015	**Investment in Tin Thanh Packing Joint Stock Company (BATICO), a flexible packaging manufacturer in Vietnam** TC Flexible Packaging Co., Ltd. acquired an 80% equity stake in BATICO.	1
March 2016	**Prepack Thailand Co., Ltd., a flexible packaging manufacturer, opened a new plant** A new factory opened in Sinsakhon, Prepack Thailand's third.	2
May 2016	**Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd. expanded its plant** It opened a new plant in Jiangsu Province, China, for manufacture of aluminum for Press through packages (PTP) used as tablet and capsule packs.	3

Plans

October 2016	**Tri-Wall Holdings Limited to become a Rengo subsidiary** Rengo plans to acquire 100% of the shares in Tri-Wall Holdings Limited, which is a holding company of the Tri-Wall Group and owns a global brand of heavy duty corrugated board.	
Within fiscal 2016	**Vina Kraft Paper Co., Ltd. to increase containerboard production capacity** Construction of a new containerboard machine in a mill in Binh Duong Province, Vietnam, scheduled for completion.	4

Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd.

Business: Manufacturing and sales of containers and packaging materials for pharmaceutical products

Shareholders: Nihon Matai Co., Ltd. (75.5%), etc.

Vina Kraft Paper Co., Ltd.

Business: Manufacturing and sales of containerboard (linerboard & corrugating medium)

Shareholders: Siam Kraft Industry Co., Ltd. (70%), Rengo Co., Ltd. (30%)

Production Capacity: 246,000 tons/annum (489,000 tons/annum after installation of a new machine)

Prepack Thailand Co., Ltd.

Business: Manufacturing and sales of flexible packaging and heavy duty packaging products

Shareholders: TC Flexible Packaging Co., Ltd. (72%), etc.

Plants: Sinsakhon plant, Samutsongkram plant, Rayong plant

Tin Thanh Packing Joint Stock Company (BATICO)

Business: Manufacturing and sales of flexible packaging products

Shareholders: TC Flexible Packaging Co., Ltd. (80%), etc.

Packaging serves multifaceted functions: to protect products, present them attractively, convey information, and be people-friendly and environmentally considerate. Packaging is constantly evolving. Rengo helps provide solutions to all types of packaging-related issues from three perspectives: “packaging technology,” “design and marketing,” and “research and development.” The wealth of packaging technology we have accumulated forms the basis of the “total solutions” we offer our customers, covering every scenario in the creation of a product from product development, packaging and distribution through to in-store sales promotions.

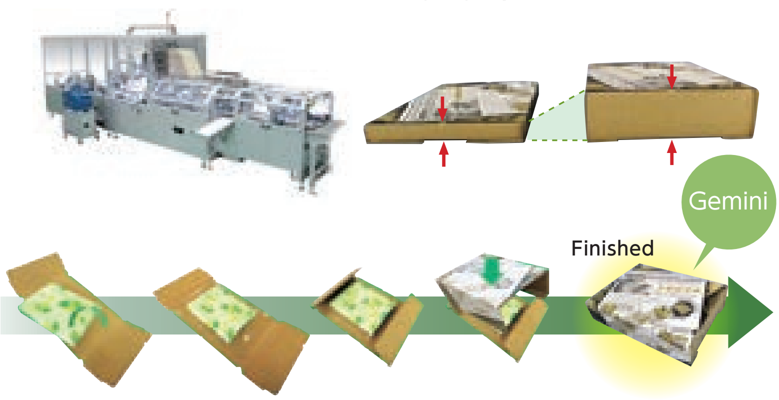
Retail Mate Series

The Retail Mate series is a range of innovative packaging products, including Rengo Smart Display Packaging (RSDP), with various functions to boost efficiency at distribution sites.

Packaging Systems for E-commerce

The Rengo Group offers diverse packaging systems which provide less workload and more efficiency in the packaging process geared to customer needs in the growing e-commerce market.

Gemini Packaging System



The system automatically measures the size of the merchandise, produces a package at exactly the right height, and completes packing.

I-Pack®

e-Cube®

The system automatically folds the flaps of the corrugated box inside at the optimum height for the merchandise, and seals it.

Advantages of Rengo’s packaging systems for e-commerce

- Simplified management of packaging materials
- Enhanced operability
- Higher transport efficiency
- Reduced labor cost
- Reduced use of cushioning materials
- Environmentally friendly
- Enhanced designability and more

True to its basic policy of "Being friendly to people and considerate to the environment," the Rengo Group is fulfilling an active role in the realization of a sustainable society.

We are promoting the creation of innovative products offering great value with less resources while pushing forward with environmental protection throughout our business fields, with our concept of "Less is more."

Three Initiatives for Environmental Sustainability

Realization of a recycling-based society

Realization of a low-carbon society

Realization of harmony with the natural environment

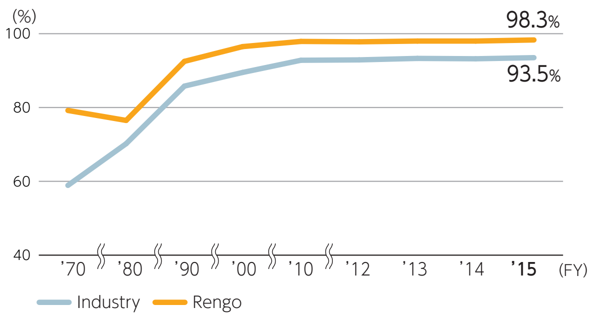
To Realize a Recycling-based Society

Maintaining and expanding the use of recovered paper

Corrugated board is a recyclable product whose recycling system has long been established. Rengo is increasing the use of recovered paper while maintaining product quality through promotion of more effective use of recovered paper and the introduction of facilities for processing confidential paper waste, which was previously difficult to use.

As a result, Rengo's recovered paper utilization ratio for fiscal 2015 was maintained at a high level at 98.3%.

Recovered paper utilization ratio for paperboard



Source: Paper Recycling Promotion Center

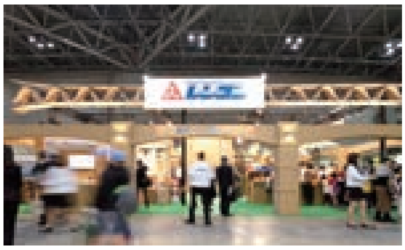
Facilities dedicated to processing confidential paper waste

Promoting recycling

To facilitate recycling of used corrugated board, which is a valuable resource, we are making a concerted effort to construct an efficient, high-quality recycling system.

The Rengo Group is promoting use and awareness of the Corrugated Recycles symbol to facilitate waste separation, discharge, and recovery, and encouraging recycling of corrugated board through exhibitions and awareness-raising activities for external parties. We are also proactively committed to developing easy-to-recycle products.

Corrugated Recycles symbol



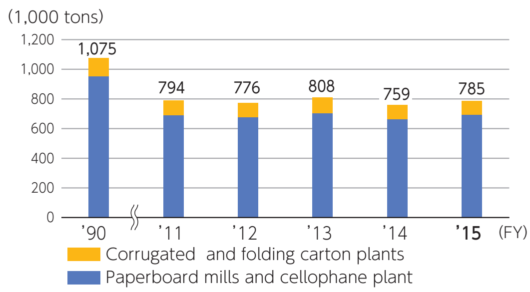
Participated in Eco-Products 2015 environmental exhibition

To Realize a Low-carbon Society

Reducing CO_2 emissions

In the Eco Challenge 020 environmental action plan, Rengo has set a target of a 32% reduction in CO_2 emissions from fossil fuels during production by fiscal 2020 compared with fiscal 1990. CO_2 emissions were 785,168 tons in fiscal 2015, a reduction of 27.0% compared with fiscal 1990.

CO_2 emissions

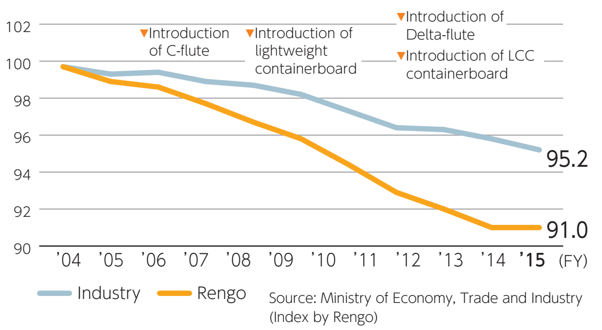


In addition, we have set a progressive target to reduce CO_2 emissions by 26% compared with fiscal 2013 (40% reduction compared with fiscal 1990) by 2030.

Lightweight packaging

Rengo relentlessly takes on challenges in packaging products manufacturing with “how to achieve thinner and more lightweight packaging without compromising functionality” as our issue of concern. In fiscal 2015, through our efforts to reduce weight, including the promotion of Less Caliper & Carbon (LCC) containerboard, C-flute and Delta-flute corrugated board, the average basis weight of corrugated board manufactured by Rengo decreased 9.0% compared to the fiscal 2004 average. We will continue our efforts to promote lighter packaging to realize reduced environmental impacts through resource saving and improved transportation efficiency.

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



To Realize Harmony with the Natural Environment

Green procurement

Rengo has established the Basic Procurement Policy for Wood Pulp. In accordance with this policy, we confirm that the pulp we procure is derived from timber from appropriately managed forests. Rengo is also monitored annually by the Japan Paper Association to confirm that countermeasures for illegal logging are in place.

FSC® certification obtained for all products

All of Rengo’s corrugated plants, folding carton plants, as well as its paperboard mills obtained the Forest Stewardship Council® (FSC) certification in fiscal 2015. FSC certification is an international system for certifying both appropriately managed forests and the appropriate processing and distribution of lumber harvested from these forests. FSC on-product labels can only be displayed on products for which every company involved in production, processing and distribution management has acquired FSC certification. Because Rengo gained FSC certification for both the corrugated plants that process containerboard into corrugated packaging and the paperboard mills that produce the containerboard, almost every type of corrugated packaging that uses containerboard produced at Rengo mills is FSC certified.

Marusan Paper Mfg. Co., Ltd., a Rengo Group company, also gained FSC certification for containerboard in June 2016. As a result, all six of the Rengo Group’s paperboard mills are now FSC certified.

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

FSC
www.fsc.org
FSC® C126809
The mark of responsible forestry

Reduction of waste and pollutants

We are striving to reduce the amount of industrial waste, as well as promote recycling and minimize landfill disposal at our plants. In addition, we have implemented a waste management system to ensure appropriate management.

Emissions of any pollutants that may affect the local environment are thoroughly controlled by applying voluntary standards stricter than the legal requirements and carrying out thorough management to prevent environmental contamination.

Water treatment system (dissolved air flotation facility)

Social contribution activities

We are conducting various activities at our divisions and plants across 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.

The Rengo Group’s Environmental Initiatives Recognized

Yashio Mill recognized as a Top Level Facility under the Saitama Prefecture cap-and-trade emissions trading system

Yashio Mill (Yashio-shi, Saitama Prefecture) has been recognized as a Top Level Facility within the Excellent Large Scale Business Facilities category for the first time in the prefecture, under the cap-and-trade emissions trading system operating as part of Saitama Prefecture Global Warming Strategy Promotion Action Ordinance in March 2016.

Through this program, the Saitama Prefectural Government recognizes facilities in the prefecture that are implementing excellent global warming countermeasures from among large-scale facilities with large energy consumption. Yashio Mill was previously recognized as a Quasi-Top Level Facility, and in March 2016 became the first facility in the prefecture to be recognized as a Top Level Facility.

Rengo’s Environment and Social Report 2015 received commendation at Environmental Communication Awards

Our Environment and Social Report 2015 published in 2015 received a commendation in the environmental report category at the 19th Environmental Communication Awards organized by the Ministry of the Environment and the Global Environmental Forum.

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. In endorsing the Corporate Governance Code, we are continuing efforts to ensure sustainable growth as well as to increase medium- to long- term corporate value.

Basic Stance for Corporate Governance

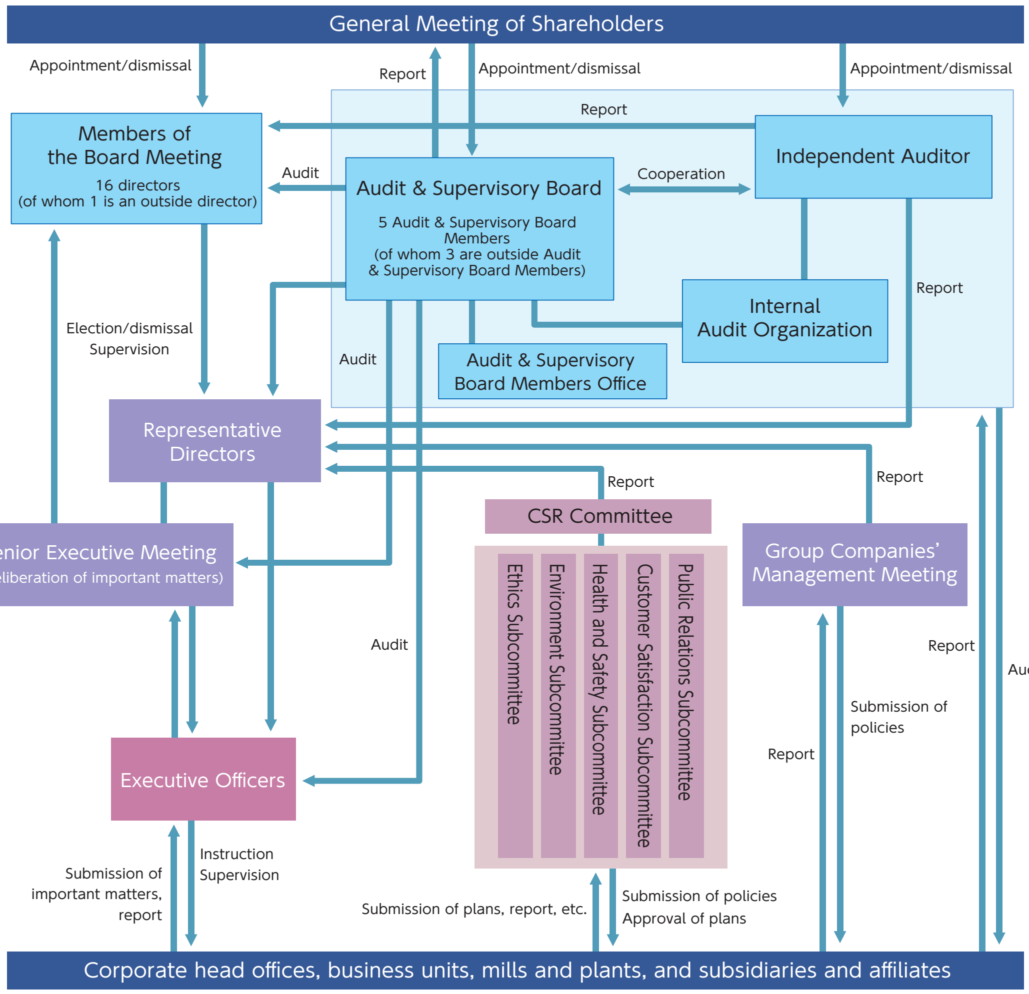
As an enterprise aspiring to earn society's trust and confidence, our goal is timely and accurate information disclosure combined with sound management that has high transparency. In keeping with our corporate philosophy whose essence is "The truth is in the workplace," Rengo is enhancing corporate governance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

Corporate Governance Systems

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

Rengo's corporate governance structure is shown below.

Corporate Governance Structure (As of June 29, 2016)



The Board of Directors and Its Effectiveness

As of June 29, 2016, Rengo's Board of Directors consisted of 16 directors. (The maximum number of directors stipulated in the Articles of Incorporation is 18.) Regarding the effectiveness of the Board of Directors, Rengo is working to enhance the functions of the Board through self-evaluation by directors and other means. To analyze and evaluate the effectiveness of the Board as a whole, the Company looks into conducting questionnaire surveys of members of the Board and the disclosure of the overview of results.

Corporate governance structure	
Organizational form	Company with audit & supervisory board
Number of directors	16
(Of whom the number of outside directors)	(1)
Number of audit & supervisory board members	5
(Of whom the number of outside audit & supervisory board members)	(3)
Number of independent officers	4
Terms of office of directors	1 year
Disclosure of compensation	Total amount*
Policy on determining compensation amounts and calculation methods	Established

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

Making Use of Independent Outside Directors

Rengo has appointed one independent outside director who satisfies the qualification for independent officers as stipulated by the Tokyo Stock Exchange, in addition to the criteria for determining who qualifies as an outside director in accordance with the Companies Act, thus allowing for opinions stated from an independent stance during the discussion at Board meetings.

In light of the principle of the Corporate Governance Code, we recognize the need to have two or more independent outside directors and endeavor to select appropriate persons.

Policy on Cross-shareholdings and Criteria for Exercise of Voting Rights

Rengo may acquire and hold shares of customers, suppliers, and other companies if it is judged that such shareholdings will contribute to Rengo's sustainable growth and enhancement of medium- and long-term corporate value from the viewpoint of establishing and reinforcing stable, long-term business relationships with them.

Regarding shares held for the purpose of cross-shareholdings, their effect is examined and reported to the Board from the viewpoint of medium- to long-term economic rationality, maintaining, or reinforcing overall relationships with the stakeholders, etc. With respect to exercise of voting rights concerning shares held for the purpose of cross-shareholdings, Rengo exercises voting rights appropriately by carefully examining proposals and judging whether they contribute to Rengo's sustainable growth, enhancement of medium- to long-term corporate value, the common interests with cross-holding partners, etc.

Internal Control

Rengo formulated the basic policy for design of internal controls pursuant to the Companies Act of Japan and the Board of Directors approved it in May 2006. In April 2008, to respond to the internal control system required by the Financial Instruments and Exchange Act, Rengo established the 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 2015, Rengo Co., Ltd. and its 38 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, 2016.

In addition, based on the amendments to the Companies Act and the Ordinance for Enforcement of the Companies Act, additional provisions for both the companies' internal control and the enhancement of the audit program were enacted. Following this, in May 2015, Rengo partially revised its internal control system pursuant to the Companies Act.

Strengthening Compliance Systems

The Compliance Promotion Office, a permanent organization in Rengo, is spearheading Rengo's efforts to ensure compliance with laws and regulations, including the Antimonopoly Act, and strengthen corporate ethics. A compliance promotion officer responsible for execution of compliance promotion activities is appointed at each business unit and site of Rengo to strengthen the systems. Companies in the Rengo Group are also strengthening their compliance structures similar to that of Rengo Co., Ltd.

Moreover, we hold lectures mainly on compliance with the Antimonopoly Act, as necessary, for the purpose of compliance education. In fiscal 2015, ten lectures were held, which were open to officers and all employees of Rengo and companies in the Rengo Group, with the participation of 598 people in total.

Whistleblower System

In order to prevent violations of laws and regulations, we have a Corporate Ethics Helpline in place both inside and outside the Company, separate from the ordinary business reporting route via immediate superiors, so that our employees can report and consult about compliance matters by telephone, email, or other means. In fiscal 2015, there were four cases of whistleblowing (one of which was through an external helpline). The Ethics Subcommittee dealt appropriately with all these cases in coordination with the internal organizations concerned.

In addition, a system is in place whereby audit & supervisory board members receive reports, if officers and employees of Rengo's group companies recognize a violation of law, a matter that may cause serious damage to a company, or any other matter that has an important bearing on management. The system is operated appropriately to ensure that people who make such reports are not treated unfairly.

Rengo Endorses the United Nations Global Compact

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.

UN GLOBAL COMPACT
Network Japan
WE SUPPORT

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

(As of June 29, 2016)

Representative Director, Executive Vice President	Representative Director, Chairman, President and Chief Executive Officer	Representative Director, Executive Vice President
Moriaki Maeda	Kiyoshi Otsubo	Ichiro Hasegawa

Representative Director, Chairman, President and Chief Executive Officer	Kiyoshi Otsubo
Representative Director, Executive Vice President	Moriaki Maeda
	Ichiro Hasegawa
Member of the Board, Senior Managing Executive Officer	Misao Wakamatsu
	Yasuhiro Baba
	Hiromi Sambe
	Shigechika Ishida
Member of the Board, Managing Executive Officer	Yosuke Kawamoto
	Sadatoshi Inoue
Member of the Board, Executive Officer	Mitsumasa Yokota
	Hirofumi Hori
	Toru Osako
	Koichi Hirano
	Takeshi Hosokawa
	Yukio Okano
Member of the Board	Kenjiro Nakano

Audit & Supervisory Board Member	Kiwamu Hashimoto
	Yoshihiro Kagawa
	Shinichi Yokoyama
	Junzo Ishii
	Kiyoshi Mukohara
Senior Managing Executive Officer	Osamu Nishimura
Managing Executive Officer	Ryuzo Shinano
	Hiroshi Ebihara
Executive Officer	Kenichi Ito
	Naohiro Kubota
	Yuji Hiwaki
	Masashi Nakashima
	Taro Shiomi
	Yuji Motomatsu
	Shin Moritsuka
	Hiroyuki Kinoda
	Satoshi Fujiwara
	Mitsunori Ozaki

Notes:
1. Mr. Kenjiro Nakano, a Board member, is an outside director.
2. Messrs. Shinichi Yokoyama, Junzo Ishii, and Kiyoshi Mukohara of the audit & supervisory board are the outside audit & supervisory board members.

Financial Section

CONTENTS

Consolidated Ten-Year Summary

Rengo Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen		
For the year:	2007	2008	2009
Net sales	¥412,986	¥435,339	¥446,660
Gross profits	70,941	66,226	69,813
Operating income	19,057	12,799	15,213
Profit before income taxes and non-controlling interests	16,292	9,654	14,215
Profit attributable to owners of parent (*1)	9,442	5,659	7,831
Research and development expenses	1,507	1,486	1,663
Depreciation and amortization	21,589	24,227	24,337
Capital expenditures	34,351	21,083	20,526
EBITDA	40,646	37,026	39,550
At Year-End:			
Total assets	¥471,855	¥468,887	¥457,263
Working capital	(66,525)	(53,538)	(43,897)
Interest-bearing debt	185,065	194,251	193,374
Net assets	150,961	147,382	140,779
Total shareholders' equity (*2)	145,590	142,221	136,175
Per share amounts (yen):			
Basic earnings	¥ 38.81	¥ 21.83	¥ 29.91
Diluted earnings	—	—	—
Cash dividends applicable to the year	10.00	10.00	10.00
Net Assets (*3)	574.10	542.91	520.49
Ratios:			
Return on equity (%)	6.7	3.9	5.6
Return on total assets (%)	2.1	1.2	1.7
Debt to equity ratio (times)	1.27	1.37	1.42
Total shareholders' equity to total assets (%)	30.9	30.3	29.8
Other statistics:			
Number of shares of common stock (thousand)	263,774	263,774	263,774
Number of employees	9,747	10,181	9,089
Stock prices (yen):			
High	¥ 952	¥ 927	¥ 849
Low	616	451	425

(*1) From the current fiscal year, the Company changed usage of both the terms "Net income" and "Non-controlling interests" to "Profit attributable to owners of parent" and "Minority interests" respectively, in accordance with "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and the other revised standards.
(*2) Total shareholders' equity = Net assets - Non-controlling interests
(*3) 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 non-controlling interests.

Millions of yen						
2010	2011	2012	2013	2014	2015	**2016**
¥457,386	¥474,878	¥492,628	¥502,626	¥523,142	¥522,672	**¥532,534**
91,645	91,888	86,196	88,469	82,606	76,429	**87,288**
33,727	32,391	25,068	23,891	14,221	5,568	**15,727**
29,633	18,042	11,272	25,066	9,687	12,081	**16,268**
16,987	10,291	7,148	12,956	3,703	5,719	**9,817**
1,507	1,486	1,541	1,581	1,421	1,405	**1,441**
25,223	26,394	27,149	27,898	28,582	29,612	**29,333**
29,363	22,650	47,741	37,014	52,849	39,982	**29,657**
58,950	58,785	52,217	51,789	42,803	35,180	**46,455**
¥498,137	¥499,119	¥549,058	¥572,591	¥629,055	¥655,675	**¥644,690**
(37,080)	(36,385)	(46,135)	(30,389)	(40,772)	(34,146)	**(36,802)**
199,237	201,584	229,444	237,746	263,431	276,906	**264,728**
163,926	165,613	170,931	188,133	201,659	222,391	**221,734**
159,385	159,395	164,339	180,734	196,359	216,353	**215,963**
¥ 64.42	¥ 39.67	¥ 27.74	¥ 50.99	¥ 14.95	¥ 23.09	**¥ 39.64**
—	—	—	—	—	—	**—**
10.00	12.00	12.00	12.00	12.00	12.00	**12.00**
595.36	618.59	637.85	729.53	792.78	873.60	**872.17**
11.5	6.5	4.4	7.5	2.0	2.8	**4.5**
3.6	2.1	1.4	2.3	0.6	0.9	**1.5**
1.25	1.27	1.40	1.32	1.34	1.28	**1.23**
32.0	31.9	29.9	31.6	31.2	33.0	**33.5**
271,056	271,056	271,056	271,056	271,056	271,056	**271,056**
11,182	12,267	12,961	13,082	13,095	14,060	**13,999**
¥ 652	¥ 597	¥ 619	¥ 599	¥ 651	¥ 558	**¥ 619**
483	414	458	311	438	443	**459**

Management's Discussion and Analysis

Overview

In the fiscal year ended March 31, 2016 (fiscal 2015), inspired by the "General Packaging Industry (GPI)" concept, the Rengo Group responded to the full spectrum of packaging needs of virtually all industries by deploying its comprehensive capabilities centering on six core businesses—paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business. At the same time, to further develop this hexagonal business structure, the Rengo Group promoted packaging innovation and strove to improve earnings power and expand the business scale through vigorous capital investment and M&A, operational reorganization, and strengthening sales & marketing capabilities.

Rengo continued development of innovative packaging that delivers great value with fewer resources, in accordance with the principle of "Less is more." Rengo Smart Display Packaging (RSDP) embodies this concept. Positioning RSDP and other products that improve efficiency in retailing as the Retail Mate series, Rengo worked to cultivate new demand. Moreover, to promote efficient use of resources and diversification of energy sources, Rengo installed new facilities, including a steam turbine generator at Kanazu Mill (Awara-shi, Fukui Prefecture), a wood chip biomass power plant at Yashio Mill (Yashio-shi, Saitama Prefecture), and a gas turbine generators at Amagasaki Mill (Amagasaki-shi, Hyogo prefecture).

In April 2015, Settsu Carton Co., Ltd. (Itami-shi, Hyogo Prefecture) began construction of the Shin-Tokyo Plant (Kawaguchi-shi, Saitama Prefecture). In May 2015, Rengo Logistics Co., Ltd. (Nishiyodogawa-ku, Osaka) opened the Yashio Logistics Center (Yashio-shi, Saitama Prefecture) that is capable of receiving and issuing goods 24 hours a day. In October 2015, aiming to expand the flexible packaging business, Rengo took an equity stake in Sun·Tox Co., Ltd. (Minato-ku, Tokyo), which manufactures and sells plastic films. In March 2016, Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) opened an automated warehouse at its Hikata Plant (Asahi-shi, Chiba Prefecture).

Overseas, joint venture Vina Kraft Paper Co., Ltd. in Vietnam decided in April 2015 to expand its containerboard production capacity to meet the country's brisk demand for corrugated packaging and is currently constructing a new facility. In June 2015, TC Flexible Packaging Co., Ltd. (TCFP), a joint-venture company in Thailand, acquired an equity stake in Tin Thanh Packing Joint Stock Company (BATICO), a leading flexible packaging manufacturer in Vietnam. In March 2016, Prepack Thailand Co., Ltd., a flexible packaging manufacturer in Thailand in which TCFP has an equity stake, opened a new plant. These moves are intended to expand the flexible packaging business in Southeast Asia, where demand is significantly growing.

In the paperboard business, Osaka Paper Co., Ltd. (Nishiyodogawa-ku, Osaka) decided to withdraw from the printing paper business at the end of March 2016 and focus its resources on the boxboard business in order to strengthen earnings power. Meanwhile, in order to restructure the containerboard production system, Rengo decided to upgrade the paperboard machine at the Kanazu Mill so that it can produce linerboard in addition to corrugating medium. At the same time, Rengo has decided to close the Yodogawa Mill (Fukushima-ku, Osaka) by the end of March 2018 and consolidate containerboard production at five Rengo Group sites.

As a result, both sales and profit exceeded the previous year.

The amount of expected losses associated with the withdrawal from the printing paper business is reflected in the consolidated financial results for fiscal 2015.

As of March 31, 2016, there were 51 consolidated subsidiaries, three less than at the end of the previous year, and there were nine affiliates accounted for by the equity method, one more than at the end of the previous year.

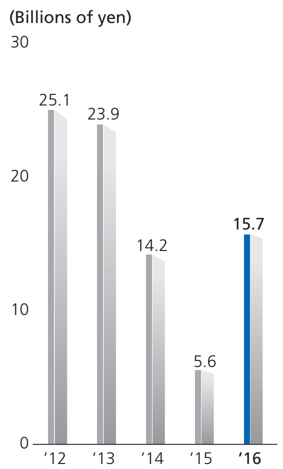
Sales

Consolidated net sales increased ¥9.8 billion or 1.9% year on year from ¥522.7 billion for the previous year to ¥532.5 billion for fiscal 2015. This increase was mainly due to an increase in sales volume of paperboard products and revision of prices of corrugated products. In addition, the flexible packaging business also enjoyed brisk demand centering on convenience store applications.

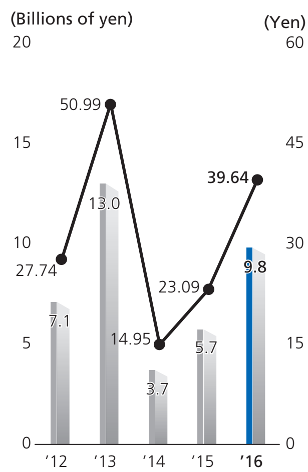
Sales from the paperboard and packaging-related business segment increased 2.4% year on year, sales from the flexible packaging-related business segment increased 3.6%, sales from the heavy duty packaging-related business increased 0.5%, sales from the overseas business decreased 5.9%, and sales from other businesses increased 1.6%.

Sales volumes of corrugated boxes in Japan were virtually unchanged from the previous year (a decrease of 0.3% year on year). Sales volumes of paperboard products in Japan increased 16.8% mainly as a result of the strengthening of the containerboard supply system.

Operating Income



Profit attributable to owners of parent and Basic earnings per share



Income and Expenses as a Percentage of Net Sales

	2014	2015	2016
Cost of sales	84.2%	85.4%	**83.6%**
SG&A expenses	13.1	13.6	**13.4**
Operating income	2.7	1.1	**3.0**
Profit attributable to owners of parent	0.7	1.1	**1.8**

Income and Expenses

Operating Expenses and Operating Income
Cost of sales decreased 0.2% year on year from ¥446.2 billion for the previous year to ¥445.2 billion owing to lower prices of energy, such as city gas and electricity despite the increase in raw material prices. Selling, general and administrative expenses increased 1.0% from ¥70.9 billion to ¥71.6 billion primarily owing to an increase in freightage and packing expenses.

Operating income increased ¥10.1 billion or 182.5% year on year from ¥5.6 billion to ¥15.7 billion. This increase was because the impact of lower energy prices, higher sales volumes of paperboard products, and contribution of the revision of prices of corrugated products exceeded the impact of increased raw materials prices.

Other Income and Expenses
Regarding the net balance of other income and expenses, income of ¥0.5 billion was recorded for fiscal 2015, compared with income of ¥6.5 billion for the previous year. This result was attributable to recording of subsidy income of ¥11.8 billion and a loss on reduction of non-current assets amounting to ¥11.1 billion for the year under review, whereas a gain on sales of non-current assets was recorded for the previous year.

Income Taxes and Profit Attributable to Non-controlling Interests
Income taxes decreased ¥0.1 billion from ¥6.2 billion for the previous year to ¥6.1 billion mainly owing to a decrease in income taxes-deferred. Profit attributable to non-controlling interests increased ¥0.1 billion from ¥0.2 billion for the previous year to ¥0.3 billion.

Profit Attributable to Owners of the Parent
Profit attributable to owners of the parent was ¥9.8 billion for fiscal 2015, an increase of ¥4.1 billion or 71.7% from ¥5.7 billion for the previous year. Basic earnings per share was ¥39.64, having increased from ¥23.09 for the previous year.

Annual cash dividends per share were unchanged from the previous year at ¥12.

Financial Position and Cash Flows

Assets
Total assets were ¥644.7 billion, having decreased ¥11.0 billion from ¥655.7 billion at the end of the previous year. The principal factors were a ¥5.1 billion increase in current assets, a ¥10.8 billion decrease in property, plant and equipment, a ¥2.3 billion decrease in intangible assets, and a ¥3.0 billion decrease in investments and other assets.

The principal reason for the decrease in property, plant and equipment was the reduction of non-current assets.

Liabilities and Net Assets
Total liabilities amounted to ¥423.0 billion, having decreased ¥10.3 billion from ¥433.3 billion at the end of the previous year, owing mainly to a decrease in long-term loans payable.

Interest-bearing debt at the end of the year stood at ¥264.7 billion, having decreased ¥12.2 billion from ¥276.9 billion at the end of the previous year.

Net assets amounted to ¥221.7 billion, having decreased ¥0.7 billion from ¥222.4 billion at the end of the previous year, because a decrease in accumulated other comprehensive income resulting from decreased stock prices and changes in foreign currency exchange rates exceeded an increase in retained earnings.

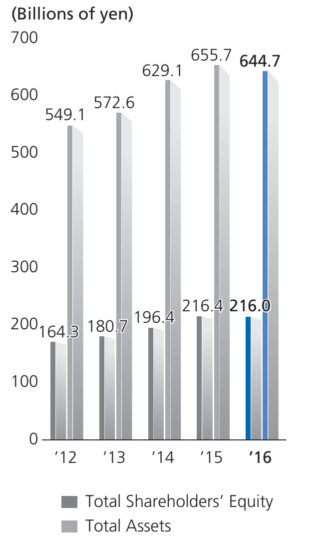
Cash Flows
Net cash provided by operating activities amounted to ¥50.6 billion, an increase of ¥31.2 billion from ¥19.4 billion for the previous year. Major items were depreciation and amortization amounting to ¥29.3 billion and a loss on reduction of non-current assets amounting to ¥11.1 billion.

Net cash used in investing activities increased ¥3.9 billion from ¥29.6 billion for the previous year to ¥33.5 billion. Principal items were purchases of property, plant and equipment amounting to ¥28.9 billion and purchase of investment securities amounting to ¥3.1 billion.

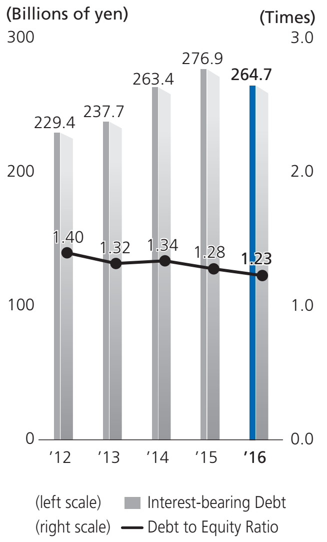
Net cash used in financing activities was ¥17.0 billion. Cash outflow increased ¥23.2 billion from the previous year, when net cash provided by financing activities amounted to ¥6.2 billion. Major items were a ¥11.0 billion net decrease in long-term loans payable and cash dividends paid amounting to ¥3.0 billion.

As a result, cash and cash equivalents were ¥19.4 billion at the end of fiscal 2015, having decreased ¥0.1 billion from the previous year.

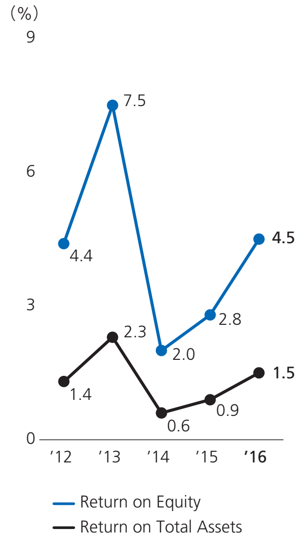
Total Shareholders' Equity and Total Assets



Interest-bearing Debt and Debt to Equity Ratio



Return on Equity and Return on Total Assets



Consolidated Balance Sheets

Rengo Co., Ltd. and Consolidated Subsidiaries

March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets			
Current assets:			
Cash and deposits (Notes 5, 7 and 10)	¥ 21,405	¥ 20,278	$ 191,116
Short-term investment securities (Notes 7 and 8)	—	500	—
Receivables—			
Notes and accounts receivable-trade (Note 7)	148,708	142,198	1,327,750
Other	2,025	2,544	18,081
Allowance for doubtful accounts	(576)	(418)	(5,143)
	150,157	144,324	1,340,688
Inventories (Note 6)	36,035	37,094	321,741
Deferred tax assets (Note 13)	3,389	3,279	30,259
Other	3,511	3,972	31,348
Total current assets	214,497	209,447	1,915,152
Property, plant and equipment (Note 10)**:**			
Buildings and structures	210,178	209,842	1,876,589
Machinery, equipment and vehicles	438,764	442,330	3,917,536
Land	106,274	106,429	948,875
Construction in progress	5,042	6,637	45,018
Other	28,344	27,874	253,071
	788,602	793,112	7,041,089
Less accumulated depreciation	(495,319)	(489,025)	(4,422,491)
Total property, plant and equipment	293,283	304,087	2,618,598
Intangible assets:			
Goodwill	2,565	3,980	22,902
Other (Note 10)	6,354	7,196	56,732
Total intangible assets	8,919	11,176	79,634
Investments and other assets:			
Investment securities (Notes 7, 8 and 10)	107,591	110,058	960,634
Long-term loans receivable	3,109	3,498	27,759
Net defined benefit assets (Note 14)	1,568	2,318	14,000
Deferred tax assets (Note 13)	584	681	5,214
Other	16,468	15,803	147,036
Allowance for doubtful accounts	(1,329)	(1,393)	(11,866)
Total investments and other assets	127,991	130,965	1,142,777
Total assets	¥644,690	¥655,675	$5,756,161

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and the current portion of long-term debt (Notes 7, 10 and 11)	**¥118,785**	¥115,009	**$1,060,580**
Payables—			
Notes and accounts payable-trade (Notes 7 and 10)	**86,357**	82,976	**771,045**
Other	**12,986**	12,462	**115,946**
	99,343	95,438	**886,991**
Income taxes payable	**4,929**	4,216	**44,009**
Provision for directors' bonuses	**159**	147	**1,420**
Other	**28,083**	28,783	**250,741**
Total current liabilities	**251,299**	243,593	**2,243,741**
Noncurrent liabilities:			
Long-term debt due after one year (Notes 7, 10 and 11)	**138,399**	153,316	**1,235,705**
Deferred tax liabilities (Note 13)	**12,305**	14,938	**109,866**
Provision for directors' retirement benefits	**887**	911	**7,920**
Net defined benefit liability (Note 14)	**12,105**	11,345	**108,080**
Other (Note 10)	**7,961**	9,181	**71,081**
Total noncurrent liabilities	**171,657**	189,691	**1,532,652**
Contingent liabilities (Note 15)			
Net assets (Note 16)**:**			
Shareholders' equity:			
Capital stock:			
Authorized – 800,000,000 shares Issued – 271,056,029 shares	**31,067**	31,067	**277,384**
Capital surplus	**34,052**	33,998	**304,036**
Retained earnings	**131,096**	124,269	**1,170,500**
Treasury stock:			
23,442,127 shares in 2016 and 23,398,659 shares in 2015	**(11,926)**	(11,904)	**(106,482)**
Total shareholders' equity	**184,289**	177,430	**1,645,438**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**20,556**	23,238	**183,536**
Deferred gains or losses on hedges	**(9)**	(1)	**(80)**
Foreign currency translation adjustment	**10,438**	13,461	**93,196**
Remeasurements of defined benefit plans	**689**	2,225	**6,152**
Total accumulated other comprehensive income	**31,674**	38,923	**282,804**
Non-controlling interests	**5,771**	6,038	**51,526**
Total net assets	**221,734**	222,391	**1,979,768**
Total liabilities and net assets	**¥644,690**	¥655,675	**$5,756,161**

Consolidated Statements of Income

Rengo Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net sales (Note 23)	**¥532,534**	¥522,672	**$4,754,768**
Cost of sales	**445,246**	446,243	**3,975,411**
Selling, general and administrative expenses (Note 18)	**71,561**	70,861	**638,937**
Operating income (Note 23)	**15,727**	5,568	**140,420**
Other income (expenses):			
Interest and dividends income	**1,899**	1,815	**16,955**
Rent income	**544**	547	**4,857**
Equity in earnings (losses) of affiliates	**1,319**	1,010	**11,777**
Interest expenses	**(1,773)**	(1,946)	**(15,830)**
Subsidy income (Note 19)	**11,812**	431	**105,464**
Loss on reduction of noncurrent assets (Note 20)	**(11,111)**	(3,065)	**(99,205)**
Loss on business withdrawal (Note 21)	**(1,295)**	—	**(11,563)**
Business structure improvement expenses (Note 22)	**—**	(1,373)	**—**
Other, net	**(854)**	9,094	**(7,625)**
Profit before income taxes and non-controlling interests	**16,268**	12,081	**145,250**
Income taxes (Note 13)**:**			
Income taxes-current	**6,761**	6,011	**60,366**
Income taxes-deferred	**(632)**	201	**(5,643)**
	6,129	6,212	**54,723**
Profit	**10,139**	5,869	**90,527**
Profit attributable to non-controlling interests	**322**	150	**2,875**
Profit attributable to owners of parent	**¥ 9,817**	¥ 5,719	**$ 87,652**

	Yen		U.S. dollars (Note 1)
Per share data:	**2016**	2015	**2016**
Basic earnings per share	**¥39.64**	¥23.09	**$0.35**
Diluted earnings per share	**—**	—	**—**
Cash dividends applicable to the year	**12.00**	12.00	**0.11**

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Profit	**¥10,139**	¥ 5,869	**$90,527**
Other comprehensive income (Note 17)**:**			
Valuation difference on available-for-sale securities	**(2,732)**	10,824	**(24,393)**
Deferred gains or losses on hedges	**1**	(3)	**9**
Foreign currency translation adjustment	**(1,753)**	3,543	**(15,652)**
Remeasurements of defined benefit plans, net of tax	**(1,543)**	2,175	**(13,777)**
Share of other comprehensive income of associates accounted for using equity method	**(1,481)**	3,200	**(13,223)**
Total other comprehensive income	**(7,508)**	19,739	**(67,036)**
Comprehensive income	**¥ 2,631**	¥25,608	**$23,491**
Comprehensive income attributable to			
Owners of the parent	**¥ 2,550**	¥25,129	**$22,768**
Non-controlling interests	**81**	479	**723**

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, 2016 and 2015

	Thousands	Millions of yen									
	Number of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at April 1, 2014	271,056	¥31,067	¥33,998	¥123,674	¥(11,891)	¥12,505	¥ 2	¥ 6,942	¥ 62	¥5,300	¥201,659
Cumulative effects of changes in accounting policies				(2,098)							(2,098)
Restated balance	271,056	31,067	33,998	121,576	(11,891)	12,505	2	6,942	62	5,300	199,561
Change in scope of consolidation				(54)							(54)
Dividends from surplus				(2,972)							(2,972)
Profit attributable to owners of parent				5,719							5,719
Purchase of treasury stock					(17)						(17)
Disposal of treasury stock			(0)		4						4
Other				0							0
Net changes in items other than shareholders' equity						10,733	(3)	6,519	2,163	738	20,150
Balance at March 31, 2015	271,056	¥31,067	¥33,998	¥124,269	¥(11,904)	¥23,238	¥(1)	¥13,461	¥2,225	¥6,038	¥222,391
Dividends from surplus				(2,972)							(2,972)
Profit attributable to owners of parent				9,817							9,817
Purchase of treasury stock					(23)						(23)
Disposal of treasury stock			(0)		1						1
Other			54	(18)							36
Net changes in items other than shareholders' equity						(2,682)	(8)	(3,023)	(1,536)	(267)	(7,516)
Balance at March 31, 2016	**271,056**	**¥31,067**	**¥34,052**	**¥131,096**	**¥(11,926)**	**¥20,556**	**¥(9)**	**¥10,438**	**¥ 689**	**¥5,771**	**¥221,734**

	Thousands of U.S. dollars (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at March 31, 2015	$277,384	$303,554	$1,109,545	$(106,286)	$207,482	$ (9)	$120,188	$19,866	$53,911	$1,985,635
Dividends from surplus			(26,536)							(26,536)
Profit attributable to owners of parent			87,652							87,652
Purchase of treasury stock				(205)						(205)
Disposal of treasury stock		(0)		9						9
Other		482	(161)							321
Net changes in items other than shareholders' equity					(23,946)	(71)	(26,992)	(13,714)	(2,385)	(67,108)
Balance at March 31, 2016	**$277,384**	**$304,036**	**$1,170,500**	**$(106,482)**	**$183,536**	**$(80)**	**$ 93,196**	**$ 6,152**	**$51,526**	**$1,979,768**

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	**¥16,268**	¥12,081	**$145,250**
Depreciation and amortization	**29,333**	29,612	**261,902**
Impairment loss	**435**	75	**3,884**
Amortization of goodwill	**1,343**	1,495	**11,991**
Loss on reduction of noncurrent assets	**11,111**	3,065	**99,205**
Loss on business withdrawal	**1,295**	—	**11,563**
Business structure improvement expenses	**—**	1,373	**—**
Increase (decrease) in provision for directors' retirement benefits	**(24)**	10	**(214)**
Increase (decrease) in net defined benefit liability	**(96)**	408	**(857)**
Interest and dividends income	**(1,899)**	(1,815)	**(16,955)**
Interest expenses	**1,773**	1,946	**15,830**
Equity in (earnings) losses of affiliates	**(1,319)**	(1,010)	**(11,777)**
Loss (gain) on sales of investment securities	**(1,057)**	(1,082)	**(9,438)**
Loss (gain) on valuation of investment securities	**146**	55	**1,304**
Loss (gain) on sales of property, plant and equipment	**44**	(10,202)	**393**
Loss on retirement of property, plant and equipment	**503**	537	**4,491**
Decrease (increase) in notes and accounts receivable-trade	**(6,949)**	894	**(62,045)**
Decrease (increase) in inventories	**758**	(2,769)	**6,768**
Increase (decrease) in notes and accounts payable-trade	**3,346**	(4,670)	**29,875**
Other, net	**827**	568	**7,384**
Subtotal	**55,838**	30,571	**498,554**
Interest and dividends income received	**2,358**	2,210	**21,054**
Interest expenses paid	**(1,795)**	(2,064)	**(16,027)**
Surcharge paid	**—**	(5,732)	**—**
Income taxes paid	**(5,841)**	(5,576)	**(52,152)**
Net cash provided by (used in) operating activities	**50,560**	19,409	**451,429**
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	**(1,332)**	(246)	**(11,893)**
Purchase of property, plant and equipment	**(28,907)**	(42,179)	**(258,098)**
Proceeds from sales of property, plant and equipment	**173**	11,692	**1,545**
Purchase of intangible assets	**(1,044)**	(1,293)	**(9,321)**
Purchase of investment securities	**(3,082)**	(3,706)	**(27,518)**
Proceeds from sales and redemption of investment securities	**1,113**	3,823	**9,938**
Payments for investments in capital of subsidiaries and affiliates	**(695)**	—	**(6,205)**
Proceeds from sales of investments in capital of subsidiaries and affiliates	**—**	1,311	**—**
Net decrease (increase) in short-term loans receivable	**(244)**	373	**(2,179)**
Payments of long-term loans receivable	**(974)**	(64)	**(8,696)**
Collection of long-term loans receivable	**1,530**	354	**13,661**
Other, net	**(1)**	339	**(11)**
Net cash provided by (used in) investing activities	**(33,463)**	(29,596)	**(298,777)**
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	**(8,183)**	6,915	**(73,063)**
Proceeds from long-term loans payable	**14,458**	12,952	**129,089**
Repayment of long-term loans payable	**(17,250)**	(23,072)	**(154,018)**
Proceeds from issuance of bonds	**10,000**	20,000	**89,286**
Redemption of bonds	**(10,000)**	(5,000)	**(89,286)**
Purchase of treasury stock	**(23)**	(17)	**(205)**
Proceeds from sales of treasury stock	**1**	4	**9**
Cash dividends paid	**(2,972)**	(2,972)	**(26,536)**
Repayments of lease obligations	**(2,710)**	(2,398)	**(24,196)**
Other, net	**(294)**	(188)	**(2,625)**
Net cash provided by (used in) financing activities	**(16,973)**	6,224	**(151,545)**
Effect of exchange rate change on cash and cash equivalents	**(184)**	820	**(1,643)**
Net increase (decrease) in cash and cash equivalents	**(60)**	(3,143)	**(536)**
Cash and cash equivalents at beginning of year	**19,478**	22,139	**173,911**
Increase in cash and cash equivalents from newly consolidated subsidiaries	**—**	482	**—**
Cash and cash equivalents at end of year (Note 5)	**¥19,418**	¥19,478	**$173,375**

The accompanying notes are an integral part of these statements.

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, 2016, which was ¥112 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 51 (54 in 2015) 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. 14 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 9 (8 in 2015) nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are mainly 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 non-controlling interests is charged or credited to non-controlling interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated based on the fair value at the time the Company acquired control of the subsidiaries. Goodwill is amortized on a straight-line basis over the period in which the economic benefits are expected to be realized. However, if the economic benefits are not expected to be realized in the future, goodwill was 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 a separate component of net assets, net of non-controlling 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 stated mainly at the lower of cost determined by the moving-average method or net realizable value. Other inventories are stated mainly at the lower of cost determined by the average method or net realizable value.

(6) Property, Plant and Equipment (Except Lease Assets)
Property, plant and equipment are carried at cost. Depreciation is computed mainly by the declining balance method over the estimated useful life of the assets in accordance with the Corporation Tax Law of Japan. Buildings acquired after 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 mainly amortized using the straight-line method over the estimated useful life in accordance with the Corporation Tax Law of Japan.

(8) Lease Assets
Property, plant and equipment capitalized under finance lease arrangements without the transfer of ownership are depreciated over the 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) Deferred Assets
The full cost of issuing bonds is recognized in expenses as incurred.

(10) 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.

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

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

The allowances deducted directly from the amounts of investment securities in the years ended March 31, 2016 and 2015 amounted to ¥100 million (U.S. $893 thousand) and ¥100 million, respectively.

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

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

(15) Derivative Transactions and Hedge Accounting
In principle, the Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, in cases 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 contacts 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, 2015 have been made to conform to the presentation for the year ended March 31, 2016.

(17) Earnings Per Share
Basic earnings per share is based on the weighted average number of shares of common stock outstanding during the year.

Diluted earnings per share for the years ended March 31, 2016 and 2015 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 - Revised Accounting Standard for Business Combinations)
The Company and its consolidated domestic subsidiaries adopted “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21, September 13, 2013 (hereinafter, “Statement No.21”)), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013 (hereinafter, “Statement No.22”)) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013 (hereinafter, “Statement No.7”)) (together, the “Business Combination Accounting Standards”), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of profit and the term “non-controlling interests” is used instead of “minority interests”. Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from operating activities”.

The effects of these changes on the consolidated financial statements of the current fiscal year were immaterial.

4. ISSUED BUT NOT YET ADOPTED ACCOUNTING STANDARD AND OTHERS

“Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, “Guidance No.26”)

(1) Overview
Following the framework in Auditing Committee Report No. 66 “Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets”, which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:
① Treatment for an entity that does not meet any of the criteria in types 1 to 5;
② Criteria for types 2 and 3;
③ Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
④ Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
⑤ Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2017

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

5. CASH FLOW STATEMENTS

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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and deposits	**¥21,405**	¥20,278	**$191,116**
Add: Negotiable certificates of deposits included in short-term investment securities account	**—**	500	**—**
Less: Time deposits with maturities exceeding three months	**(1,987)**	(1,300)	**(17,741)**
Cash and cash equivalents	**¥19,418**	¥19,478	**$173,375**

6. INVENTORIES

Inventories at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise and finished goods	**¥18,477**	¥19,922	**$164,973**
Work in process	**2,307**	2,566	**20,598**
Raw materials and supplies	**15,251**	14,606	**136,170**
Total	**¥36,035**	¥37,094	**$321,741**

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, 2016 and 2015 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))

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	Book value	Market value	Difference	Book value	Market value	Difference	Book value	Market value	Difference
(A) Cash and deposits	¥ 21,405	¥ 21,405	¥ —	¥ 20,278	¥ 20,278	¥ —	$ 191,116	$ 191,116	$ —
(B) Notes and accounts receivable-trade	148,708	148,708	—	142,198	142,198	—	1,327,750	1,327,750	—
(C) Securities and investment securities									
Available-for-sale securities	74,532	74,532	—	79,519	79,519	—	665,464	665,464	—
Equity securities issued by affiliated companies	13,157	4,692	(8,465)	13,413	5,738	(7,675)	117,473	41,893	(75,580)
Total assets	¥257,802	¥249,337	¥(8,465)	¥255,408	¥247,733	¥(7,675)	$2,301,803	$2,226,223	$(75,580)
(A) Notes and accounts payable-trade	¥ 86,357	¥ 86,357	¥ —	¥ 82,976	¥ 82,976	¥ —	$ 771,045	$ 771,045	$ —
(B) Short-term borrowings and the current portion of long-term loans payable	113,785	113,943	158	105,009	105,039	30	1,015,937	1,017,348	1,411
(C) Current portion of bonds	5,000	5,007	7	10,000	10,010	10	44,643	44,705	62
(D) Bonds payable	35,000	35,403	403	30,000	30,197	197	312,500	316,098	3,598
(E) Long-term loans payable	103,399	105,198	1,799	123,316	123,374	58	923,205	939,268	16,063
Total liabilities	¥343,541	¥345,908	¥2,367	¥351,301	¥351,596	¥295	$3,067,330	$3,088,464	$21,134
Derivatives transactions (*1)									
(a) Hedge accounting not applied	¥—	¥—	¥—	¥—	¥—	¥—	$ —	$ —	$—
(b) Hedge accounting applied	(9)	(9)	—	(1)	(1)	—	(80)	(80)	—
Total derivatives transactions	¥(9)	¥(9)	¥—	¥ (1)	¥ (1)	¥—	$(80)	$(80)	$—

(*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. Negotiable certificates of deposits are short-term. Therefore, the fair value of debt securities and negotiable certificates of deposits are stated at the carrying amount, which are 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 with available fair market value is estimated based on market prices. The fair value of these investments with no available fair market value is estimated as the discounted present value of total principal and interest using assumed interest rates for equivalent new loans.

(E) Long-term loans payable

The 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
	2016	2015	2016
Available-for-sale securities	¥ 4,379	¥ 3,909	$ 39,098
Equity securities issued by unconsolidated subsidiaries and affiliated companies	15,523	13,717	138,598

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, 2016 and 2015 was as follows:

	Millions of yen			
	2016			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	**¥ 21,405**	**¥—**	**¥—**	**¥ —**
Notes and accounts receivable-trade	**148,708**	**—**	**—**	**—**
Securities and investment securities				
Available-for-sale securities	**—**	**—**	**—**	**120**
Total	**¥170,113**	**¥—**	**¥—**	**¥120**

	Millions of yen			
	2015			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 20,278	¥—	¥—	¥—
Notes and accounts receivable-trade	142,198	—	—	—
Securities and investment securities				
Available-for-sale securities	500	—	—	—
Total	¥162,976	¥—	¥—	¥—

	Thousands of U.S. dollars			
	2016			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	**$ 191,116**	**$—**	**$—**	**$ —**
Notes and accounts receivable-trade	**1,327,750**	**—**	**—**	**—**
Securities and investment securities				
Available-for-sale securities	**—**	**—**	**—**	**1,071**
Total	**$1,518,866**	**$—**	**$—**	**$1,071**

Note (4) The repayment schedule of long-term debt and lease debt, others subsequent to March 31, 2016 and 2015 was as follows:

	Millions of yen					
	2016					
	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	**¥ 79,198**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term debt	**39,587**	**40,141**	**29,967**	**18,208**	**24,858**	**25,225**
Lease debt	**1,823**	**1,477**	**1,146**	**835**	**433**	**541**
Others	**616**	**312**	**241**	**121**	**—**	**—**
Total	**¥121,224**	**¥41,930**	**¥31,354**	**¥19,164**	**¥25,291**	**¥25,766**

	Millions of yen					
	2015					
	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	¥ 87,308	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	27,701	38,604	38,621	28,046	15,548	32,497
Lease debt	1,817	1,589	1,236	892	579	509
Others	669	616	312	241	121	—
Total	¥117,495	¥40,809	¥40,169	¥29,179	¥16,248	¥33,006

	Thousands of U.S. dollars					
	2016					
	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	**$ 707,125**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Long-term debt	**353,455**	**358,402**	**267,563**	**162,571**	**221,946**	**225,223**
Lease debt	**16,277**	**13,188**	**10,232**	**7,455**	**3,866**	**4,830**
Others	**5,500**	**2,785**	**2,152**	**1,081**	**—**	**—**
Total	**$1,082,357**	**$374,375**	**$279,947**	**$171,107**	**$225,812**	**$230,053**

8. INFORMATION ON SECURITIES

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

The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2016 and 2015.

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	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	**¥68,582**	**¥36,451**	**¥32,131**	¥71,486	¥34,917	¥36,569	**$612,339**	**$325,455**	**$286,884**
Bonds	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Others	**22**	**13**	**9**	24	13	11	**196**	**116**	**80**
	68,604	**36,464**	**32,140**	71,510	34,930	36,580	**612,535**	**325,571**	**286,964**
Securities with book values (fair values) not exceeding acquisition costs:									
Equity securities	**5,928**	**7,878**	**(1,950)**	7,509	9,221	(1,712)	**52,929**	**70,339**	**(17,410)**
Bonds	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Others	**—**	**—**	**—**	500	500	—	**—**	**—**	**—**
	5,928	**7,878**	**(1,950)**	8,009	9,721	(1,712)	**52,929**	**70,339**	**(17,410)**
Total	**¥74,532**	**¥44,342**	**¥30,190**	¥79,519	¥44,651	¥34,868	**$665,464**	**$395,910**	**$269,554**

(2) Sales of Available-for-Sale Securities

Proceeds from sales of available-for-sale securities in the years ended March 31, 2016 and 2015 amounted to ¥1,107 million (U.S. $9,884 thousand) and ¥2,613 million, respectively. The related gains for the years ended March 31, 2016 and 2015 amounted to ¥1,058 million (U.S. $9,446 thousand) and ¥1,153 million, respectively. The related losses for the years ended March 31, 2016 and 2015 amounted to ¥2 million (U.S. $18 thousand) and ¥70 million, respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

(1) Derivative Transactions for which Hedge Accounting does not Apply

For the years ended March 31, 2016 and 2015, there were no relevant transactions.

(2) Derivative Transactions for which Hedge Accounting Applies

			Millions of yen		
			2016		
Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over one year	Fair Value (*1)
Special treatment of interest rate swaps	Interest rate swap transactions Payable fixed rate swaps / Receivable floating interest rate	Long-term loans payable	**¥30,322**	**¥27,220**	(*2)
Appropriate treatment of interest rate and currency swap transactions	Currency swap transactions Pay yen/ Receive U.S. dollars	Long-term loans payable	**26,000**	**15,000**	(*3)
Forward exchange contracts with principle method (*4)	Forward exchange contracts Buying Euros	Accounts payable	**289**	**18**	**¥(12)**

			Millions of yen		
			2015		
Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over one year	Fair Value (*1)
Special treatment of interest rate swaps	Interest rate swap transactions Payable fixed rate swaps / Receivable floating interest rate	Long-term loans payable	¥34,642	¥30,152	(*2)
Appropriate treatment of interest rate and currency swap transactions	Currency swap transactions Pay yen/ Receive U.S. dollars	Long-term loans payable	21,000	21,000	(*3)
Forward exchange contracts with principle method	Forward exchange contracts Buying U.S. dollars	Accounts payable	597	—	¥(1)
Forward exchange contracts with allocation method	Forward exchange contracts Selling U.S. dollars	Accounts receivable	4	—	(*5)
Forward exchange contracts with allocation method	Forward exchange contracts Buying U.S. dollars	Accounts payable	345	—	(*5)

Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over one year	Fair Value (*1)
			Thousands of U.S. dollars		
			2016		
Special treatment of interest rate swaps	Interest rate swap transactions Payable fixed rate swaps / Receivable floating interest rate	Long-term loans payable	$270,732	$243,036	(*2)
Appropriate treatment of interest rate and currency swap transactions	Currency swap transactions Pay yen/ Receive U.S. dollars	Long-term loans payable	232,143	133,929	(*3)
Forward exchange contracts with principle method (*4)	Forward exchange contracts Buying Euros	Accounts payable	2,580	161	$(107)

(*1) The fair value of derivative transactions is determined by prices mainly 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) Forward exchange contracts are performed by affiliates accounted for using equity method for the accounts payable. Share of contract amounts and fair values are reported net of applicable income taxes on the consolidated balance sheets.
(*5) 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 including factory foundation for short-term borrowings of ¥6,961 million (U.S. $62,152 thousand) and the current portion of long-term debt, long-term debt of ¥3,507 million (U.S. $31,313 thousand), accounts payable-trade of ¥315 million (U.S. $2,813 thousand) and others of ¥922 million (U.S. $8,232 thousand) at March 31, 2016 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥16,331	$145,813
Machinery, equipment and vehicles	21,421	191,259
Land	38,284	341,821
Investment securities	1,527	13,634
Other	361	3,223
Total	¥77,924	$695,750

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and the current portion of long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2016	2015	2016	2016
Short-term borrowings	¥ 79,198	¥ 87,308	$ 707,125	0.58%
Current portion of long-term debt	39,587	27,701	353,455	0.89
Total	¥118,785	¥115,009	$1,060,580	—

Long-term debt at March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
0.065% to 2.4% loans, mainly from banks and insurance companies, due in installments through 2024	¥137,986	¥141,017	$1,232,018
Unsecured 0.62% bonds, due June 2015	—	10,000	—
Unsecured 0.57% bonds, due July 2016	5,000	5,000	44,643
Unsecured 0.86% bonds, due July 2018	5,000	5,000	44,643
Unsecured 0.28% bonds, due September 2019	10,000	10,000	89,285
Unsecured 0.27% bonds, due September 2020	5,000	—	44,643
Unsecured 0.45% bonds, due September 2021	10,000	10,000	89,285
Unsecured 0.50% bonds, due September 2022	5,000	—	44,643
	177,986	181,017	1,589,160
Less current portion	(39,587)	(27,701)	(353,455)
	¥138,399	¥153,316	$1,235,705

The aggregate annual maturities of long-term debt at March 31, 2016 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 39,587	$ 353,455
2018	40,141	358,402
2019	29,967	267,563
2020	18,208	162,571
2021 and thereafter	50,083	447,169
Total	¥177,986	$1,589,160

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, 2016 and 2015 and for the fiscal years then ended, as lessee and lessor, were as follows:

Non-capitalized finance leases, as lessee at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Assumed acquisition costs	**¥3,053**	¥3,658	**$27,259**
Accumulated depreciation	**1,754**	2,131	**15,661**
Net leased property	**¥1,299**	¥1,527	**$11,598**

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
	2016	2015	**2015**
Due within one year	**¥ 156**	¥ 205	**$ 1,393**
Due over one year	**1,143**	1,322	**10,205**
Total	**¥1,299**	¥1,527	**$11,598**

Lease payments in the years ended March 31, 2016 and 2015 amounted to ¥206 million (U.S. $1,839 thousand) and ¥275 million, respectively.

Acquisition costs, accumulated depreciation and net leased property of non-Capitalized finance leases as lessor at March 31, 2016 and 2015 were not applicable.

As lessor under non-capitalized finance leases, the amount of future minimum inclusive of interest at March 31, 2016 and 2015 was not applicable.

Lease revenue in the year ended March 31, 2016 was not applicable. Lease revenue in the year ended March 31, 2015 amounted to ¥0 million.

(2) Operating Leases

Future minimum non-cancelable operating lease payments for the remaining lease periods at March 31, 2016 and 2015:

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
	2016	2015	**2016**
Due within one year	**¥—**	¥ 7	**$—**
Due over one year	**—**	7	**—**
Total	**¥—**	¥14	**$—**

13. INCOME TAXES

At March 31, 2016 and 2015, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Net operating loss carryforwards for tax purposes	**¥ 3,512**	¥ 2,628	**$ 31,357**
Net defined benefit liability	**3,699**	3,897	**33,027**
Accrued bonuses	**2,111**	2,127	**18,848**
Write-down of golf club memberships	**427**	484	**3,813**
Provision for directors' retirement benefits	**299**	306	**2,670**
Loss on valuation of investment securities	**937**	964	**8,366**
Allowance for doubtful accounts	**247**	247	**2,205**
Unrealized gain on sale of property, plant and equipment eliminated on consolidation	**292**	314	**2,607**
Accrued enterprise taxes	**383**	338	**3,420**
Impairment loss	**428**	419	**3,821**
Other	**1,724**	2,017	**15,393**
Subtotal deferred tax assets	**14,059**	13,741	**125,527**
Valuation allowance	**(5,686)**	(5,201)	**(50,768)**
Total deferred tax assets	**8,373**	8,540	**74,759**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(9,149)**	(11,161)	**(81,688)**
Deferred gain tax treatment of property	**(3,208)**	(3,655)	**(28,643)**
Land revaluation difference, net of taxes unrealized gain	**(3,790)**	(3,998)	**(33,839)**
Other	**(558)**	(704)	**(4,982)**
Total deferred tax liabilities	**(16,705)**	(19,518)	**(149,152)**
Net deferred tax assets (liabilities)	**¥(8,332)**	¥(10,978)	**$(74,393)**

At March 31, 2016 and 2015, the reconciliation of the aggregate statutory income tax rate to the effective income tax rate was as follows:

	2016	2015
Statutory tax rate	**32.8%**	35.4%
Effect of:		
Tax deductions	**(4.7)**	(3.5)
Non-deductible items such as entertainment expenses	**4.3**	7.2
Non-taxable items such as dividends received	**(3.8)**	(8.5)
Per capita inhabitants' taxes	**1.5**	2.3
Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates	**0.1**	0.9
Dividends received eliminated in consolidation	**2.8**	3.2
Equity in earnings of affiliates	**(2.7)**	(3.0)
Valuation allowance	**3.2**	13.6
Other	**4.2**	3.8
Effective tax rate	**37.7%**	51.4%

On March 29, 2016, the "Law for Partial Amendment of the Income Tax Law" (Law No.15 of 2016) and the "Law for Partial Amendment of the Local Tax Law" (Law No.13 of 2016) were enacted.

Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 are changed from 32.1% for the fiscal year ended March 31, 2016 to 30.7% and 30.4%, respectively, as of March 31, 2016.

As a result of these changes, deferred tax liabilities (net of deferred tax assets) and income taxes-deferred decreased ¥425 million (U.S. $3,795 thousand) and ¥11 million (U.S. $98 thousand), respectively, and the valuation difference on available-for-sale securities, and remeasurements of defined benefit plans increased ¥387 million (U.S. $3,455 thousand) and ¥27 million (U.S. $241 thousand), respectively.

14. RETIREMENT BENEFITS

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2016 and 2015 and retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2016 and 2015 consisted of the following:

(1) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at April 1, 2015 and 2014	**¥41,587**	¥37,386	**$371,313**
Cumulative effects of changes in accounting policies	**—**	3,317	**—**
Restated balance	**41,587**	40,703	**371,313**
Service cost	**2,682**	2,586	**23,946**
Interest cost	**304**	296	**2,714**
Actuarial loss (gain)	**507**	469	**4,527**
Benefits paid	**(3,159)**	(2,551)	**(28,205)**
Past service cost	**1**	—	**9**
Other	**(83)**	84	**(741)**
Balance at March 31, 2016 and 2015	**¥41,839**	¥41,587	**$373,563**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at April 1, 2015 and 2014	**¥34,579**	¥31,134	**$308,741**
Expected return on plan assets	**478**	431	**4,268**
Actuarial loss (gain)	**(1,367)**	2,886	**(12,205)**
Contributions paid by the employer	**2,046**	2,020	**18,268**
Benefits paid	**(2,438)**	(1,892)	**(21,768)**
Balance at March 31, 2016 and 2015	**¥33,298**	¥34,579	**$297,304**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at April 1, 2015 and 2014	**¥2,019**	¥2,259	**$18,026**
Retirement benefit expenses	**394**	199	**3,518**
Benefits paid	**(261)**	(301)	**(2,330)**
Contributions paid by the employer	**(177)**	(178)	**(1,580)**
Other	**21**	40	**187**
Balance at March 31, 2016 and 2015	**¥1,996**	¥2,019	**$17,821**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligations	**¥43,970**	¥43,641	**$392,589**
Plan assets	**(35,799)**	(37,079)	**(319,634)**
	8,171	6,562	**72,955**
Unfunded retirement benefit obligations	**2,366**	2,465	**21,125**
Total net liability for retirement benefits at March 31, 2016 and 2015	**¥10,537**	¥ 9,027	**$ 94,080**
Net defined benefit liability	**¥12,105**	¥11,345	**$108,080**
Net defined benefit asset	**(1,568)**	(2,318)	**(14,000)**
Total net liability for retirement benefits at March 31, 2016 and 2015	**¥10,537**	¥ 9,027	**$ 94,080**

E. Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥2,682**	¥2,586	**$23,946**
Interest cost	**304**	296	**2,714**
Expected return on plan assets	**(478)**	(431)	**(4,268)**
Amortization of net unrecognized actuarial differences	**270**	713	**2,411**
Amortization of past service cost	**(96)**	(97)	**(857)**
Retirement benefit expenses applying for simplified method	**394**	199	**3,518**
Total retirement benefit expenses for the fiscal years ended March 31, 2016 and 2015	**¥3,076**	¥3,266	**$27,464**

F. Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Past service cost	**¥ (97)**	¥ (97)	**$ (866)**
Actuarial gains and losses	**(1,507)**	3,132	**(13,455)**
Total remeasurements of defined benefit plans for the fiscal years ended March 31, 2016 and 2015	**¥(1,604)**	¥3,035	**$(14,321)**

G. Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Past service cost that are yet to be recognized	**¥528**	¥ 625	**$4,714**
Actuarial gains and losses that are yet to be recognized	**456**	1,964	**4,072**
Total balance at March 31, 2016 and 2015	**¥984**	¥2,589	**$8,786**

H. Plan assets
(a) Plan assets comprise:

	2016	2015
General account	**35%**	34%
Bonds	**30**	28
Equity securities	**30**	34
Other	**5**	4
Total	**100%**	100%

(b) Long-term expected rate of return

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

I. Actuarial assumptions
The principal actuarial assumptions

	2016	2015
Discount rate	**mainly 0.7%**	mainly 0.7%
Long-term expected rate of return	**mainly 1.5%**	mainly 1.5%

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

(2) Defined contribution plan
Required contributions for defined contribution plans by consolidated subsidiaries in the years ended March 31, 2016 and 2015 amounted to ¥213 million (U.S. $1,902 thousand) and ¥210 million, respectively.

(3) Multi-employer pension plans
Required contributions to employees' pension fund plans of the multi-employer pension plans which were treated the same as defined contribution plans amounted to ¥280 million (U.S. $2,500 thousand) and ¥376 million, respectively.

A. The savings situation of the whole system

	Millions of yen		Thousands of U.S. dollars
	2016 (As of March 31, 2015)	2015 (As of March 31, 2014)	**2016 (As of March 31, 2015)**
Plan assets	**¥175,375**	¥165,025	**$1,565,848**
Net total actuarial obligations under pension funding programs and minimum actuarial reserve	**216,290**	217,080	**1,931,161**
Total balance	**¥ (40,915)**	¥ (52,055)	**$ (365,313)**

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

For the year ended March 31, 2016 corresponding to the year ended March 31, 2015	4.2%
For the year ended March 31, 2015 corresponding to the year ended March 31, 2014	4.0%

C. Supplemental information
The main factor of total balance of A mentioned above is past service cost under pension funding programs and general reserve. Past service cost under pension funding programs for the years ended March 31, 2016 and 2015 amounted to ¥40,677 million (U.S. $363,188 thousand) and ¥48,247 million, respectively. General reserve for the years ended March 31, 2016 and 2015 amounted to ¥5,740 million (U.S. $51,250 thousand) and ¥5,271 million, respectively.
In addition, the ratio in B mentioned above does not accord with the real burden on the Companies' ratio.

15. CONTINGENT LIABILITIES

As of March 31, 2016, the Companies' contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted	**¥20**	**$179**
As endorser of notes endorsed	**93**	**830**
As guarantor of indebtedness and lease obligations	**53**	**473**

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, 2016 and 2015, amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	**¥(3,744)**	¥16,080	**$(33,429)**
Reclassification adjustments for losses realized in profit	**(935)**	(1,101)	**(8,348)**
Subtotal, before tax amount	**(4,679)**	14,979	**(41,777)**
Tax (expense) or benefit	**1,947**	(4,155)	**17,384**
Subtotal, net of tax amount	**(2,732)**	10,824	**(24,393)**
Deferred gains and losses on hedges			
Increase (decrease) during the year	**1**	(5)	**9**
Tax (expense) or benefit	**(0)**	2	**(0)**
Subtotal, net of tax	**1**	(3)	**9**
Foreign currency translation adjustment			
Increase (decrease) during the year	**(1,753)**	3,543	**(15,652)**
Remeasurements of defined benefit plans			
Increase (decrease) during the year	**(1,873)**	2,419	**(16,723)**
Reclassification adjustments for losses realized in profit	**269**	616	**2,402**
Subtotal, before tax amount	**(1,604)**	3,035	**(14,321)**
Tax (expense) or benefit	**61**	(860)	**544**
Subtotal, net of tax amount	**(1,543)**	2,175	**(13,777)**
Share of other comprehensive income of affiliates accounted for using equity method			
Increase (decrease) during the year	**(1,481)**	3,200	**(13,223)**
Total other comprehensive income	**¥(7,508)**	¥19,739	**$(67,036)**

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 ¥1,441 million (U.S. $12,866 thousand) and ¥1,405 million for the years ended March 31, 2016 and 2015, respectively.

19. SUBSIDY INCOME

For the year ended March 31, 2016, subsidy income was caused by a subsidy which contributed to the industrial recovery of Fukushima for Marusan Paper Mfg. Co., Ltd., and other.

20. LOSS ON REDUCTION OF NONCURRENT ASSETS

For the year ended March 31, 2016, loss on reduction of noncurrent assets was the advanced depreciation reduction associated with the receipt of subsidy income (Note 19) and other.

21. LOSS ON BUSINESS WITHDRAWAL

For the year ended March 31 2016, loss on business withdrawal was caused by the decision to withdraw from the newsprint and printing paper business at Osaka Paper Co., Ltd., which created of loss on retirement of noncurrent assets of ¥679 million (U.S. $6,063 thousand), removal cost of noncurrent assets of ¥616 million (U.S. $5,500 thousand) and other.

The components of the impairment loss included in removal cost of noncurrent assets were as follows:

Place	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Nishiyodogawa-ku, Osaka	Assets scheduled for disposal	Machinery, equipment and vehicles	**¥28**	**$250**
		Other	**35**	**313**
		Total	**¥63**	**$563**

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

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

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

22. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

For the year ended March 31 2015, business structure improvement expenses were caused by the decision to renew a new paper machine for making containerboard (linerboard) and dispose of the old No.6 paper machine for making linerboard at Marusan Paper Mfg. Co., Ltd., which created of impairment loss of ¥819 million, fixed costs of ¥554 million and other.

The components of the impairment loss were as follows:

Place	Use	Type of assets	Millions of yen
Minamisoma-shi, Fukushima Prefecture	Assets scheduled for disposal	Buildings and structures	¥100
		Machinery, equipment and vehicles	718
		Other	1
		Total	¥819

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

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

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

23. SEGMENT INFORMATION

(1) Segment Information

A. Overview of reportable segments

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

To fulfill the multiple needs of packaging as "General Packaging Industry (GPI)," the Companies expanded the business field into flexible packaging and heavy duty packaging 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, heavy duty packaging and nonwoven products in overseas operations.

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

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

C. Information on sales, profit or loss, assets and other material items by reportable segment
Information by segment for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen							
	2016							
	Reportable segment							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses (*1)	Adjustments (*2)	Total (*3)
Sales to third parties	¥367,335	¥63,873	¥40,815	¥26,339	¥498,362	¥34,172	¥ —	¥532,534
Intergroup sales and transfers	1,527	62	1,143	5,875	8,607	21,971	(30,578)	—
Total sales	368,862	63,935	41,958	32,214	506,969	56,143	(30,578)	532,534
Segment profit	8,406	4,249	1,740	353	14,748	782	197	15,727
Segment assets	505,720	51,283	39,887	69,638	666,528	33,992	(55,830)	644,690
Other items								
Depreciation and amortization	23,021	1,927	984	1,809	27,741	1,529	(52)	29,218
Amortization of goodwill	236	237	356	497	1,326	69	—	1,395
Investment in equity method affiliates	636	1,470	—	29,573	31,679	800	—	32,479
Increase in property, plant and equipment and intangible assets	22,327	3,062	1,172	1,710	28,271	1,382	4	29,657

	Millions of yen							
	2015							
	Reportable segment							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses (*1)	Adjustments (*2)	Total (*3)
Sales to third parties	¥358,821	¥61,627	¥40,596	¥27,997	¥489,041	¥33,631	¥ —	¥522,672
Intergroup sales and transfers	1,663	38	1,329	6,397	9,427	21,457	(30,884)	—
Total sales	360,484	61,665	41,925	34,394	498,468	55,088	(30,884)	522,672
Segment profit (loss)	3,225	2,103	622	(654)	5,296	102	170	5,568
Segment assets	517,795	44,963	40,860	72,773	676,391	34,504	(55,220)	655,675
Other items								
Depreciation and amortization	22,699	2,211	928	1,957	27,795	1,750	(61)	29,484
Amortization of goodwill	445	238	359	595	1,637	69	—	1,706
Investment in equity method affiliates	641	—	—	28,522	29,163	917	—	30,080
Increase in property, plant and equipment and intangible assets	30,485	1,949	1,129	4,087	37,650	2,375	(43)	39,982

	Thousands of US dollars							
	2016							
	Reportable segment							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses (*1)	Adjustments (*2)	Total (*3)
Sales to third parties	$3,279,777	$570,294	$364,420	$235,170	$4,449,661	$305,107	$ —	$4,754,768
Intergroup sales and transfers	13,634	554	10,205	52,455	76,848	196,170	(273,018)	—
Total sales	3,293,411	570,848	374,625	287,625	4,526,509	501,277	(273,018)	4,754,768
Segment profit	75,053	37,938	15,536	3,152	131,679	6,982	1,759	140,420
Segment assets	4,515,357	457,884	356,134	621,768	5,951,143	303,500	(498,482)	5,756,161
Other items								
Depreciation and amortization	205,545	17,205	8,786	16,152	247,688	13,651	(464)	260,875
Amortization of goodwill	2,107	2,116	3,178	4,438	11,839	616	—	12,455
Investment in equity method affiliates	5,678	13,125	—	264,045	282,848	7,143	—	289,991
Increase in property, plant and equipment and intangible assets	199,348	27,340	10,464	15,268	252,420	12,339	36	264,795

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

(*2) Resulting "Adjustments" were as follows:
- (a) The adjustments of segment profits (losses) of ¥197 million (U.S. $1,759 thousand) and ¥170 million for the years ended March 31, 2016 and 2015, respectively, were from the elimination of intersegment transactions.
- (b) The adjustments of segment assets of - ¥55,830 million (-U.S. $498,482 thousand) and -¥55,220 million for the years ended March 31, 2016 and 2015, respectively, were from the elimination of intersegment transactions.
- (c) The adjustments of depreciation and amortization of -¥52 million (-U.S. $464 thousand) and -¥61 million for the years ended March 31, 2016 and 2015, respectively, were from the elimination of intersegment transactions.
- (d) The adjustments of increases in property, plant and equipment, and intangible assets of ¥4 million (U.S. $36 thousand) and -¥43 million for the years ended March 31, 2016 and 2015, respectively, were from the elimination of intersegment transactions.

(*3) 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 US dollars
	2016	2015	**2016**
	Sales to third parties		
Paperboard	**¥ 54,922**	¥ 48,547	**$ 490,375**
Corrugated board	**40,810**	39,625	**364,375**
Corrugated boxes	**258,824**	260,590	**2,310,929**
Flexible packaging and cellophane	**66,020**	63,894	**589,464**
Other	**111,958**	110,016	**999,625**
Total	**¥532,534**	¥522,672	**$4,754,768**

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, 2016 and 2015. 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, 2016 and 2015. Therefore, information regarding such major customers was not required to be disclosed.

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

	Millions of yen							
	2016							
	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	**¥120**	**¥7**	**¥—**	**¥280**	**¥407**	**¥91**	**¥—**	**¥498**

	Millions of yen							
	2015							
	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	¥893	¥—	¥—	¥175	¥1,068	¥—	¥—	¥1,068

	Thousands of US dollars							
	2016							
	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	**$1,071**	**$63**	**$—**	**$2,500**	**$3,634**	**$812**	**$—**	**$4,446**

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

In Other Businesses, impairment loss of ¥63 million (U.S. $563 thousand) related to the withdrawal from the newsprint and printing paper business is included in "Loss on business withdrawal" (Other income (expenses)) of the consolidated statements of income as of March 31, 2016.

In Paperboard and Packaging-Related Business, impairment loss of ¥819 million related to the business structure improvement is included in "Business structure improvement expenses" (Other income (expenses)) of the consolidated statements of income as of March 31, 2015.

In Overseas Business, impairment loss of ¥175 million related to the fire disaster is included in "Other, net" (Other income (expenses)) of the consolidated statements of income as of March 31, 2015.

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

	Millions of yen							
	2016							
	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	**¥236**	**¥237**	**¥356**	**¥497**	**¥1,326**	**¥69**	**¥—**	**¥1,395**
Balance at end of period	**663**	**712**	**890**	**547**	**2,812**	**17**	**—**	**2,829**
Negative goodwill								
Amortized for the period	**39**	**2**	**—**	**11**	**52**	**—**	**—**	**52**
Balance at end of period	**223**	**17**	**—**	**24**	**264**	**—**	**—**	**264**

	Millions of yen							
	2015							
	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	¥445	¥238	¥ 359	¥ 595	¥1,637	¥69	¥—	¥1,706
Balance at end of period	898	950	1,246	1,168	4,262	86	—	4,348
Negative goodwill								
Amortized for the period	76	2	106	26	210	—	—	210
Balance at end of period	262	18	—	88	368	—	—	368

	Thousands of US dollars							
	2016							
	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	**$2,107**	**$2,116**	**$3,178**	**$4,438**	**$11,839**	**$616**	**$—**	**$12,455**
Balance at end of period	**5,920**	**6,357**	**7,946**	**4,884**	**25,107**	**152**	**—**	**25,259**
Negative goodwill								
Amortized for the period	**348**	**18**	**—**	**98**	**464**	**—**	**—**	**464**
Balance at end of period	**1,991**	**152**	**—**	**214**	**2,357**	**—**	**—**	**2,357**

"Other Businesses" are the businesses which are not included in reportable segments and included domestic manufacturing and sales of nonwoven products, paper packaging machinery, printing paper 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, 2016 and 2015, gain on negative goodwill was not material and has not been presented.

24. SUBSEQUENT EVENTS

(1)Year-End Cash Dividends

At the Board of Directors meeting held on May 13, 2016, 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. $0.05 per share)	¥1,486	$13,268

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2016. Such appropriations are recognized in the period in which they are approved.

(2) Execution of Agreement of Stock Transfer

On May 13, 2016, to expand our packaging business in domestic and overseas markets, the Company entered into share transfer agreements to acquire 100% of the issued shares in Tri-Wall Holdings Limited (Head Office: British Cayman Islands) for a total of U.S. $221,750 thousand (about ¥24,400 million) from the existing three shareholders.

Completion of the final transfer is scheduled, subject to the approval of the Ministry of Commerce of the People's Republic of China.

The content of these agreements was as follows:

A. Reasons for the Acquisition of Shares

Tri-Wall Holdings, is a holding company of the Tri-Wall Group, and owns global heavy duty corrugated board brands including Tri-Wall Pak® and Bi-Wall Pak®, with business extending throughout Asia and Europe.

The addition of the heavy duty corrugated board Tri-Wall products, which are globally-recognized brands, into Rengo's line-up will further enhance the corrugated packaging business, which is one of our core businesses. The Company hopes that making Tri-Wall Holdings a subsidiary leads to further expansion of business scope and enhanced performance.

B. Overview of Company

(a) Name	Tri-Wall Holdings Limited		
(b) Office location	The offices of Offshore Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands		
(c) Directors	ZHAO Hanxi, Yuji SUZUKI, Masahiro ITO, ZHOU Chuihuan, Robert Kyle BAKER, Hironobu NAKANO, ZHANG Xiaoli		
(d) Capital	¥9,269 million (fiscal year ended December 31, 2015)		
(e) Main Business	100% Stock ownership of Tri-Wall Limited, which manages heavy duty packaging materials manufacture and sales businesses.		
(f) Consolidated Performance	(fiscal year ended December 31, 2015)		
	Net sales	HK $1,456 million	(¥21,555 million)
	Profit before income taxes	HK $68 million	(¥1,001 million)
	Profit	HK $44 million	(¥656 million)
	Net assets	HK $890 million	(¥13,176 million)
	Total assets	HK $1,643 million	(¥24,310 million)

Notes:
The rate of exchange is ¥14.8 to HK $1.0.
The above performance has not been audited yet.

C. The number of shares to be acquired, the purchase price, and the composition of ownership before and after the acquisition

(a) The number of shares owned by the Company before the acquisition	0 shares (ratio of share holding: 0%)
(b) The number of shares to be acquired	9,268,536,205 shares (ratio to the number of issued shares: 100%)
(c) Expenditures for the acquisition	Acquire price for the Tri-Wall Holdings shares: about ¥24,400 million (U.S. $221,750 thousand) Advisory fee and the others: about ¥400 million (planned) Total (estimate): about ¥24,800 million
(d) The number of shares to be owned by the Company after the acquisition	9,268,536,205 shares (ratio of share holding: 100%)

D. Funding method for acquisition

Own funds and debt loans (planned).

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, 2016 and 2015, 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, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 24 to the consolidated financial statements, the Company entered into share transfer agreements to acquire 100% of the issued shares in Tri-Wall Holdings Limited on May 13, 2016.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 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.

KPMG AZSA LLC

Osaka, Japan
June 29, 2016

KPMG AZSA LLC

Investor Information

(As of March 31, 2016)

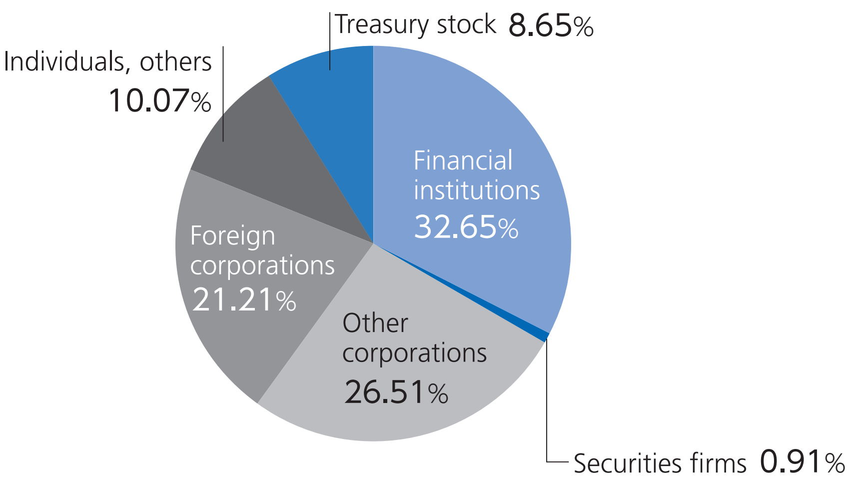
Founded	April 12, 1909	
Incorporated	May 2, 1920	
Capital Stock	¥31,067 million	
Number of Shares	Authorized: 800,000,000	
	Issued: 271,056,029	
Number of Shareholders	15,123	
Number of Employees	Parent Company	3,680
	Consolidated Subsidiaries	10,319
	Total	13,999
Stock Listings	Tokyo	
Transfer Agent	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.	12.23 %
Nippon Paper Industries Co., Ltd.	4.87
Sumitomo Mitsui Banking Corporation	3.53
The Master Trust Bank of Japan, Ltd.	3.35
Sumitomo Life Insurance Company	2.56
BNYML-NON TREATY ACCOUNT	2.49
Mitsui Sumitomo Insurance Company, Limited	2.33
The Norinchukin Bank	2.20
Sumitomo Corporation	1.94
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1.58

In addition to the above, the Company owns 8.65% of its treasury stock.

Shareholder Distribution



Directory

(As of July 1, 2016)

Rengo Co., Ltd. Domestic Network

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

Laboratories

Osaka, Fukui

Packaging Technical Centers

Tokyo, Osaka

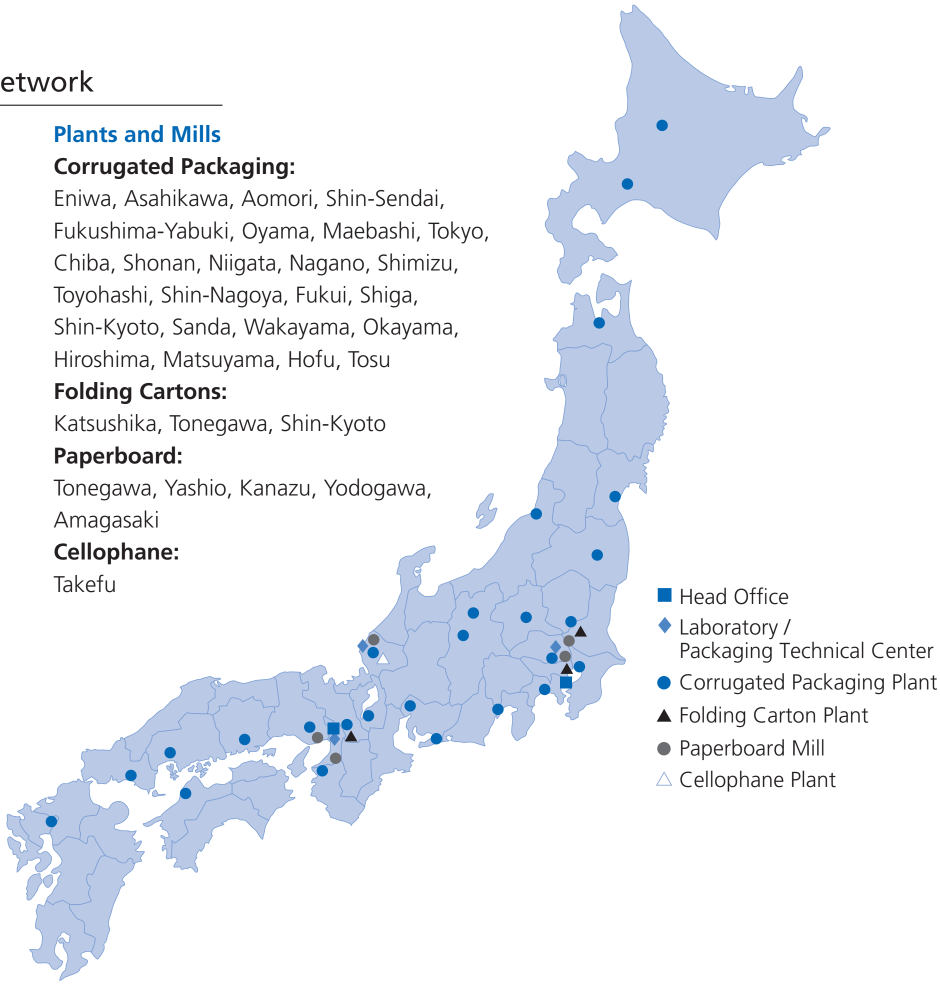
Plants and Mills

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

Folding Cartons:
Katsushika, Tonegawa, Shin-Kyoto

Paperboard:
Tonegawa, Yashio, Kanazu, Yodogawa, Amagasaki

Cellophane:
Takefu



Rengo Group Companies in Japan

Corrugated Packaging / Folding Cartons

Yamato Shiki Co., Ltd.
Settsu Carton Co., Ltd.
Tokai Shiki Co., Ltd.
Hinode Shiki Kogyo Co., Ltd.
Asahi Danboru Co., Ltd.
Asahi Shiko Co., Ltd.
Awaji Shiko Co., Ltd.
Daimaru Itagami Kako Co., Ltd.
Edogawa Danboru Co., Ltd.
Engei Shizai Center Co., Ltd.
Fuji-Hoso Shiki Co., Ltd.
Hakata Danboru Co., Ltd.
Hirooka Shiki Co., Ltd.
Hokkoku Hoso Kizai Co., Ltd.
Hokuriku Shiki Corporation
Ihara Shiki Co., Ltd.
Kato Danboru Co., Ltd.
Kendan Co., Ltd.
Kofu Daiichi-Jitugyo Co., Ltd.
Kowa Sangyo Co., Ltd.
Kyoei Danboru Co., Ltd.
Kyowa Shigyo Co., Ltd.
Kyushu Carton Co., Ltd.
Matai Shiko Co., Ltd.
Miyazawa Corporation
Nichidan Co., Ltd.
Nitto Shiki Kogyo Co., Ltd.
Otsu Seikan Co., Ltd.
Rengo Riverwood Packaging, Ltd.
Sakaiminato Gyokan Co., Ltd.
Sakai Shoten Co., Ltd.
Sanko Co., Ltd.
Sankyo Danboru Co., Ltd.
Shinwa Shiki Co., Ltd.
Tachikawa Danboru Kogyo Co., Ltd.
Taiyo Industry Co., Ltd.
Taiyo Shigyo Co., Ltd.
Tohoku Asahi Danboru Co., Ltd.
Tohoku Carton Co., Ltd.
Tohoku Kogyo Co., Ltd.
Tohoku Shiki Co., Ltd.
Toyotsu New Pack Co., Ltd.
Yamatoya Co., Ltd.
Yoshikawa Shigyo Co., Ltd.

Paper / Paperboard

Marusan Paper Mfg. Co., Ltd.
Osaka Paper Co., Ltd.

Flexible Packaging

Howa Sangyo Co., Ltd.
Sun·Tox Co., Ltd.

Heavy Duty Packaging

Nihon Matai Co., Ltd.

Others

Rengo Logistics Co., Ltd.
Rengo Nonwoven Products Co., Ltd.
Bioteck Co., Ltd.
Green Omoto Co., Ltd.
Green Recycle Co., Ltd.
Ishikawa Seisakusho, Ltd.
RE Omoto Co., Ltd.
Rengo Paper Business Co., Ltd.
Sanyo Jidosha Unso Co., Ltd.
Yamada Kikai Kogyo Co., Ltd.

Rengo Group Companies Overseas

Corrugated Packaging / Folding Cartons

China:
Dalian Rengo Packaging Co., Ltd.
Dalian Guoli Packaging Co., Ltd.
Tianjin Rengo Packaging Co., Ltd.
Qingdao Rengo Packaging Co., Ltd.
Wuxi Rengo Packaging Co., Ltd.
Shanghai Rengo Packaging Co., Ltd.
Guangdong Rengo Packaging Co., Ltd.
Hung Hing Printing Group Limited

Thailand:
Thai Containers Group Co., Ltd.
Thai Containers Rayong Co., Ltd.
Thai Containers Khonkaen Co., Ltd.
Tawana Container Co., Ltd.
Dyna Packs Co., Ltd.
Orient Containers Co., Ltd.
D-In Pack Co., Ltd.

Singapore:
TCG Rengo (S) Limited

Malaysia:
Rengo Packaging Malaysia Sdn. Bhd.

Indonesia:
PT Surya Rengo Containers
PT Indoris Printingdo
PT Primacorr Mandiri

Vietnam:
New Asia Industries Co., Ltd.
Alcamax Packaging (Vietnam) Co., Ltd.
AP Packaging (Hanoi) Co., Ltd.
Settsu Carton Vietnam Corporation

U.S.A.:
Rengo Packaging, Inc.

Paperboard

China:
Zhongshan Rengo Hung Hing Paper Mfg. Co., Ltd.

Vietnam:
Vina Kraft Paper Co., Ltd.

Flexible Packaging

China:
Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd.
Sichuan Zhongjin Medicinal Packaging Co., Ltd.

Thailand:
TC Flexible Packaging Co., Ltd.
Prepack Thailand Co., Ltd.

Vietnam:
Tin Thanh Packing Joint Stock Company (BATICO)

Heavy Duty Packaging

Thailand:
Thai Marsol Co., Ltd.

Indonesia:
PT Marsol Abadi Indonesia
PT Taiyo Marsol Indonesia

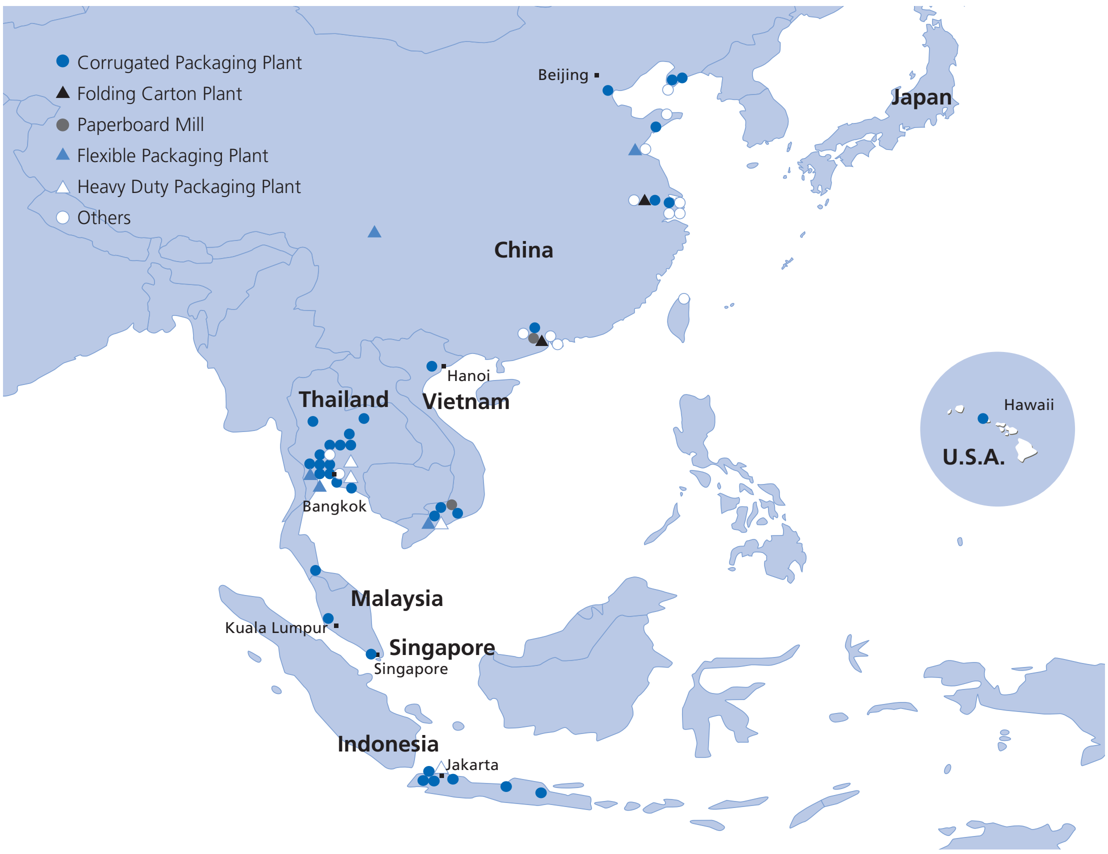
Vietnam:
Matai (Vietnam) Co., Ltd.

Others

China:
Rengo Co., Ltd. Shanghai Packaging Technical Center
Howa (Shanghai) Co., Ltd.
Shanghai Matai Trading Co., Ltd.
Lianyungang Benyi Chemicals Co., Ltd.
Dalian Marsol Trading Co., Ltd.
Yantai Marsol Co., Ltd.
Wuxi RNP Trading Co., Ltd.

Taipei:
Howa Taiwan Co., Ltd.

Thailand:
Pal Tech (ASIA) Co., Ltd.
Yamato Shiki (Thailand) Co., Ltd.



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