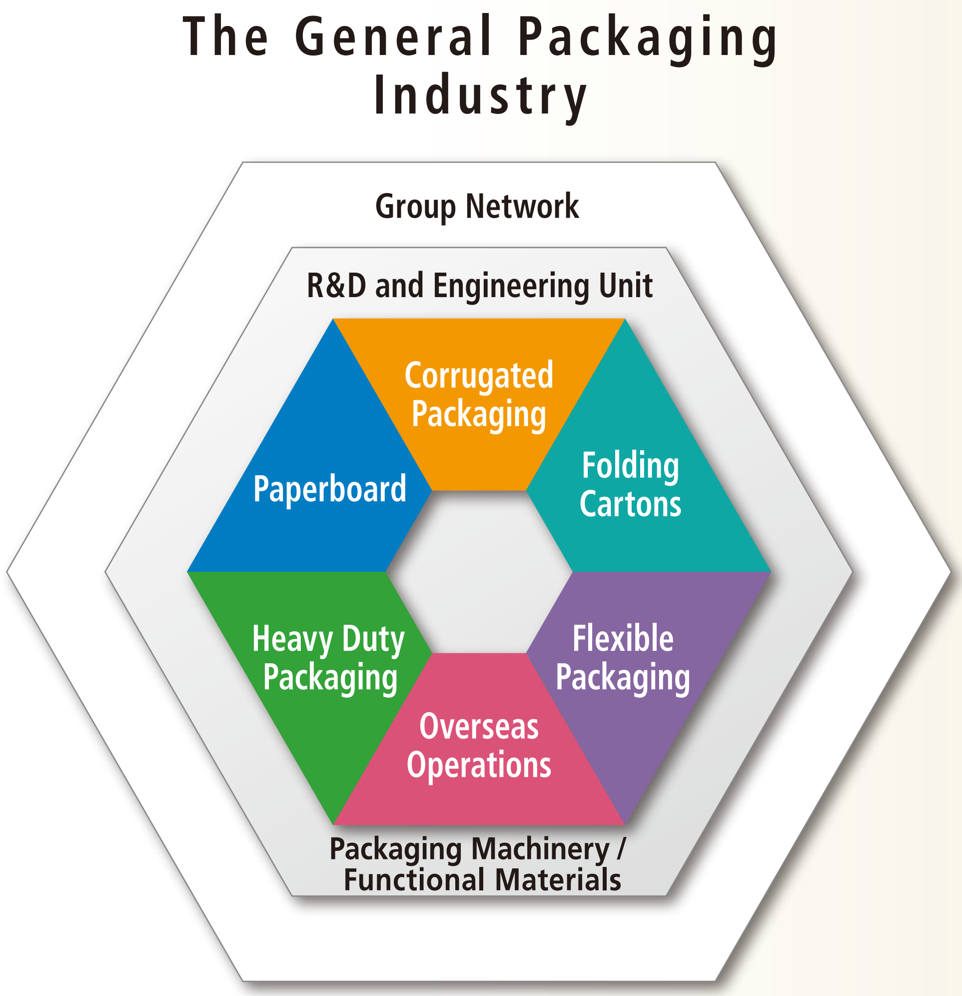
GPI
The General Packaging Industry
RENGO

Annual Report 2017

For Year Ended March 31, 2017

General Packaging Industry (GPI) Meeting Diverse Packaging Needs



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Disclaimer Regarding Forward-Looking Statements

This annual report contains forward-looking statements regarding the Rengo Group's plans, strategies, and beliefs.
These forward-looking statements are based on management's assumptions and beliefs in 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.

Types of paperboard

Corrugated boxes

Paperboard — Paperboard production: Domestic market share No. 2 *1

Corrugated Packaging — Corrugated production: Domestic market share No. 1 *2

Folding cartons

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

Creating packaging with true value that is friendly to people and the environment and is one step ahead of the times

Flexible Packaging — Amount of OPP/CPP input for Converting process: Domestic market share No. 1 *4

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

Overseas — 127 plants and 21 representative offices/ sales companies

(As of March 31, 2017)

Flexible packaging

Packaging machinery
(Gemini Packaging System)

Flexible bulk containers

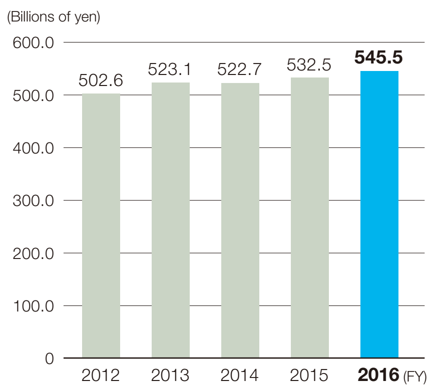
Sources:
*1. Japan Paper Association
*2. Yano Research Institute
*3. Rengo
*4. Japan Comprehensive Economic Research Centre
*5. Fuji Chimera Research Institute

Consolidated Financial Highlights

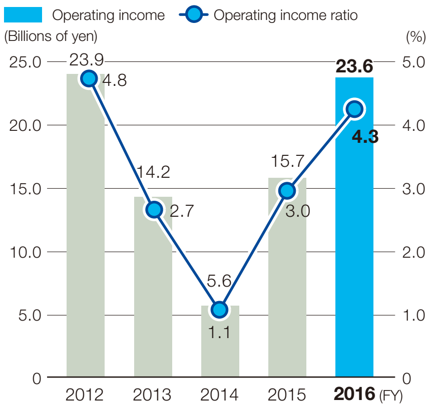
(Fiscal years ended March 31, 2017 and 2016)	Millions of yen		% change	Thousands of U.S. dollars*1
	FY2016	FY2015	FY2015 to FY2016	**FY2016**
For the fiscal year:				
Net sales	**¥ 545,489**	¥ 532,534	2.4	**$ 4,870,438**
Operating income	**23,642**	15,727	50.3	**211,089**
Profit attributable to owners of parent	**13,876**	9,817	41.3	**123,893**
Depreciation and amortization	**29,524**	29,333	0.7	**263,607**
Capital expenditures	**30,446**	29,657	2.7	**271,839**
EBITDA	**54,373**	46,455	17.0	**485,473**
At the fiscal year-end:				
Total assets	**¥ 704,827**	¥ 644,690	9.3	**$ 6,293,098**
Interest-bearing debt	**283,350**	264,728	7.0	**2,529,911**
Net assets	**241,511**	221,734	8.9	**2,156,348**
	Yen		Difference (yen)	U.S. dollars
Per share amounts:				
Basic earnings per share	**¥ 56.04**	¥ 39.64	¥ 16.40	**$ 0.50**
Diluted earnings per share	**–**	–	–	**–**
Cash dividends applicable to the year	**12.00**	12.00	–	**0.11**
Net assets per share*2	**946.06**	872.17	73.89	**8.45**

*1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥112 to US$1 prevailing on March 31, 2017.
*2. The amount of net assets used for calculation of net assets per share is the amount of net assets on the consolidated balance sheets, excluding non-controlling interests.

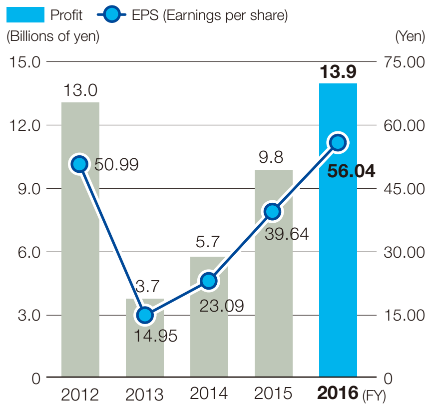
Net sales



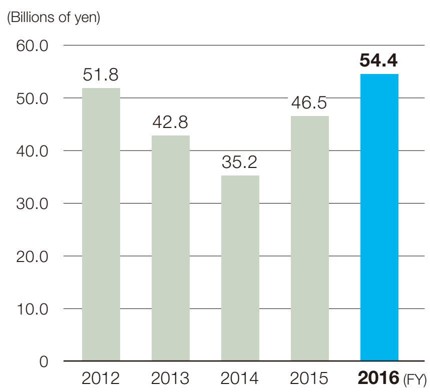
Operating income & operating income ratio



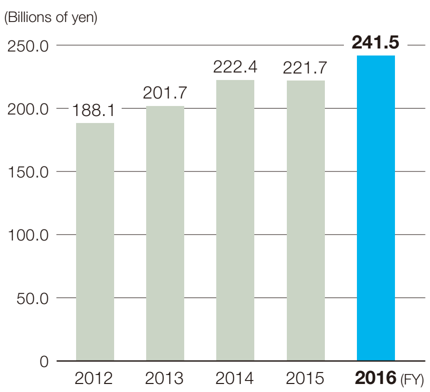
Profit attributable to owners of parent & EPS



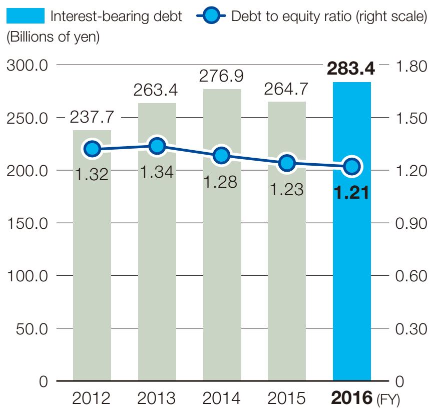
EBITDA



Net assets

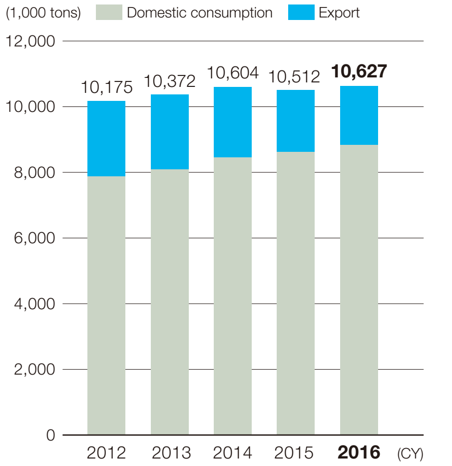


Interest-bearing debt & debt to equity ratio



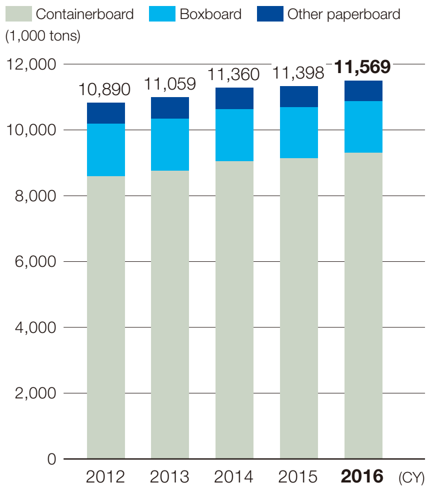
Market Data

Domestic consumption and export of old corrugated containers



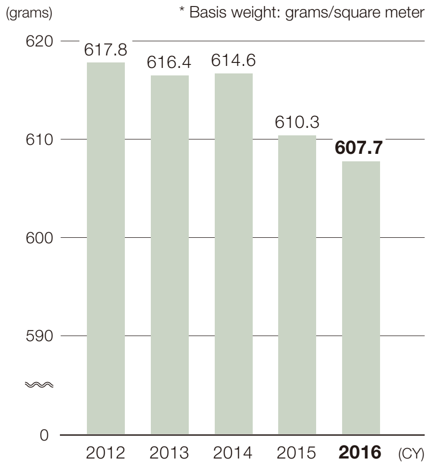
Source: Ministry of Economy, Trade and Industry / Ministry of Finance

Production of paperboard



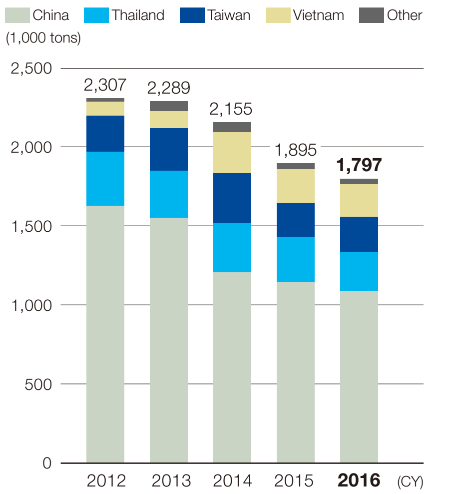
Source: Ministry of Economy, Trade and Industry

Average basis weight* of corrugated board



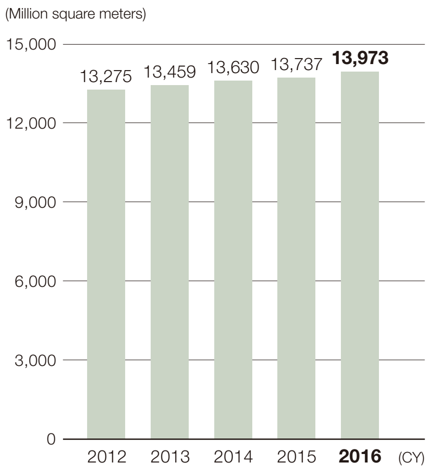
Source: Japan Corrugated Case Association

Export of old corrugated containers by country



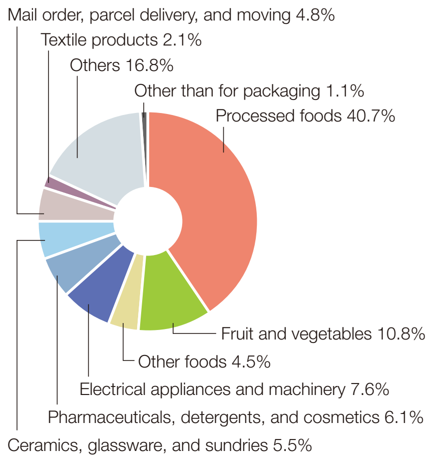
Source: Ministry of Finance

Production of corrugated board



Source: Japan Corrugated Case Association

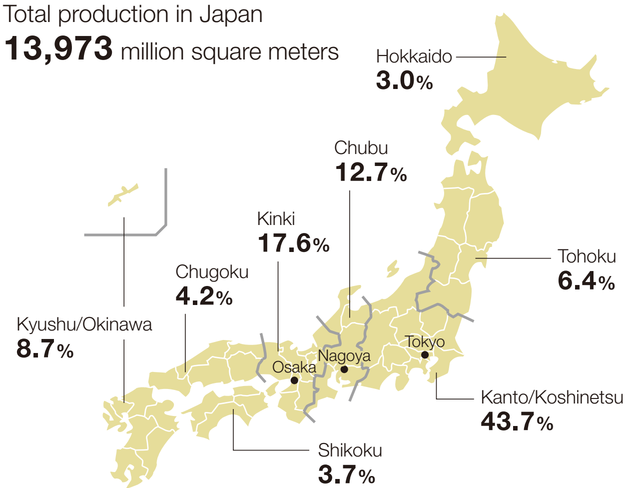
Breakdown of demand for corrugated boxes by market (2016)



Source: Japan Corrugated Case Association

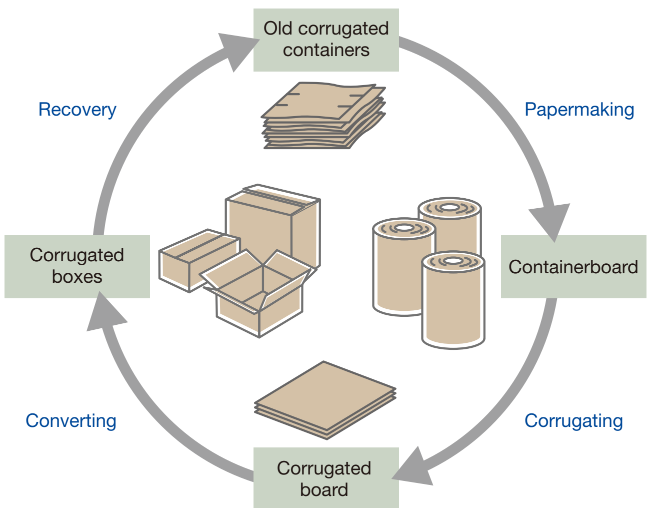
Production of corrugated board by region (2016)

Total production in Japan
13,973 million square meters



Source: Japan Corrugated Case Association

Flowchart of recycling corrugated board



Solving Social Issues and Building Business Foundations through Packaging Innovation

As General Packaging Industry (GPI) Rengo, the Rengo Group proposes comprehensive solutions to all packaging needs in a wide range of industries and has started tackling new challenges with the target of becoming the world's No.1 General Packaging Industry in order to further develop its hexagonal business structure centered on six core business fields: paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business.

In fiscal 2016, we reinforced our sales capabilities through packaging innovation, made active capital investments, and implemented M&A and business reorganization to expand the scope of business and raise earning capacity while reinforcing our human resource foundations by establishing work environments where diverse personnel can work successfully.

Kiyoshi Otsubo

Representative Director,
Chairman, President & CEO

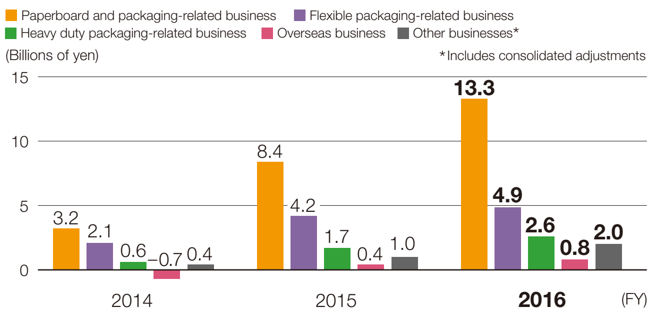
Summary of Financial Results for Fiscal 2016

Prompt Responses to Market Changes Lead to Business Expansion and Increased Earning Capacity

The Rengo Group's consolidated financial results for the fiscal year ended March 31, 2017 were as follows: we posted net sales of ¥545,489 million, a year-on-year increase of 2.4%; operating income of ¥23,642 million, an increase of 50.3%; ordinary income of ¥25,214 million, an increase of 51.6%; and profit attributable to owners of parent of ¥13,876 million, an increase of 41.3%. All segments reported higher income for two consecutive fiscal years, and the flexible packaging-related business, heavy duty packaging-related business, and overseas business set new records for income.

In the paperboard industry, domestic demand for containerboard was firm while exports were strong, supported by increasing demand in China and Southeast Asia. In the

Operating income by segment



corrugated packaging industry, demand for processed food, sundry, and e-commerce applications was robust. Growth in demand for corrugated packaging has been notable in recent years in conjunction with the expansion of e-commerce markets, and growth in processed food applications has been stable, supported by the increase in single-person households and other factors. As a result, we expect the corrugated packaging market to continue growing.

At a time when markets and distribution formats are undergoing major changes, the results of efforts to continuously anticipate those changes and respond accurately to social needs can be seen in the consolidated financial results for fiscal 2016.

Domestic Strategies and Initiatives – Part 1

Generating New Demand through Innovative Product Development

With "Less is more." as our key concept, the Rengo Group is focusing its efforts on developing packaging that can generate greater value with fewer resources. *Rengo Smart Display Packaging* (RSDP) (see page 10), a type of corrugated packaging based on a new concept, is attracting increasing attention against a backdrop of extreme labor shortages in recent years. RSDP was developed as a part of the *Retail Mate* series, a product family that helps raise work efficiency in distribution sites. RSDP not only fully considers packing, protecting, and transporting products, but is also packaging for opening and displaying as well as selling products and conveying information to capture the interest of consumers. We are developing a lineup with various functions and configurations tailored to diverse distribution modes and distribution site needs, and our products are highly valued by customers as essential items for achieving low-cost operations at retailers.

We developed *Rakuppa Display* as a completely new type of paperboard general-purpose floor display with both high display functionality and strength that can be assembled and folded in just three seconds. *Rakuppa Display* has received high praise as a product that contributes to increase in-store sales without losing sales opportunities. We won the WorldStar Packaging Award from the World Packaging Organisation for *Rakuppa Display*, and its exceptional performance has been recognized around the world.

Meanwhile, there is growing need to reduce work burdens relating to packaging and shipping in the rapidly growing e-commerce field. There are many issues that can be solved through improved packaging including downsizing and standardization of boxes and reduction of re-delivery through placement in a mailbox. With regard to the environment, these solutions will also lead to reductions in carbon dioxide emissions. To address these needs, we are working to develop and increase the use of packaging machinery systems for e-commerce applications.

For example, the *Gemini Packaging System* (see page 10) developed by Rengo is an automated packaging system that can automatically adjust case height according to the product, contributing to energy savings and higher efficiency of logistics, and we have received numerous inquiries regarding the system.

Going forward, we will continue to address a wide range of social issues head-on and develop innovative products that can solve those issues. At the same time, we will conduct active promotions and work to increase orders.

Domestic Strategies and Initiatives – Part 2

Reinforcing Structures through Strategic Capital Investment and M&A to Respond to Growing Demand

Domestic corrugated board demand in 2017 is expected to be 14,100 million m^2, up from 2016, when demand reached a record high, and demand is expected to continue growing in the future. Under these circumstances, the Rengo Group is conducting active capital investment and M&A to build foundations that can respond dynamically to expanding demand.

In the paperboard business, we launched a full-scale reconstruction of our containerboard production systems. We will complete an upgrade of the paperboard machine at the Kanazu Mill (Awara-shi, Fukui Prefecture) in October 2017 and will later

"Less is more."

"Less is more."

This is the fundamental concept of Rengo's approach to packaging innovation.

"Less energy consumption"
"Less carbon emissions"
"High quality products with more value-added"

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

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

suspend operations at the Yodogawa Mill (Fukushima-ku, Osaka) and shut down the mill at the end of March 2018. Through these measures, we will consolidate the Group's containerboard production sites from six mills currently to five mills. This will increase facility operating rates and substantially raise productivity and optimize the product mix to be more closely aligned with demand.

In the corrugated packaging business, Settsu Carton Co., Ltd. (Itami-shi, Hyogo Prefecture) opened the Shin-Tokyo Plant (Kawaguchi-shi, Saitama Prefecture) in August 2016. In addition to introducing cutting-edge equipment, the new plant also takes the environment into consideration. It will respond more promptly to customer needs and raise quality even further, and reinforced corrugated packaging supply structures in the Kanto region, the highest demand area.

In the flexible packaging-related business, we have made active investments to respond to increasing packaging orders for convenience store applications, demand for which continues to grow. In the heavy duty packaging-related business, we are introducing new large-scale machinery.

In April 2016, Sanyo Jidosha Unso Co., Ltd. (Higashiosaka-shi, Osaka Prefecture) consolidated its existing sites and opened a new site at its Kobe Branch (Chuo-ku, Kobe) as a part of measures to increase collection and delivery efficiency and raise transport quality in the transport business.

The Tokyo Head Office was relocated to a new site in Minato-ku, Tokyo in March 2017, and we reinforced collaboration among the different divisions system to enhance functioning as the operations headquarters.

Overseas Strategies and Initiatives

Enhancing Overseas Business by Strengthening Production Facilities and Expanding Business Fields

In overseas business, Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd. (Jiangsu Province, China) constructed an additional new plant in May 2016 to bolster its supply structures in the rapidly-growing Chinese pharmaceutical market.

In October 2016, Rengo acquired 100% of the common shares in Tri-Wall Holdings Limited (British Cayman Islands), the owner of *Tri-Wall Pak* and other global brands of heavy duty corrugated packaging. This acquisition will contribute substantially to expanding the scale and profits of our overseas business and generate synergy effects with other Group businesses. We also expect that the global business structures of GPI Rengo will evolve and the Group's overall capabilities will be enhanced by promoting further utilization of global human resources.

In addition, Vina Kraft Paper Co., Ltd. (Binh Duong Province, Vietnam) started No.2 paperboard machine in November 2016 to establish a structure that can respond to the vigorous demand in Vietnam, where growth remains high. In April 2017, Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) and Nihon Matai Co., Ltd. (Taito-ku, Tokyo) established a joint venture flexible packaging and heavy duty packaging sales company in Thailand as a sales base in Thailand and Southeast Asia.

Corporate Social Responsibility

Striving to Be a Corporate Group that Sustainably Develops along with Society

Creating workplaces where diverse human resources can encourage one another and exhibit ever greater capabilities without regard for gender, age, disability, nationality, or other personal attributes is the foundation of sustainable development for the future. The first steps toward a dynamic workplace environment where each individual can perform at the highest possible levels are correcting long working hours and establishing a good work-life balance. To achieve this, we have been making efforts to raise Total Factor Productivity (TFP), and we now see that this anticipated the work style reforms that have become one of the most pressing issues being addressed in Japan today.

Among those efforts, support for women's empowerment is a priority issue from the perspective of solving social problems including countermeasures to the low birth rate and supporting the development of future generations of employees. We established the Section for the Promotion of Women Employees

Kanazu Mill, Rengo Co., Ltd.

As a part of our initiatives to rebuild the containerboard production systems, we are modifying a paperboard machine that produces corrugating medium to produce linerboard as well (scheduled for completion in October 2017).

Jiangsu Zhongjin Matai Medicinal Packaging

An additional plant was constructed in May 2016 to manufacture aluminum products used with Press Through Packages (PTP), a type of packaging used for tablet and capsule packs, and other measures were taken to expand business in the rapidly-growing Chinese pharmaceutical market.

in April 2014 and adopted a Voluntary Action Plan on Employment of Female Officers and Managers in September of that year. We also adopted Action Plan for Women's Advancement in March 2016 and have taken other measures to support female employees including encouraging the employment of women and expanding their areas of responsibility.

In February 2017, we formulated and announced the Work Style Reform Declaration with a focus on encouraging male employees to take childcare leave. I believe that men participating in childcare will serve as an opportunity to review the working styles of men. In 2006, we instituted a congratulatory bonus system, which is also stated in the Declaration, under which employees are paid ¥20,000 for the first child, ¥50,000 for the second child, and ¥1 million for the third and subsequent children. The amounts have been increased in the spirit of viewing the birth of a new life as a blessing for the company as well, and in the 11 years since the program was introduced, some 300 employees have received the bonuses for a third or subsequent child. With the adoption of the Work Style Reform Declaration, we hope to establish the foundations of a corporate culture where it is easy for both men and women to take childcare leave and work and raising children are compatible and to change employee awareness to be more positive towards active participation in childcare.

Rengo won the Minister of the Environment Prize of the 26th Annual Global Environment Awards, in April 2017. The awards, sponsored by Fujisankei Communications Group, are among the most prestigious in the environmental field. Rengo won this award for solving environmental and social problems through carbon dioxide emissions reductions in both the physical and non-physical aspects of business and the manufacture of packaging. I am extremely pleased that we were recognized for our sincere attitude of directly confronting issues that society continuously addresses including the environment and works to solve them through all of our business activities rather than for a specific product. In particular, when the Saitama Prefecture target-based emissions reduction action program came into effect, the Yashio Mill, the largest paperboard mill in Japan, established special project teams to address reducing carbon dioxide emissions and established new mechanisms for encouraging energy-saving programs. The establishment of a structure for continuous reduction of carbon dioxide emissions, cutting carbon dioxide emissions by approximately 65,000 tons annually with the introduction of a woodchip biomass boiler electric power generation facility, and acquisition of FSC certification at all paperboard, corrugated packaging, and folding carton plants to establish a system for the supply of FSC corrugated and folding carton products in advance of the rest of the industry were highly evaluated.

We will take this award as motivation for GPI Rengo to strive to be a corporate group that sustainably develops along with society, always keeping the “Less is more.” concept in mind.

Establishment of Solid Business Foundations

Becoming the World’s No.1 General Packaging Industry

We formulated Vision110 as a common policy direction pursuing robust fundamentals that we must take as we look ahead to the next century on the occasion in 2019 of the 110th anniversary of the company’s foundation. The target that we will pursue under Vision110 is to become the world’s No.1 General Packaging Industry (GPI). This means establishing domestic and overseas systems that can provide advanced packaging solutions and supply chains that respond to all packaging needs and integrate processes from packaging material procurement to distribution and packing, and further reinforcing the earnings base of hexagonal management. This, however, is not the final form for the Group. I believe that our final form as the world’s No.1 GPI is the creation of high added value packaging with the highest levels of passion in the world under a stance of high ethics and fairness, and an attitude of continuously taking on new challenges.

We will continue to make tireless efforts to support distribution and society with packaging. In these endeavors, I request the continued understanding and support of our shareholders, investors, and other stakeholders.

Rengo selected as a Semi-Nadeshiko Brand

Rengo Co., Ltd. was selected as a Semi-Nadeshiko Brand for fiscal 2016. The Nadeshiko Brand is a joint initiative of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to recognize listed companies with an outstanding record of encouraging women’s success in the workplace.

The Semi-Nadeshiko Brand category is for companies that have an outstanding record of encouraging women’s success and have the potential for future growth in this area. Rengo was recognized and selected as a company with potential for future growth as a result of our proactive initiatives to encourage women’s success in the workplace, our management capabilities to maximize diverse human resources, and our ability to carry out self-reform in response to changing environments.

Creating the Next Generation of Packaging to Respond to Packaging Needs in a Wide Range of Fields

Packaging needs are becoming increasingly advanced and diversified as a result of changing lifestyles and rising environmental awareness, among other factors.
Through ongoing research and development, the Rengo Group is creating high value-added products in advance of changes in needs.

Rengo Group's Research and Development Activities

The Rengo Group focuses its research and development on the packaging business and related fields including paperboard and corrugated packaging, and promotes making packages that create greater value with fewer resources, based on the key concept of "Less is more."

Paperboard and Packaging-Related Business

The Rengo Group is working to develop technologies relating to stronger and higher quality paper for lightweight containerboard, *Delta-flute* corrugated board (see page 13), development of energy-saving and resource-saving technologies with a focus on corrugating adhesives and development of recyclable functional corrugated board with excellent anticorrosion, heat insulating, water resisting, damp-proof, low friction and flame resistance properties and functional packaging that uses technology to keep fruit and vegetables fresh. Through its research and development activities, the Rengo Group seeks to save energy and resources, increase the added value of products, raise productivity and reduce costs. We are steadily putting products into practical application.

Central Laboratory, Rengo Co., Ltd.

Flexible Packaging-Related Business

We are conducting research and development on environmentally-friendly oxygen barrier films for food applications, roll labels, roll-on shrink labels and other products, and the volumes of development products that have been introduced in some markets are steadily increasing. In 2014, we released a hard coat film with excellent heat ray cutting properties for automotive and building windows and adhesive food packaging, which must be removable.

Packaging Technical Department, Rengo Co., Ltd.

Heavy Duty Packaging-Related Business

Nihon Matai Co., Ltd. develops functional films, highly functional resin products and heavy duty packaging products. The company is reinforcing its single-layer and multi-layer sheeting business for functional films and highly functional resin products, maintaining its top share of the domestic market for electronic component transportation packaging materials, developing new products and improving quality. In the heavy duty packaging field, Nihon Matai is bolstering its development of high-end weed-proofing sheets for agriculture, a market that is seeing new growth.

R&D Center, Nihon Matai Co., Ltd.

Overseas Business

Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd. is conducting development for practical application of environmentally-friendly, water-based inks and water-soluble solvents for use with pharmaceutical Press Through Packages (PTP) and SP packaging materials. The company is also developing pharmaceutical packaging materials in response to requests from pharmaceutical manufacturers and is improving lithium-ion battery packaging materials based on customer evaluations.

Other Businesses

We are conducting research and development relating to new materials that offer both environmental friendliness and functionality. We have launched *Viscopearl* porous beads made from cellulose, the main component of wood; *Wasaveil*, anti-bacterial and anti-mold agents made from mustard and wasabi constituents; and *Cellgaia*, high-function pulp integrated with synthetic zeolites, and are working towards a commercial launch of *Gaiaphoton*, a new luminescent phosphor that does not contain any rare earths, several years in the future. We have also been reinforcing the lineup of packaging machinery for the online commerce market over the past several years.

Development Products Meet Packaging Needs

Amidst a declining birth rate and shrinking workforce, labor shortages at logistics and retail sites are becoming more severe and calls for improvements in working efficiency are stronger than ever. It is under this current environment that packaging-related needs are becoming increasingly advanced and diverse including the need to increase picking and packing work efficiency at logistics sites and to save labor in unpacking and product placement work at retail sites. To respond to these needs, Rengo Co., Ltd. is reinforcing its development capabilities and creating innovative products.

RSDP

Packaging that Greatly Increases Efficiency and Sales Promotion Effects

We developed *Rengo Smart Display Packaging* (RSDP) in response to urgent calls from retail stores for a way to efficiently sell products with a small workforce.

The key features of RSDP are its ability to be opened simply and cleanly without using cutting tools and to easily improve the appearance of printed product logos and copy. RSDP can slash the time needed for unpacking, product arrangement and other work to as much as a fifth and enhance in-store display functions, leading to greater sales promotion effects.

In addition, one type can eliminate the need for shipping boxes by using shrink film, which makes it possible to easily unpack products and greatly reduces the amount of packaging material.

Improved performance

Reduces labor time to approx. 1/5

Improved sales promotion

Eye-catching and attractive to 90% of customers

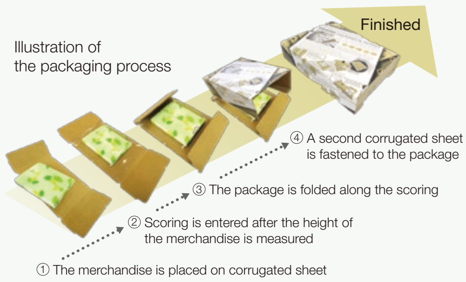
Gemini Packaging System

Automated Packaging System Reduces Labor Burdens at Logistics Sites

Burdens at logistics sites continue to increase in conjunction with the expansion of e-commerce markets. In order to solve this problem, Rengo consolidated its packaging technology expertise accumulated over many years and developed the *Gemini Packaging System*, which greatly reduces packing workloads.

With this system, the packaging machine automatically measures the dimensions of a product and creates a box with the optimal height, greatly reducing packing work labor. The system can automatically package a wide range of products including sundries and books and can process one box every three seconds, 1,200 cases per hour.

In addition, the system improves transport efficiency by eliminating excess space in boxes, and products are held in place using shrink film, eliminating the need for cushioning materials and saving resources.



Gemini Packaging System

Wide-Ranging Business in Five Segments Centered on Six Core Business Fields

The Rengo Group currently engages in business in five segments centered on six core business fields: paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business.

Paperboard and Packaging-Related Business

Main Products

- Paperboard
  - Containerboard
  - Boxboard
  - Tube board
  - Chipboard
- Corrugated packaging
  - Corrugated board
  - Corrugated boxes
- Folding cartons

Net sales

¥**382,146** million (YoY increase of **4.0**%)

Operating income

¥**13,309** million (YoY increase of **58.3**%)

Flexible Packaging-Related Business

Main Products

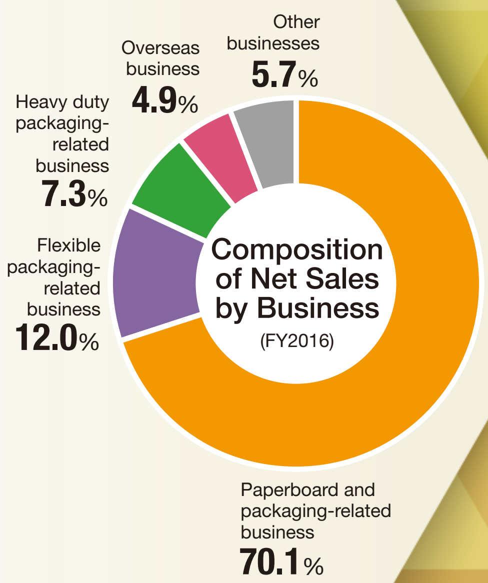
- Flexible packaging
- Cellophane

Net sales

¥**65,699** million (YoY increase of **2.9**%)

Operating income

¥**4,883** million (YoY increase of **14.9**%)



Heavy Duty Packaging-Related Business

Main Products

- Polyethylene heavy duty bags
- Kraft paper bags
- Flexible bulk containers

Net sales

¥**39,790** million (YoY decrease of **2.5**%)

Operating income

¥**2,632** million (YoY increase of **51.3**%)

Overseas Business

Main Products

- Corrugated board
- Corrugated boxes
- Flexible packaging
- Flexible bulk containers
- Nonwoven products

Net sales

¥**26,802** million (YoY increase of **1.8**%)

Operating income

¥**825** million (YoY increase of **133.7**%)

Other Businesses

Main Products

- Nonwoven products
- Packaging machines
- Transportation

Net sales

¥**31,052** million (YoY decrease of **9.1**%)

Operating income

¥**1,846** million (YoY increase of **136.1**%)

Paperboard and Packaging-Related Business

Rengo Co., Ltd., Marusan Paper Mfg. Co., Ltd. and one other subsidiary are active in the paperboard manufacturing and sales business. Each company sells products through its own sales channels including Rengo Paper Business Co., Ltd. and supplies the principal raw materials for corrugated packaging to Rengo Group companies via Rengo Co., Ltd. and Rengo Paper Business Co., Ltd.

The corrugated board, corrugated box, and folding carton manufacturing and sales business is conducted independently by Rengo Co., Ltd., Yamato Shiki Co., Ltd., Settsu Carton Co., Ltd., and other Group companies. Rengo Co., Ltd. and Rengo Riverwood Packaging, Ltd. manufacture and sell multi-packs used for six packs of canned beer and other products.


Corrugated boxes
Paperboard mill
Multi-packs

Market Environment and Business Results

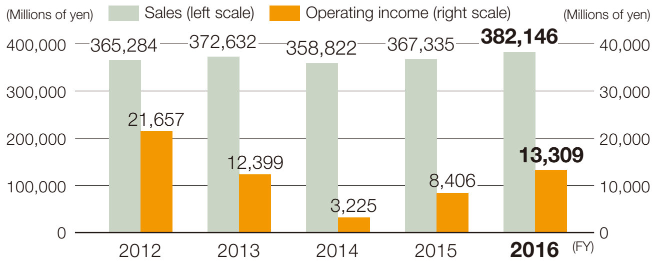
During the year under review, demand for containerboard, the primary product for paperboard, was solid and exports remained strong, and as a result, paperboard production volume was up from the previous year. In the corrugated packaging market, despite a slump in demand for fruit and vegetable packaging due to the effects of unfavorable weather conditions, demand for beverage, e-commerce applications, and sundries packaging was robust and production volume was up from the previous year. In the folding carton market, gift-related demand shrank and the shift to alternative materials including flexible packaging continued, but production volume remained flat, supported by strong demand for food applications.

Under these circumstances, the Rengo Group's paperboard and packaging-related business experienced higher prices for raw materials and lower product prices, but reported higher sales and profit thanks to increases in sales volumes and lower energy prices.

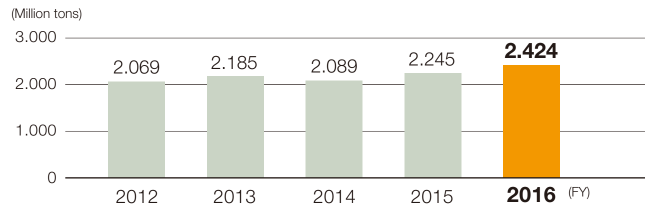
Segment sales were ¥382,146 million, an increase of 4.0% year on year, and operating income was ¥13,309 million, an increase of 58.3%. The paperboard and packaging-related business accounted for 70.1% of consolidated net sales.

The Rengo Group's paperboard production volume in Japan was 2.424 million tons, up 8.0% year on year. The increase was the result of solid demand. Thanks to efforts to recover orders received, domestic production volumes of corrugated products were 3,902 million square meters for corrugated board, an increase of 6.5% year on year, and 3,068 million square meters for corrugated boxes, up 7.0%.

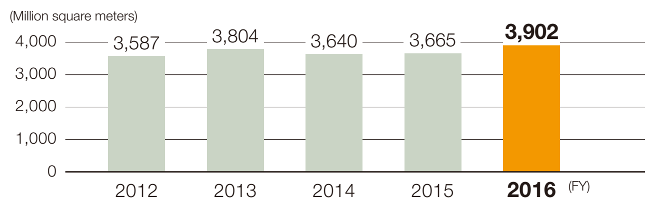
Sales and operating income (after intersegment eliminations)



Paperboard production (in Japan, consolidated basis)



Corrugated board production (in Japan, consolidated basis)



Main Production Sites

Yashio Mill

The Yashio Mill is a high-efficiency, urban mill that supplies a wide range of products to Tokyo and surrounding areas including corrugating medium, linerboard, tube board, and chipboard. The mill boasts the highest paperboard production volume in Japan.

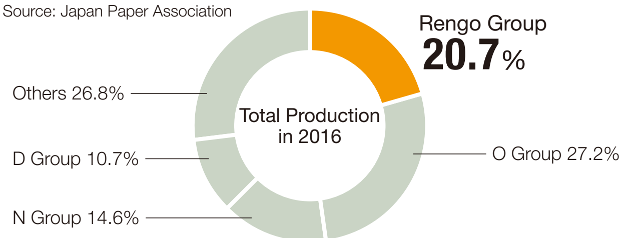
The Yashio Mill supports environmental conservation including a steep reduction in CO_2 emissions as a result of the introduction of energy-saving facilities including a wood chip biomass power plant.

Tokyo Plant

The Tokyo Plant fulfills a wide range of needs in the Tokyo metropolitan market, the largest demand region in Japan, as a flagship corrugated plant equipped with one of the largest corrugators in Japan. The plant employs the COMETS production control system, which integrates all processes from paperboard receiving to corrugating, box making, and shipping, to increase productivity and enhance quality and service through integrated plant-wide management.

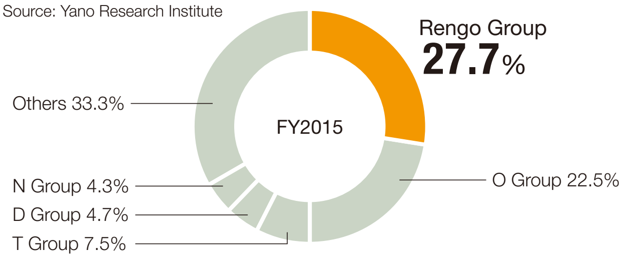
Major manufacturing groups' shares of the paperboard market in Japan

Source: Japan Paper Association

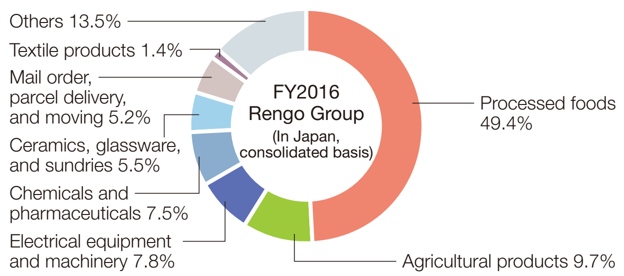


Major manufacturing groups' shares of the corrugated board market in Japan

Source: Yano Research Institute



Breakdown of demand for corrugated boxes by market



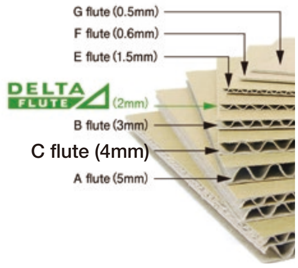
Rengo Products

LCC Containerboard

The Less Caliper & Carbon (LCC) containerboard independently developed by Rengo Co., Ltd. is 25% lighter than conventional containerboard while maintaining the same strength. LCC containerboard makes it possible to effectively use recovered paper resources and reduce CO_2 emissions during transport.

C-Flute and *Delta-Flute* Corrugated Board

We are actively encouraging a switch to C-flute corrugated board, which is about 20% thinner (approximately 4 mm thick) compared to A-flute corrugated board, and we developed *Delta-flute* corrugated board (approximately 2 mm thick), which is independently developed by Rengo Co., Ltd. We are pursuing lighter and higher-function corrugated board.



RSDP

Rengo Smart Display Packaging (RSDP) adds new features of display and selling to the existing functions of transportation. RSDP reduces the work time necessary for opening packages and displaying products to approximately one fifth and greatly increase sales promotion effects through outstanding designs.

Rakuppa Display

We developed folding paperboard displays, which provide both high display functionality and strength, and which can easily and quickly be assembled by anyone. The Rakuppa Display is broadly applicable and can display various products. We anticipate a wide range of applications in addition to retail, including event sites, exhibitions, and more.

Flexible Packaging-Related Business

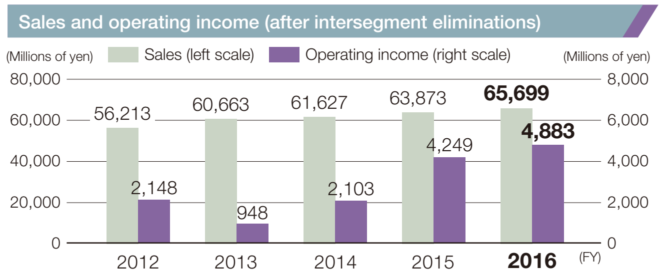
The Rengo Group's flexible packaging manufacture and sale business is carried out mainly by Howa Sangyo Co., Ltd. Rengo Co., Ltd. is involved in sales only. Manufacture and sale of cellophane are carried out by Rengo Co., Ltd.

Market Environment and Business Results

During the fiscal year under review, production volumes in the flexible packaging market were solid, supported by demand for food applications and sundries.

The Rengo Group's flexible packaging business reported higher sales and profit as a result of an increase in demand for convenience stores and the effects of cost improvements.

Segment sales were ¥65,699 million, an increase of 2.9% year on year, and operating income was ¥4,883 million, an increase of 14.9%. The flexible packaging-related business accounted for 12.0% of consolidated net sales.



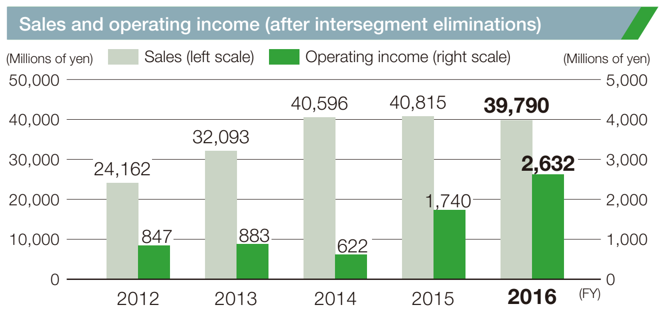
Heavy Duty Packaging-Related Business

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

Market Environment and Business Results

During the fiscal year under review, demand for container bags used for decontamination relating to the 2011 Fukushima nuclear power plant accident continued to decline, and production volumes in the heavy duty packaging market declined year on year.

Despite the decrease in demand for container bags used for decontamination, the Rengo Group's heavy duty packaging-related business reported lower sales but higher profit due to a decline in raw material prices and the effects of cost improvements. Segment sales were ¥39,790 million, a decrease of 2.5% year on year, and operating income was ¥2,632 million, an increase of 51.3%. The heavy duty packaging-related business accounted for 7.3% of consolidated net sales.



Overseas Business

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

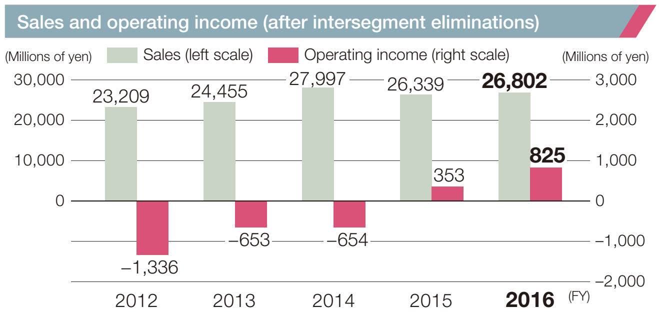
Corrugated plant
Press Through Packages (PTP)
Heavy duty corrugated packaging

Market Environment and Business Results

The overseas business reported higher sales and higher profit as a result of solid demand in the flexible packaging business and other factors.

As a result, segment sales were ¥26,802 million, an increase of 1.8% year on year, and operating income was ¥825 million, an increase of 133.7%. Overseas business accounted for 4.9% of consolidated net sales. The overseas production volume of corrugated board by Rengo Co., Ltd. consolidated subsidiaries was 279 million square meters, an increase of 112.9% year on year.

The Rengo Group's total overseas production volume of paperboard including production by equity-method affiliates was 545,000 tons, and the production volume of corrugated board was 1,949 million square meters.



Other Businesses

Manufacture and sale of other products are carried out by the following companies: nonwoven products by Rengo Nonwoven Products Co., Ltd.; and packaging machines mainly by Yamada Kikai Kogyo Co., Ltd.
Rengo Co., Ltd. is involved only in sales of packaging machines.

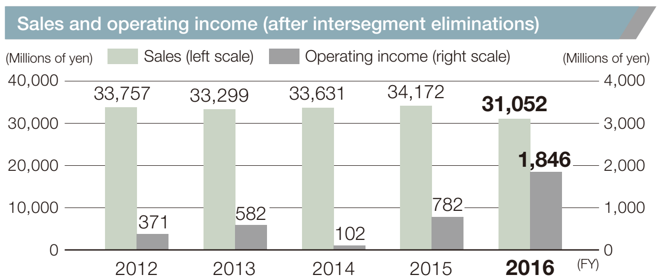
The transport, insurance agency, leasing, and real estate businesses are carried out mainly by Rengo Logistics Co., Ltd. and Sanyo Jidosha Unso Co., Ltd.

Nonwoven products
Packaging machine
Transportation business

Market Environment and Business Results

Other businesses reported lower sales but higher profit as a result of withdrawal from the newsprint and printing paper business and improved profitability in the nonwoven products business.

As a result, segment sales were ¥31,052 million, a decrease of 9.1% year on year, and operating income was ¥1,846 million, an increase of 136.1%. Other businesses accounted for 5.7% of consolidated net sales.



TOPICS April 1, 2016 to March 31, 2017

Tri-Wall Holdings Becomes Rengo Subsidiary

In October 2016, Rengo acquired 100% of the shares of Tri-Wall Holdings Limited and made it a wholly-owned subsidiary. Tri-Wall Holdings owns trademarks including *Tri-Wall Pak* and *Bi-Wall Pak*, global brands of heavy duty corrugated packaging, and conducts business in various regions around the world including Asia and Europe.

As packaging needs diversify and globalize, the integration of the products, technologies, and human resources of the Rengo Group and Tri-Wall Group will generate significant synergy effects. By providing new services relating to heavy duty corrugated board to Rengo Group customers and providing the diverse and numerous packaging solutions of the Rengo Group to Tri-Wall Group customers, we will enhance the overall capabilities of “General Packaging Industry (GPI)” Rengo.

In addition, the results and experience of the Tri-Wall Group will spur even greater utilization of the global human resources in the Rengo Group’s overseas business, further advancing GPI Rengo’s global business structures.

Overview of Tri-Wall Holdings (fiscal year ended December 31, 2016)

Established	June 2010
Capital	¥9,268 million
Consolidated net sales	¥23,956 million
Main business	Ownership of 100% of the stock of Tri-Wall Limited, which manages heavy duty packaging material manufacture and sale businesses
Business sites	Group headquarters are located in Hong Kong (Tri-Wall Limited)
Corrugated plants	5 locations (China, Thailand, United Kingdom)
Converting plants	70 locations (Asia, Europe, Middle East)


Tri-Wall Pak

Settsu Carton Begins Operations at Shin-Tokyo Plant

Settsu Carton Co., Ltd. (Itami-shi, Hyogo Prefecture) commenced operations at its Shin-Tokyo Plant (Kawaguchi-shi, Saitama Prefecture) in August 2016. The new plant has state-of-the-art equipment and is environmentally friendly with the introduction of facilities such as a photovoltaic power generator. The new plant will contribute to bolstering the Rengo Group’s corrugated packaging supply system in the Kanto region.

Jiangsu Zhongjin Matai Medicinal Packaging Constructs New Packaging Plant

In May 2016, Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd. (Jiangsu Province, China) constructed an additional plant to manufacture aluminum products used with Press Through Packages (PTP), a type of container used for tablet and capsule pharmaceutical products. With the opening of this state-of-the-art plant, the company will raise quality even further and increase production capacity with the aim of expanding business in China’s pharmaceutical market, which will continue to undergo rapid growth in the future.

Howa Matai Packaging (Thailand) Established

Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) and Nihon Matai Co., Ltd. (Taito-ku, Tokyo) jointly established Howa Matai Packaging (Thailand) Co., Ltd. (Nonthaburi Province, Thailand), a flexible packaging and heavy duty packaging sales company, in March 2017. The new company will serve as a sales base for Thailand and Southeast Asia for Howa Sangyo’s flexible packaging business and Nihon Matai’s heavy duty packaging business.

Vina Kraft Paper Commences Operation of No. 2 Paper Machine

Vina Kraft Paper Co., Ltd. (Binh Duong Province, Vietnam) began operating its No.2 containerboard machine in November 2016. Annual production capacity has been approximately doubled and a structure has been established to respond to robust demand in Vietnam, which continues to undergo a high rate of growth. High priority was also placed on environmental preservation, with a cutting-edge co-generation system, raw material processing line, and wastewater treatment line also introduced.

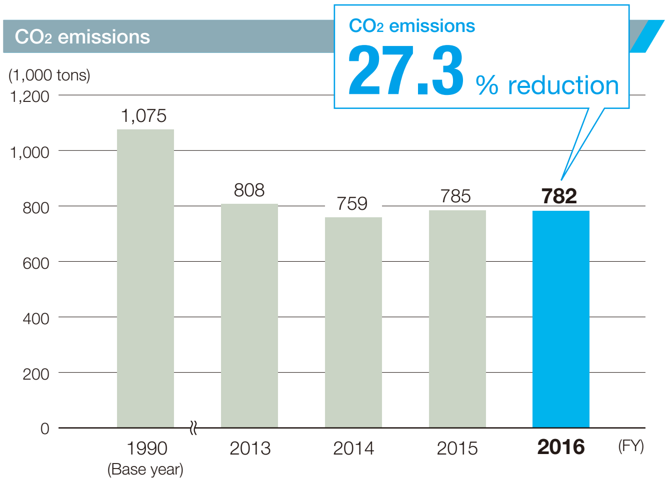
To Protect the Global Environment

In accordance with its Group Environmental Charter, Rengo formulated “Eco Challenge 020,” which sets fiscal 2020 as the target year. Under Eco Challenge 020, Rengo has established specific targets for each fiscal year, and has been making steady progress toward achieving them.

Rengo’s environmental initiatives are based on its concept of producing higher value with fewer resources, known as “Less is more.” Together with its manufacturing units, Rengo’s distribution and other non-manufacturing units are united in promoting energy savings, and remain committed to conserving natural resources, such as by reducing waste, effectively utilizing recovered paper and reducing the weight of packaging.

Reducing CO_2 Emissions

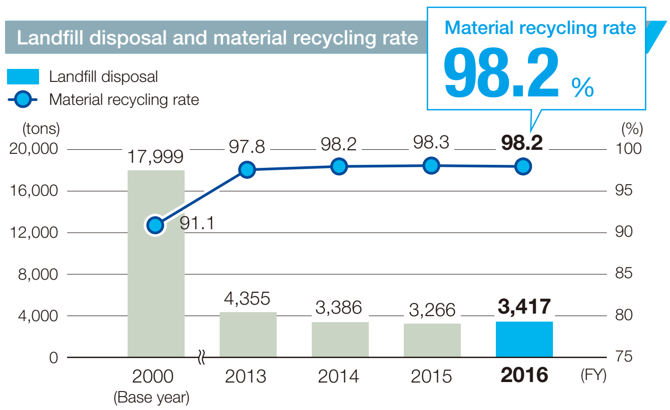
We set a target for fiscal 2016 to reduce CO_2 emissions derived from fossil fuels during production by 29% compared to fiscal 1990. Despite improving energy efficiency and using more biomass fuel, we could not reach the target. An increase in the volume of production instead resulted in emissions for fiscal 2016 reaching 782,000 tons, equal to a 27.3% reduction compared to fiscal 1990. Nevertheless, improvements have been made in CO_2 emissions on a per-unit basis, contributing through company-wide efforts for improvements in productivity.



Reducing Waste

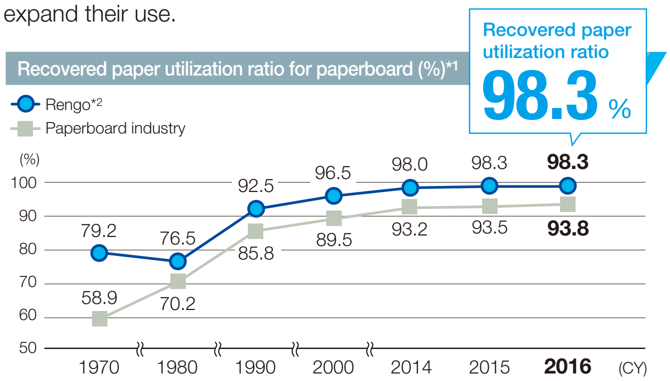
The waste reduction targets for fiscal 2016 under Eco Challenge 020 were to keep landfill disposal to less than 4,000 tons and to achieve a material recycling rate of at least 97%. As a result of efforts, we achieved our targets, with landfill disposal of 3,417 tons and a material recycling rate of 98.2%.

When outsourcing the disposal of waste at our plants, wherever possible, we select contractors that are capable of recycling the waste. We will continue our efforts to curtail the volume of waste generated and increase material recycling rates.



Maintaining and Increasing the Recovered Paper Utilization Ratio

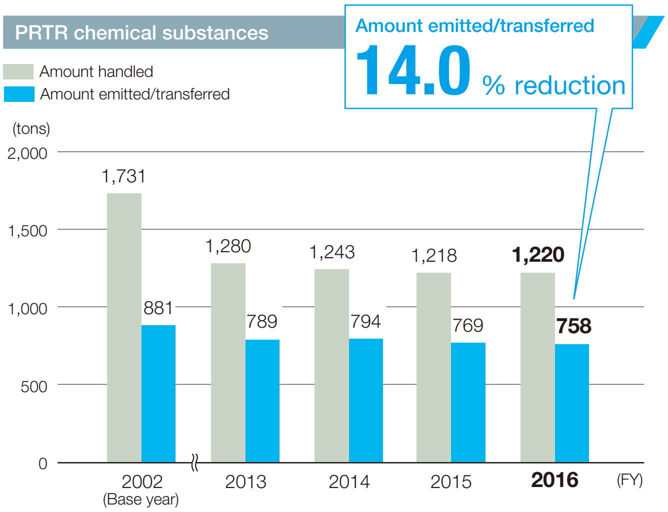
Under Eco Challenge 020, we set a target for a recovered paper utilization ratio of at least 97% in fiscal 2016, and set about raising the ratio of wastepaper pulp while maintaining product quality. As a result of these efforts, we achieved our target with a recovered paper utilization ratio of 98.3%. At Rengo, in order to conserve forest resources through the effective use of recovered paper, we are promoting the development of relevant technologies at our research laboratories and paperboard mills. We have also installed facilities capable of processing confidential paper waste, which previously could not be put to good use, at the Tonegawa Division, following installation at the Yashio Mill and Amagasaki Mill, and we are working to further expand their use.



*1 Ratio of recovered paper in the raw materials used in all paperboard products
*2 Rengo aggregates data on a fiscal year basis
Source: Paper Recycling Promotion Center

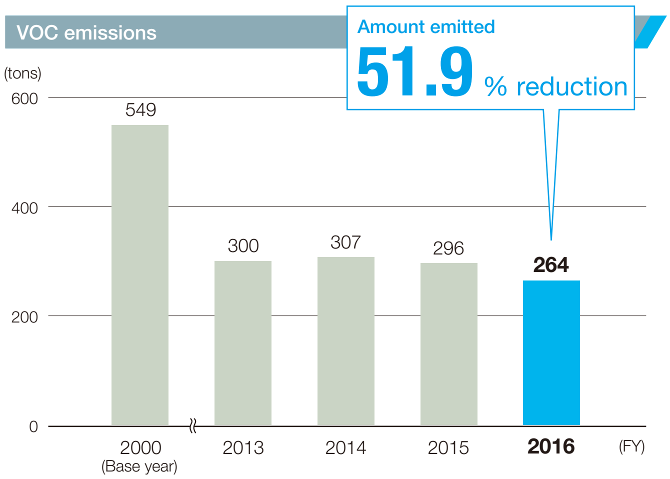
Appropriate Management of Chemical Substances

Emissions/transfers of relevant substances based on the Pollutant Release and Transfer Register (PRTR) system measured 758 tons in fiscal 2016. This is a 14.0% reduction compared to fiscal 2002, and achieves our target of a 12% reduction compared to fiscal 2002. By taking measures such as replacing the chemicals we use, we will strive to reduce the amount of PRTR chemical substances handled, emitted and transferred.



Reduction of Volatile Organic Compounds (VOC)

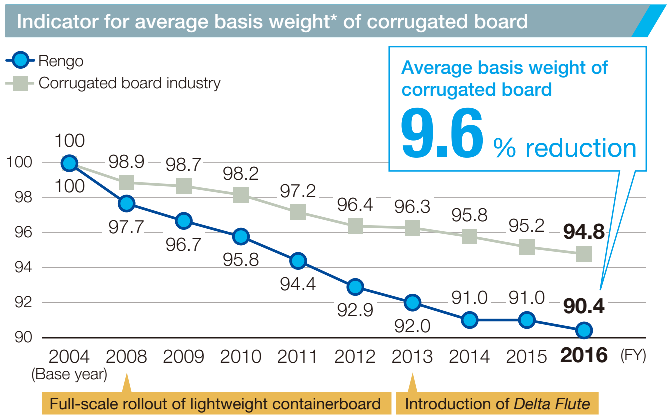
VOCs emitted into the atmosphere are a cause of photochemical oxidants and suspended particulate matter. Since ink and processing agents containing VOCs are used in the printing/processing of paperboard and film, VOCs are emitted into the atmosphere once they are dry. Emissions in fiscal 2016 measured 264 tons. This is a 51.9% reduction compared to fiscal 2000, and achieves our target (45% reduction compared to fiscal 2000). We continue to implement activities to reduce VOCs, such as adopting low-VOC and non-VOC inks.



Lightweight Packaging

We set a target for reducing the average basis weight* of corrugated board in fiscal 2016 by 9.5% compared to fiscal 2004. As a result of various efforts, we achieved our target with a reduction in the average basis weight of corrugated board in fiscal 2016 of 9.6%.

We have developed a variety of lightweight products that cut resource and energy use and reduce environmental impact. We introduced C-flute corrugated board in 2005, initiated the full-scale rollout of lightweight containerboard in 2008, and developed the new *Delta Flute* corrugated board in 2013, laying out a system for nationwide supply. Going forward, we will continue to develop and promote more lightweight products.



* Mass per square meter of corrugated board
Source: Japan Corrugated Case Association (Index by Rengo)

Rengo Wins Minister of the Environment Award at Global Environment Awards

In April 2017, Rengo was presented with the Minister of the Environment Award at the 26th Global Environment Awards (sponsored by the Fujisankei Communications Group; supported by the Ministry of Economy, Trade and Industry (METI), the Ministry of the Environment (MOE), the Ministry of Education, Culture, Sports, Science and Technology (MEXT), the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), the Ministry of Agriculture, Forestry and Fisheries (MAFF) and Keidanren (Japan Business Federation)).

Presentation of the Minister of the Environment Award

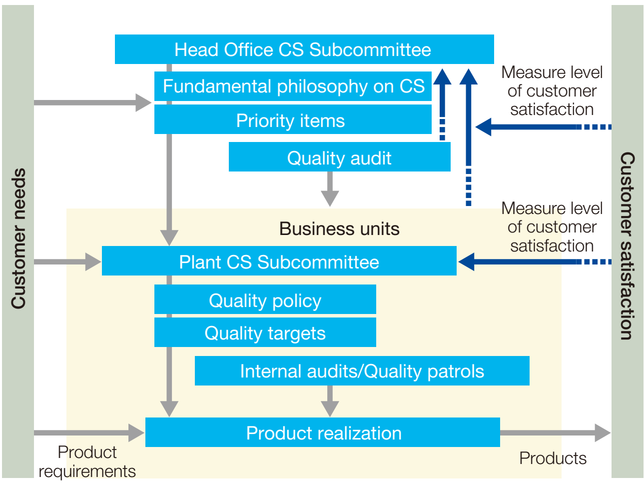
To Fulfill Our Responsibilities as a Corporate Citizen

Our philosophy is to be a good corporate citizen capable of contributing to society, with a strong focus on our ties with the community.

In addition to creating products with an emphasis on safety, security and a reduced impact on the global environment, we are also committed to nurturing the next generation of human resources. We promote rewarding workplace environments where each and every employee can feel motivated, and we promote coexistence with local communities through disaster prevention and other measures.

Quality Assurance

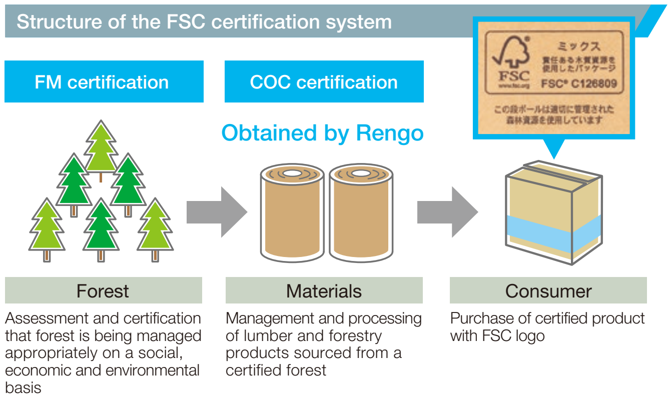
Rengo has established the Head Office CS Subcommittee and the Plant CS Subcommittee to monitor and manage activities company-wide. These committees oversee the entire company to ensure that products delivered to customers are safe and secure. The Head Office CS Subcommittee meets twice a year to deliberate and determine important matters, such as the identification of significant risks concerning quality as well as the company-wide action policy and measures for reducing those risks. The Plant CS Subcommittee meets once a month to formulate more specific initiatives for putting that action policy into practice at each mill and plant.



Acquisition of FSC® Certification

All of Rengo's paperboard mills, corrugated plants and folding carton plants obtained Forest Stewardship Council® (FSC) certification in 2016, and we established a nationwide supply system for certified products ahead of the competition. FSC certification is an international system for certifying both appropriately managed forests and the appropriate processing and distribution of lumber harvested from these forests.

In the case of corrugated packaging, FSC certification must be obtained, not only by the corrugated plant that processes containerboard into corrugated boxes, but also by the paperboard mill that produces the containerboard material. As an integrated manufacturer of both paperboard and corrugated board, Rengo is able to apply FSC certification to all corrugated packaging that uses containerboard produced at its mills. Apart from corrugated packaging, we have also obtained FSC certification for our folding cartons, chipboard, and clay coated board, which are used in packaging for food items and daily necessities.



Formulation of Procurement Policy

In order to realize business activities that contribute to society from a procurement perspective, Rengo procures materials based on the following policy, by providing high quality, high-added-value packaging while utilizing resources effectively and reducing its impact on the global environment.

Rengo Co., Ltd.'s Fundamental Policy on Procurement

The following fundamental policy governs our procurement of materials, in accordance with our corporate philosophy:

1. We will comply with laws, regulations and social norms.
2. We will have consideration for conservation of resources, environmental protection, and social harmony beyond economic rationales.
3. We will select suppliers in a fair and impartial manner, irrespective of country, trading history with Rengo.
4. We will ensure proper management, protection and no divulgence of information assets acquired in the course of operations (confidential corporate data, personal information, intellectual property, etc.), and ensure that information is not used for purposes other than for which it was obtained.
5. We will build trust with suppliers and strive for mutual development.

Established on April 1, 2017

Diversity Initiatives

Encouraging Employment of Older Workers

Rengo introduced a re-employment program in 2001, and following a number of revisions in response to subsequent statutory amendments, the program was changed in April 2013 so that, in principle, all employees who want to continue working can do so until age 65. As the decrease in the birthrate and aging of the population accelerate, we will continue to expand and improve the re-employment program based on the concept of "lifelong activity" so that employees can continue to work with the same sense of playing an important role in society as before reaching retirement age.

Encouraging Employment of Persons with Disabilities

Employing persons with disabilities is an important measure for creating work environments where everyone can work comfortably. Rengo is working to raise understanding of persons with disabilities and expand their work responsibilities. As of June 2016, the employment rate of persons with disabilities was 2.2%, higher than the statutory rate. We are committed to continuing our efforts to creating workplace environments where disabled employees can work with passion over long periods.

Empowerment of Female Workers

In April 2014, Rengo established the new Section for the Promotion of Women Employees, and set about creating a corporate climate and developing an environment where diverse personnel could maximize their unique potential. In March 2016, we formulated the Action Plan for Empowering Female Workers based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

We remain committed to encouraging the appointment of women and expanding their areas of responsibility. In addition to raising the ratio of female employees throughout the company, we will strive to further improve their motivation and skills through training and individual support according to their career and stage of life. Furthermore, in order to create workplaces where people can thrive irrespective of gender, we have also worked to foster and entrench a culture where male employees can access childcare leave.

Initiatives for Improvement of Total Factor Productivity (TFP)

As the "work style reform" movement to address long working hours is taken up by the national government, Rengo is achieving steady results through its initiative launched in April 2015 to reduce total hours actually worked by improving Total Factor Productivity (TFP). Having analyzed the many different factors that make up productivity, we are working to raise productivity while also being conscious of technological innovations and people's work styles and emotional situations. At Rengo, labor and management are united in reducing overtime hours worked and encouraging employees to take paid annual leave.

In terms of initiatives encouraging employees to take paid annual leave, we conducted a campaign to raise awareness and make improvements to the workplace environment. As a result, the average length of leave taken in fiscal 2016 was 10.8 days, achieving our target of at least 10 days on average. Going forward, we will continue striving to improve TFP throughout the company and to develop even better places to work.

Support for Local Government Disaster Countermeasures

Rengo provides a number of products that can be used at times of disaster, such as earthquakes and typhoons. These include floor coverings, privacy partitions, and corrugated board beds used at evacuation centers as well as corrugated boxes used for transporting relief supplies. Corrugated board beds in particular have gained attention as being useful for alleviating lower-back pain and preventing deep-vein thrombosis for people living at evacuation sites for prolonged periods of time. In addition, at mills and plants nationwide, we have concluded agreements with local municipalities and other self-governing bodies to supply relief goods at times of disaster, thereby supporting disaster prevention measures in the unlikely event of an emergency.

Disaster training exercise

UN GLOBAL COMPACT
Network Japan
WE SUPPORT

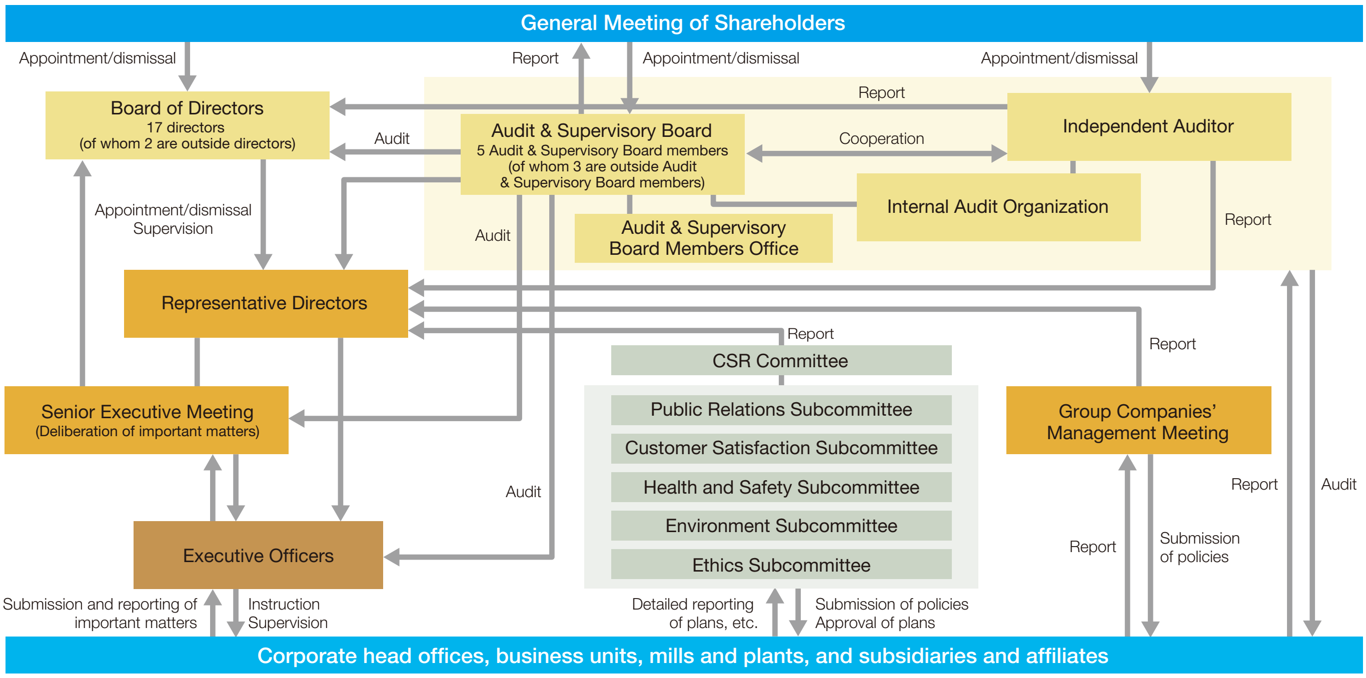
Rengo Endorses the UN Global Compact

In November 2009, Rengo endorsed the United Nations Global Compact.

To Be a Company That Earns the Trust and Confidence of Society

In order to increase corporate value, 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 enhance our corporate governance structures.

Corporate Governance Structure (As of June 29, 2017)



Basic Stance for Corporate Governance

As an enterprise aspiring to earn society's firm trust and confidence, our goal is timely and accurate information disclosure combined with sound management that has high transparency.

In keeping with our corporate philosophy whose essence is "The truth is in the workplace," Rengo is enhancing corporate governance by strengthening the current systems while delegating authority and accelerating decision-making.

The Board of Directors and its Effectiveness

As of June 29, 2017, Rengo's Board of Directors consisted of 17 directors (the maximum number of directors stipulated in the Articles of Incorporation is 18). Regarding the effectiveness of the Board of Directors, Rengo is working to enhance the functions of the Board through self-evaluation by directors and other means. In February 2017, the Company conducted a questionnaire survey (self-evaluation) of members of the Board of Directors and the Audit & Supervisory Board. The responses were analyzed, and following discussion of these results at a meeting of the Board of Directors, the overall effectiveness of the Board of Directors was confirmed.

Corporate Governance Systems

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

Corporate governance structure

Organizational form	Company with audit & supervisory board
Number of directors (of which, outside directors)	17 (2)
Number of audit and supervisory board members (of which, outside audit & supervisory board members)	5 (3)
Number of independent officers	5
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 two independent outside directors, thus allowing for opinions stated from an independent stance during discussions at Board meetings.

In addition to meeting the criteria for qualifying as an outside director in accordance with the Companies Act and satisfying the qualifications for independent officers as stipulated by the Tokyo Stock Exchange, a requirement of outside directors is that they have no potential conflict of interest with ordinary shareholders. Furthermore, candidate outside directors are selected from those people who can contribute to Rengo's sustainable growth and enhancement of medium- and long-term corporate value.

Policy on Cross-Shareholdings and 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, and so on. 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, and so on.

Internal Control

Rengo formulated the basic policy for design of internal controls pursuant to the Companies Act of Japan and the Board of Directors approved it in May 2006. In April 2008, to respond to the internal control system required by the Financial Instruments and Exchange Act, Rengo established the new Audit Department, which is independent of routine operations. The Internal Control Audit 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 2016, Rengo and its 41 consolidated subsidiaries were within the scope of evaluation of company-wide internal controls and six significant business entities, including Rengo, were subject to evaluation of internal controls of business processes. As a result of the evaluation, management judged that Rengo's internal controls covering financial reporting were effective as of March 31, 2017.

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 manager 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.

Moreover, we hold seminars mainly on compliance with the Antimonopoly Act, as necessary, for the purpose of compliance education. In fiscal 2016, 10 seminars were held, which were open to officers and all employees of Rengo and companies in the Rengo Group. The seminars were attended by a total of 614 participants.

The Rengo Group intranet has a page called the Compliance Office that is dedicated to compliance issues. We are creating a system that enables employees to learn about the various relevant laws and regulations, work-related improper conduct, prevention of corruption, and other topics at any time by accessing the page.

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 2016, there were two cases of whistleblowing (both of which were 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.

Systems for Disclosure of Information to Shareholders and Investors

In order to provide information on proposed General Shareholders Meeting resolutions to shareholders at the earliest possible time when a General Shareholders Meeting is convened, the Company endeavors to send the notice of convocation early. In the case of the 149th Ordinary General Shareholders Meeting held in June 2017, notices were sent out 22 days prior to the meeting. To facilitate the exercise of voting rights, the Company introduced electronic voting starting with the Ordinary General Shareholders Meeting held in June 2011 and has since participated in an electronic voting platform.

With regard to investor relations, briefings are held on the first-half and full-year settlements of accounts, and a Company representative is given periodic opportunities to explain details of the Company's performance and management policies. We also use the Company website for the continuous dissemination of information and from time to time issue news releases, interim financial statements, annual reports, and explanatory materials regarding the settlement of accounts.

Members of the Board, Audit & Supervisory Board Members and Executive Officers (As of June 29, 2017)

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

Moriaki Maeda
Representative Director, Executive Vice President

Ichiro Hasegawa
Representative Director, Executive Vice President

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	Yasuhiro Baba
	Hiromi Sambe
	Shigechika Ishida
Member of the Board, Managing Executive Officer	Hiroshi Ebihara
	Yosuke Kawamoto
	Koichi Hirano
	Hirofumi Hori
	Sadatoshi Inoue
Member of the Board, Executive Officer	Mitsumasa Yokota
	Toru Osako
	Takeshi Hosokawa
	Yukio Okano
Member of the Board*1	Kenjiro Nakano
	Shinichi Yokoyama

Audit & Supervisory Board Member*2	Kiwamu Hashimoto
	Yoshihiro Kagawa
	Junzo Ishii
	Kiyoshi Mukohara
	Kenji Tsujimoto
Senior Managing Executive Officer	Osamu Nishimura
Executive Officer	Yuji Hiwaki
	Masashi Nakashima
	Taro Shiomi
	Yuji Motomatsu
	Shin Morizuka
	Hiroyuki Kinoda
	Satoshi Fujiwara
	Mitsunori Ozaki
	Shigetoshi Yoshimura
	Yosuke Tsuge

Notes:
1. Board members Kenjiro Nakano and Shinichi Yokoyama are outside directors.
2. Audit & Supervisory Board members Junzo Ishii, Kiyoshi Mukohara and Kenji Tsujimoto are outside members.

Financial Section

Consolidated Ten-Year Summary

Rengo Co., Ltd. and consolidated subsidiaries
(Fiscal years ended March 31, 2008–2017)

	2008	2009	2010
For the fiscal year (millions of yen):			
Net sales	¥ 435,339	¥ 446,660	¥ 457,386
Gross profit	66,226	69,813	91,645
Operating income	12,799	15,213	33,727
Profit before income taxes and non-controlling interests	9,654	14,215	29,633
Profit attributable to owners of parent	5,659	7,831	16,987
Research and development expenses	1,486	1,663	1,507
Depreciation and amortization	24,277	24,337	25,223
Capital expenditures	21,083	20,526	29,363
EBITDA	37,026	39,550	58,950
At the fiscal year-end (millions of yen):			
Total assets	¥ 468,887	¥ 457,263	¥ 498,137
Working capital	(53,538)	(43,897)	(37,080)
Interest-bearing debt	194,251	193,374	199,237
Net assets	147,382	140,779	163,926
Equity capital *1	142,221	136,175	159,385
Per share amounts (yen):			
Basic earnings per share	¥ 21.83	¥ 29.91	¥ 64.42
Diluted earnings per share	—	—	—
Cash dividends applicable to the year	10.00	10.00	10.00
Net assets per share *2	542.91	520.49	595.36
Ratio:			
Return on equity (%)	3.9	5.6	11.5
Return on total assets (%)	1.2	1.7	3.6
Debt to equity ratio (times)	1.37	1.42	1.25
Capital adequacy ratio (%)	30.3	29.8	32.0
Other statistics:			
Number of shares of common stock (thousand)	263,774	263,774	271,056
Number of employees	10,181	9,089	11,182
Stock prices (yen):			
High	¥ 927	¥ 849	¥ 652
Low	451	425	483

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

2011	2012	2013	2014	2015	2016	2017
¥ 474,878	¥ 492,628	¥ 502,626	¥ 523,142	¥ 522,672	¥ 532,534	**¥ 545,489**
91,888	86,196	88,469	82,606	76,429	87,288	**98,587**
32,391	25,068	23,891	14,221	5,568	15,727	**23,642**
18,042	11,272	25,066	9,687	12,081	16,268	**24,186**
10,291	7,148	12,956	3,703	5,719	9,817	**13,876**
1,486	1,541	1,581	1,421	1,405	1,441	**1,448**
26,394	27,149	27,898	28,582	29,612	29,333	**29,524**
22,650	47,741	37,014	52,849	39,982	29,657	**30,446**
58,785	52,217	51,789	42,803	35,180	46,455	**54,373**
¥ 499,119	¥ 549,058	¥ 572,591	¥ 629,055	¥ 655,675	¥ 644,690	**¥ 704,827**
(36,385)	(46,135)	(30,389)	(40,772)	(34,146)	(36,802)	**(24,289)**
201,584	229,444	237,746	263,431	276,906	264,728	**283,350**
165,613	170,931	188,133	201,659	222,391	221,734	**241,511**
159,395	164,339	180,734	196,359	216,353	215,963	**234,242**
¥ 39.67	¥ 27.74	¥ 50.99	¥ 14.95	¥ 23.09	¥ 39.64	**¥ 56.04**
—	—	—	—	—	—	**—**
12.00	12.00	12.00	12.00	12.00	12.00	**12.00**
618.59	637.85	729.53	792.78	873.60	872.17	**946.06**
6.5	4.4	7.5	2.0	2.8	4.5	**6.2**
2.1	1.4	2.3	0.6	0.9	1.5	**2.1**
1.27	1.40	1.32	1.34	1.28	1.23	**1.21**
31.9	29.9	31.6	31.2	33.0	33.5	**33.2**
271,056	271,056	271,056	271,056	271,056	271,056	**271,056**
12,267	12,961	13,082	13,095	14,060	13,999	**16,038**
¥ 597	¥ 619	¥ 599	¥ 651	¥ 558	¥ 619	**¥ 717**
414	458	311	438	443	459	**546**

Management's Discussion and Analysis

Overview

In fiscal 2016 (the fiscal year ended March 31, 2017), the Rengo Group strove to expand its business scale and improve its earnings power by strengthening sales and marketing capabilities through packaging innovation, conducting vigorous capital investment and M&A, and implementing operational reorganization. This was inspired by the "General Packaging Industry (GPI)" concept of proposing comprehensive solutions for the full spectrum of packaging needs of virtually all industries, in order to further develop its hexagonal business structure centering on six core businesses—paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business.

Based on the "Less is more." principle of creating packaging that delivers significant value with fewer resources, Rengo proceeded with the development of innovative products, such as the Rengo Smart Display Packaging (RSDP), a new form of corrugated packaging that demonstrates outstanding unsealing performance and excellent sales promotion functions, as well as the Rakuppa Display, a one-step sales promotion setup that won the WorldStar Award from the World Packaging Organisation (WPO). Rengo also endeavored to increase orders by aggressively promoting its products.

In April 2016, in a move for greater efficiency in collection and delivery operations and higher quality cargo transport operations, Sanyo Jidosha Unso Co., Ltd. (Higashiosaka-shi, Osaka Prefecture) opened a new Kobe branch (Chuo-ku, Kobe-shi), consolidating its previous three sites in eastern Kobe Prefecture, and in August, Settsu Carton Co., Ltd. (Itami-shi, Hyogo Prefecture) commenced operations at its Shin-Tokyo Plant (Kawaguchi-shi, Saitama Prefecture), strengthening its corrugated packaging supply system in the Kanto region. Furthermore, in March 2017, Rengo relocated its Tokyo Head Office to a new office building in Minato-ku, Tokyo, as a way of enhancing its function as an operational headquarters by strengthening ties between its business system units.

Overseas, in May 2016, in order to expand its business in the fast-growing market for pharmaceuticals in China, Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd. (Jiangsu Province, China) constructed an additional plant manufacturing packaging materials for pharmaceutical products. Also, in October, Rengo acquired the shares of Tri-Wall Holdings Limited (British Cayman Islands), making it a subsidiary. Tri-Wall Holdings is the holding company of the Tri-Wall Group—owner of the Tri-Wall Pak® global brand of heavy-duty corrugated board and with business extending throughout Asia, Europe and other parts of the world. Furthermore, in November, joint venture Vina Kraft Paper Co., Ltd. in Vietnam expanded its containerboard production capacity to meet the country's brisk demand for corrugated packaging, and in April 2017, Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) and Nihon Matai Co., Ltd. (Taito-ku, Tokyo) jointly established a company in Thailand selling flexible packaging and heavy duty packaging, putting in place an organization that can meet growing demand.

At the Global Environment Awards in April 2017, Rengo won the Minister of the Environment Award, in recognition of its reduction of CO_2 emissions by means of both structural and institutional measures as well as for its other environmental initiatives based on the introduction of advanced equipment and development of innovative packaging.

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

As of March 31, 2017, there were 130 consolidated subsidiaries, 79 more than at the end of the previous year, and there were 15 affiliates accounted for by the equity method, six more than at the end of the previous year.

Sales

Consolidated net sales increased ¥13.0 billion or 2.4% year on year from ¥532.5 billion for the previous year to ¥545.5 billion for fiscal 2016.

This increase was mainly due to an increase in sales volume of paperboard products and corrugated products, as well as favorable sales in the flexible packaging business and an increase in the number of consolidated subsidiaries.

Sales from the paperboard and packaging-related business segment increased 4.0% year on year, sales from the flexible packaging-related business segment increased 2.9%, sales from the heavy duty packaging-related business decreased 2.5%, sales from the overseas business increased 1.8%, and sales from other businesses decreased 9.1%.

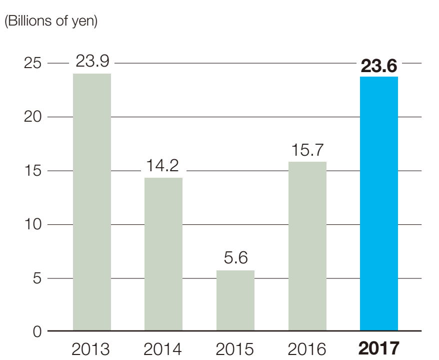
Sales volumes of paperboard products in Japan increased 4.4% on the back of robust demand, and sales volumes of corrugated boxes in Japan increased 6.0% due to Rengo's efforts to restore orders received to previous levels as well as an increase in the number of consolidated subsidiaries.

Income and Expenses

Operating Expenses and Operating Income

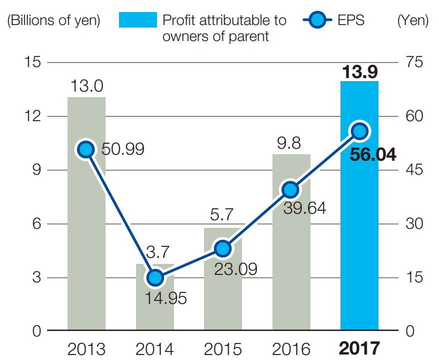
Cost of sales increased 0.4% year on year from ¥445.2 billion for the previous year to ¥446.9 billion owing to an increase in the number of

Operating Income



Fiscal years ended March 31, 2013–2017

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



Fiscal years ended March 31, 2013–2017

Income and Expenses as a Percentage of Net Sales

	2015	2016	2017
Cost of Sales	85.4%	83.6%	**81.9%**
SG&A expenses	13.6	13.4	**13.7**
Operating income	1.1	3.0	**4.3**
Profit attributable to owners of parent	1.1	1.8	**2.5**

Fiscal years ended March 31, 2015–2017

consolidated subsidiaries and an increase in raw material prices, despite lower prices of energy such as city gas and electricity.

Selling, general and administrative expenses increased 4.7% from ¥71.6 billion to ¥74.9 billion primarily owing to an increase in the number of consolidated subsidiaries and an increase in freightage and packing expenses.

Operating income increased ¥7.9 billion or 50.3% year on year from ¥15.7 billion to ¥23.6 billion. This increase was because the impact of higher sales volumes of paperboard products and corrugated products, as well as lower energy prices, exceeded the impact of lower product prices and increased raw material prices.

Other Income and Expenses

Regarding the net balance of other income and expenses, income of ¥0.5 billion was recorded for fiscal 2016, the same as the previous year. This result was attributable to having recorded office relocation costs associated with the Tokyo Head Office of Rengo Co., Ltd. as well as a loss on sales/retirement of noncurrent assets, against a gain on sales of investment securities, an improvement in the financial account and an increase in equity in earnings of affiliates.

Income Taxes and Profit Attributable to Non-controlling Interests

Income taxes increased ¥3.5 billion from ¥6.1 billion for the previous year to ¥9.6 billion mainly owing to an increase in profit before income taxes and non-controlling interests. Profit attributable to non-controlling interests increased ¥0.5 billion from ¥0.3 billion for the previous year to ¥0.8 billion.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent was ¥13.9 billion for fiscal 2016, an increase of ¥4.1 billion or 41.3% from ¥9.8 billion for the previous year. Basic earnings per share was ¥56.04, having increased from ¥39.64 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 ¥704.8 billion, having increased ¥60.1 billion from ¥644.7 billion at the end of the previous year. The overall increase was comprised of a ¥26.5 billion increase in current assets, a ¥6.8 billion increase in property, plant and equipment, a ¥16.9 billion increase in intangible assets, and a ¥9.9 billion increase in investments and other assets.

The principal reason was that Tri-Wall Holdings Limited and its 74 subsidiaries were included in the scope of consolidation.

Liabilities and Net Assets

Total liabilities amounted to ¥463.3 billion, having increased ¥40.3 billion from ¥423.0 billion at the end of the previous year, owing mainly to have included Tri-Wall Holdings Limited and its 74 subsidiaries in the scope of consolidation.

Interest-bearing debt at the end of the fiscal year stood at ¥283.4 billion, having increased ¥18.7 billion from ¥264.7 billion at the end of the previous year.

Net assets amounted to ¥241.5 billion, having increased ¥19.8 billion from ¥221.7 billion at the end of the previous year, owing to an increase in retained earnings having recorded profit attributable to owners of parent, as well as an increase in the valuation difference on available-for-sale securities arising from increased stock prices.

Cash Flows

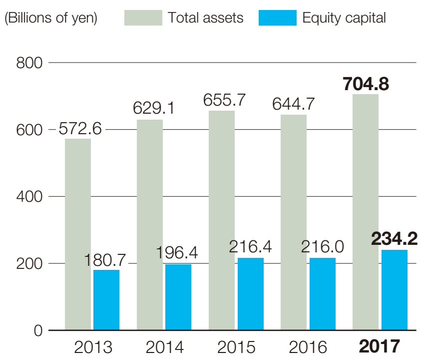
Net cash provided by operating activities amounted to ¥42.0 billion, a decrease of ¥8.6 billion from ¥50.6 billion for the previous year. Major items were depreciation and amortization amounting to ¥29.5 billion and profit before income taxes and non-controlling interests of ¥24.2 billion.

Net cash used in investing activities increased ¥3.4 billion from ¥33.5 billion for the previous year to ¥36.9 billion. Principal items were purchases of property, plant and equipment amounting to ¥24.6 billion and purchases of investments in subsidiaries resulting in change of scope of consolidation amounting to ¥16.3 billion.

Net cash provided by financing activities was ¥2.1 billion, having increased ¥19.1 billion from net cash used in financing activities of ¥17.0 billion for the previous year. Major items were a ¥6.8 billion net decrease in long-term loans payable, ¥20.0 billion in proceeds from issuance of bonds, ¥5.0 billion in redemption of bonds, and cash dividends paid amounting to ¥3.0 billion.

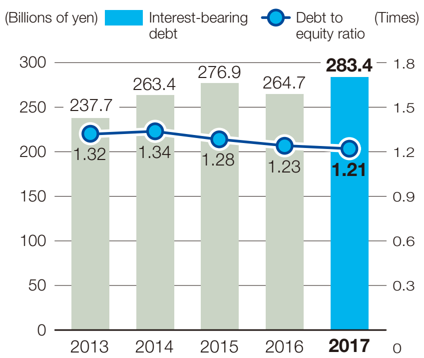
As a result, cash and cash equivalents were ¥26.6 billion at the end of fiscal 2016, having increased ¥7.2 billion from the previous year.

Equity Capital and Total Assets



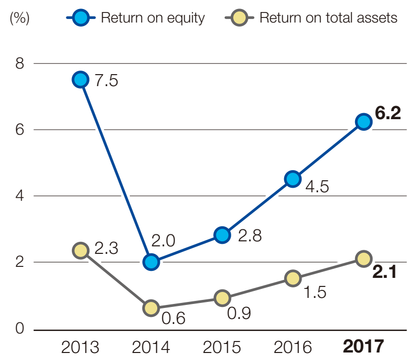
Fiscal years ended March 31, 2013–2017

Interest-Bearing Debt and Debt to Equity Ratio



Fiscal years ended March 31, 2013–2017

Return on Equity and Return on Total Assets



Fiscal years ended March 31, 2013–2017

Consolidated Balance Sheets

Rengo Co., Ltd. and consolidated subsidiaries
(March 31, 2017 and 2016)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Assets			
Current assets:			
Cash and deposits (Notes 5, 7 and 10)	**¥ 28,402**	¥ 21,405	**$ 253,589**
Receivables			
Notes and accounts receivable-trade (Note 7)	**163,128**	148,708	**1,456,500**
Other	**2,410**	2,025	**21,518**
Allowance for doubtful accounts	**(631)**	(576)	**(5,634)**
	164,907	150,157	**1,472,384**
Inventories (Note 6)	**39,837**	36,035	**355,688**
Deferred tax assets (Note 12)	**3,676**	3,389	**32,821**
Other	**4,200**	3,511	**37,500**
Total current assets	**241,022**	214,497	**2,151,982**
Property, plant and equipment (Note 10)**:**			
Buildings and structures	**222,746**	210,178	**1,988,804**
Machinery, equipment and vehicles	**456,286**	438,764	**4,073,982**
Land	**109,675**	106,274	**979,241**
Construction in progress	**4,953**	5,042	**44,223**
Other	**29,813**	28,344	**266,188**
	823,473	788,602	**7,352,438**
Less accumulated depreciation	**(523,362)**	(495,319)	**(4,672,875)**
Total property, plant and equipment	**300,111**	293,283	**2,679,563**
Intangible assets:			
Goodwill	**11,531**	2,565	**102,955**
Other (Note 10)	**14,265**	6,354	**127,366**
Total intangible assets	**25,796**	8,919	**230,321**
Investments and other assets:			
Investment securities (Notes 7, 8 and 10)	**116,289**	107,591	**1,038,295**
Long-term loans receivable	**1,092**	3,109	**9,750**
Net defined benefit asset (Note 13)	**2,464**	1,568	**22,000**
Deferred tax assets (Note 12)	**879**	584	**7,848**
Other	**18,244**	16,468	**162,893**
Allowance for doubtful accounts	**(1,070)**	(1,329)	**(9,554)**
Total investments and other assets	**137,898**	127,991	**1,231,232**
Total assets	**¥ 704,827**	¥ 644,690	**$ 6,293,098**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and the current portion of long-term debt (Notes 7, 10 and 11)	¥ 117,447	¥ 118,785	$ 1,048,634
Payables			
Notes and accounts payable-trade (Notes 7 and 10)	95,166	86,357	849,696
Other (Note 7)	16,706	12,986	149,161
	111,872	99,343	998,857
Income taxes payable	5,933	4,929	52,973
Provision for directors' bonuses	175	159	1,563
Other	29,883	28,083	266,812
Total current liabilities	265,310	251,299	2,368,839
Noncurrent liabilities:			
Long-term debt due after one year (Notes 7, 10 and 11)	158,974	138,399	1,419,411
Deferred tax liabilities (Note 12)	17,764	12,305	158,607
Provision for directors' retirement benefits	1,013	887	9,045
Net defined benefit liability (Note 13)	12,669	12,105	113,116
Other (Notes 7 and 10)	7,586	7,961	67,732
Total noncurrent liabilities	198,006	171,657	1,767,911
Contingent liabilities (Note 14)			
Net assets (Note 15)**:**			
Shareholders' equity:			
Capital stock:			
Authorized 800,000,000 shares Issued 271,056,029 shares	31,067	31,067	277,384
Capital surplus	34,291	34,052	306,169
Retained earnings	141,527	131,096	1,263,634
Treasury stock:			
23,458,037 shares in 2017 and 23,442,127 shares in 2016	(11,936)	(11,926)	(106,571)
Total shareholders' equity	194,949	184,289	1,740,616
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	27,911	20,556	249,205
Deferred gains or losses on hedges (Note 9)	(2)	(9)	(18)
Foreign currency translation adjustment	9,833	10,438	87,795
Remeasurements of defined benefit plans	1,551	689	13,848
Total accumulated other comprehensive income	39,293	31,674	350,830
Non-controlling interests	7,269	5,771	64,902
Total net assets	241,511	221,734	2,156,348
Total liabilities and net assets	¥ 704,827	¥ 644,690	$ 6,293,098

Consolidated Statements of Income

Rengo Co., Ltd. and consolidated subsidiaries
(Fiscal years ended March 31, 2017 and 2016)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net sales (Note 22)	¥ 545,489	¥ 532,534	$ 4,870,438
Cost of sales	446,903	445,246	3,990,206
Selling, general and administrative expenses (Note 17)	74,944	71,561	669,143
Operating income (Note 22)	23,642	15,727	211,089
Other income (expenses):			
Interest and dividend income	2,043	1,899	18,241
Equity in earnings of affiliates	1,657	1,319	14,795
Interest expenses	(1,522)	(1,773)	(13,589)
Gain on sales of investment securities (Note 8)	735	1,058	6,562
Gain on sales of noncurrent assets	324	47	2,893
Office transfer expenses (Note 18)	(541)	—	(4,830)
Loss on sales and retirement of noncurrent assets	(513)	(871)	(4,580)
Amortization of goodwill (Note 19)	(359)	(17)	(3,205)
Renewal expenses of plants	(266)	—	(2,375)
Loss on business withdrawal (Note 20)	—	(1,295)	—
Other, net	(1,014)	174	(9,054)
Profit before income taxes and non-controlling interests	24,186	16,268	215,947
Income taxes (Note 12)**:**			
Income taxes-current	8,566	6,761	76,482
Income taxes-deferred	986	(632)	8,804
	9,552	6,129	85,286
Profit	14,634	10,139	130,661
Profit attributable to non-controlling interests	758	322	6,768
Profit attributable to owners of parent	¥ 13,876	¥ 9,817	$ 123,893

	Yen		U.S. dollars (Note 1)
	2017	2016	2017
Per share data:			
Basic earnings per share	¥ 56.04	¥ 39.64	$ 0.50
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
(Fiscal years ended March 31, 2017 and 2016)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Profit	**¥ 14,634**	¥ 10,139	**$ 130,661**
Other comprehensive income (Note 16)**:**			
Valuation difference on available-for-sale securities	**7,346**	(2,732)	**65,590**
Deferred gains or losses on hedges	**(0)**	1	**(0)**
Foreign currency translation adjustment	**(2,074)**	(1,753)	**(18,518)**
Remeasurements of defined benefit plans, net of tax	**864**	(1,543)	**7,714**
Share of other comprehensive income of associates accounted for using equity method	**(1,248)**	(1,481)	**(11,143)**
Total other comprehensive income	**4,888**	(7,508)	**43,643**
Comprehensive income	**¥ 19,522**	¥ 2,631	**$ 174,304**
Comprehensive income attributable to			
Owners of the parent	**¥ 18,880**	¥ 2,550	**$ 168,572**
Non-controlling interests	**642**	81	**5,732**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Rengo Co., Ltd. and consolidated subsidiaries
(Fiscal years ended March 31, 2017 and 2016)

	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, 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
Change in scope of consolidation				(457)							(457)
Dividends from surplus				(2,971)							(2,971)
Profit attributable to owners of parent				13,876							13,876
Purchase of treasury stock					(10)						(10)
Disposal of treasury stock			0		0						0
Other			239	(17)							222
Net changes in items other than shareholders' equity						7,355	7	(605)	862	1,498	9,117
Balance at March 31, 2017	**271,056**	**¥31,067**	**¥34,291**	**¥141,527**	**¥(11,936)**	**¥27,911**	**¥(2)**	**¥9,833**	**¥1,551**	**¥7,269**	**¥241,511**

	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, 2016	$277,384	$304,035	$1,170,500	$(106,482)	$183,536	$(80)	$93,197	$6,152	$51,526	$1,979,768
Change in scope of consolidation			(4,080)							(4,080)
Dividends from surplus			(26,527)							(26,527)
Profit attributable to owners of parent			123,893							123,893
Purchase of treasury stock				(89)						(89)
Disposal of treasury stock		0		0						0
Other		2,134	(152)							1,982
Net changes in items other than shareholders' equity					65,669	62	(5,402)	7,696	13,376	81,401
Balance at March 31, 2017	**$277,384**	**$306,169**	**$1,263,634**	**$(106,571)**	**$249,205**	**$(18)**	**$87,795**	**$13,848**	**$64,902**	**$2,156,348**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Rengo Co., Ltd. and consolidated subsidiaries
(Fiscal years ended March 31, 2017 and 2016)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	¥ 24,186	¥ 16,268	$ 215,947
Depreciation and amortization	29,524	29,333	263,607
Impairment loss	84	435	750
Amortization of goodwill	1,521	1,343	13,580
Loss on business withdrawal	—	1,295	—
Increase (decrease) in provision for directors’ retirement benefits	100	(24)	893
Increase (decrease) in net defined benefit liability	909	(96)	8,116
Interest and dividend income	(2,043)	(1,899)	(18,241)
Interest expenses	1,522	1,773	13,589
Equity in (earnings) losses of affiliates	(1,657)	(1,319)	(14,795)
Loss (gain) on sales of investment securities	(721)	(1,057)	(6,438)
Loss (gain) on valuation of investment securities	40	146	357
Loss (gain) on sales of property, plant and equipment	(238)	44	(2,125)
Loss on retirement of property, plant and equipment	427	503	3,813
Decrease (increase) in notes and accounts receivable-trade	(7,163)	(6,949)	(63,955)
Decrease (increase) in inventories	(1,445)	758	(12,902)
Increase (decrease) in notes and accounts payable-trade	2,996	3,346	26,750
Other, net	832	11,938	7,429
Subtotal	48,874	55,838	436,375
Interest and dividend income received	2,375	2,358	21,205
Interest expenses paid	(1,500)	(1,795)	(13,393)
Income taxes paid	(7,745)	(5,841)	(69,152)
Net cash provided by (used in) operating activities	42,004	50,560	375,035
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	734	(1,332)	6,553
Purchase of property, plant and equipment	(24,579)	(28,907)	(219,455)
Proceeds from sales of property, plant and equipment	1,083	173	9,670
Purchase of intangible assets	(1,399)	(1,044)	(12,491)
Purchase of investment securities	(936)	(3,082)	(8,357)
Proceeds from sales and redemption of investment securities	2,349	1,113	20,973
Payments for investments in capital of subsidiaries and affiliates	—	(695)	—
Net decrease (increase) in short-term loans receivable	185	(244)	1,652
Payments of long-term loans receivable	(107)	(974)	(955)
Collection of long-term loans receivable	2,082	1,530	18,589
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 5)	(16,297)	—	(145,509)
Other, net	—	(1)	—
Net cash provided by (used in) investing activities	(36,885)	(33,463)	(329,330)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	(5,962)	(8,183)	(53,232)
Proceeds from long-term loans payable	33,689	14,458	300,795
Repayment of long-term loans payable	(34,481)	(17,250)	(307,866)
Proceeds from issuance of bonds	20,000	10,000	178,571
Redemption of bonds	(5,035)	(10,000)	(44,955)
Purchase of treasury stock	(10)	(23)	(89)
Proceeds from sales of treasury stock	0	1	0
Cash dividends paid	(2,971)	(2,972)	(26,527)
Repayments of lease obligations	(2,594)	(2,710)	(23,161)
Other, net	(573)	(294)	(5,116)
Net cash provided by (used in) financing activities	2,063	(16,973)	18,420
Effect of exchange rate change on cash and cash equivalents	(309)	(184)	(2,759)
Net increase (decrease) in cash and cash equivalents	6,873	(60)	61,366
Cash and cash equivalents at beginning of year	19,418	19,478	173,375
Increase in cash and cash equivalents from newly consolidated subsidiaries	352	—	3,143
Cash and cash equivalents at end of year (Note 5)	¥ 26,643	¥ 19,418	$ 237,884

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Rengo Co., Ltd. and consolidated subsidiaries

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2017, 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 130 (51 in 2016) 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. 90 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 15 (9 in 2016) 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 fiscal year ended March 31, 2017, the Company acquired Tri-Wall Holdings Limited shares, and consolidated Tri-Wall Holdings Limited and its 74 subsidiaries. Its 6 affiliates are accounted for on the equity method.

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 fiscal year-end rates.

B. Translation of Foreign Currency Financial Statements

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

(5) Inventories

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

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

Property, plant and equipment are carried at cost. Depreciation is computed mainly by the declining balance method over the estimated useful life of the assets in accordance with the Corporation Tax Law of Japan. Buildings acquired after April 1, 1998 and facilities attached to buildings and structures, acquired after April 1, 2016 are depreciated by the straight-line method.

(7) Intangible Assets (Except Lease Assets)

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

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

(8) Lease Assets
Property, plant and equipment capitalized under finance lease arrangements without the transfer of ownership are depreciated over the 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 fiscal years ended March 31, 2017 and 2016 amounted to ¥106 million (U.S. $946 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 fiscal year. Differences generated from changes in actuarial assumptions are amortized for the subsequent fiscal years on a straight-line basis over mainly 13 years, which is shorter than the average remaining service periods of the employees. Prior service costs are amortized as incurred over certain periods (10 years), which is shorter than the average remaining service periods of the employees.

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

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, in cases 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 fiscal year ended March 31, 2016 have been made to conform to the presentation for the fiscal year ended March 31, 2017.

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

Diluted earnings per share for the fiscal years ended March 31, 2017 and 2016 are not disclosed because there were no outstanding dilutive potential common stock equivalents.

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

3. CHANGE IN ACCOUNTING POLICIES

(New Accounting Pronouncements and Accounting Changes - Practical Solution on a change in depreciation method due to Tax Reform 2016)

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practice Issue Task Force No.32, June 17, 2016) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining balance method to the straight-line method.

The effects of this change on the consolidated financial statements of the current fiscal year were immaterial.

4. ADDITIONAL INFORMATION

(New Accounting Pronouncements and Accounting Changes - Revised Implementation Guidance on Recoverability of Deferred Tax Assets)
The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

5. CASH FLOW STATEMENTS

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

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and deposits	¥ 28,402	¥ 21,405	$ 253,589
Less: Time deposits with maturities exceeding three months	(1,759)	(1,987)	(15,705)
Cash and cash equivalents	¥ 26,643	¥ 19,418	$ 237,884

(2) Purchases of Newly Consolidated Subsidiaries
For the fiscal year ended March 31, 2017, Tri-Wall Holdings Limited and 74 other subsidiaries were acquired by the Company. Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 15,792	$ 141,000
Noncurrent assets	15,213	135,830
Goodwill	9,828	87,750
Current liabilities	(6,399)	(57,134)
Noncurrent liabilities	(7,383)	(65,920)
Foreign currency translation adjustment	(2,612)	(23,321)
Non-controlling interests	(1,567)	(13,991)
Cash paid for the capital	22,872	204,214
Cash and cash equivalents of consolidated subsidiaries	(6,575)	(58,705)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 16,297	$ 145,509

6. INVENTORIES

Inventories at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished goods	¥ 20,101	¥ 18,477	$ 179,473
Work in process	2,681	2,307	23,938
Raw materials and supplies	17,055	15,251	152,277
Total	¥ 39,837	¥ 36,035	$ 355,688

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, 2017 and 2016 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		
	2017			2016			2017		
	Book value	Market value	Difference	Book value	Market value	Difference	Book value	Market value	Difference
(A) Cash and deposits	¥ 28,402	¥ 28,402	¥ —	¥ 21,405	¥ 21,405	¥ —	$ 253,589	$ 253,589	$ —
(B) Notes and accounts receivable-trade	163,128	163,128	—	148,708	148,708	—	1,456,500	1,456,500	—
(C) Investment securities									
Available-for-sale securities	83,744	83,744	—	74,532	74,532	—	747,714	747,714	—
Equity securities issued by affiliated companies	12,463	7,235	(5,228)	13,157	4,692	(8,465)	111,277	64,599	(46,678)
Total assets	¥ 287,737	¥ 282,509	¥ (5,228)	¥ 257,802	¥ 249,337	¥ (8,465)	$ 2,569,080	$ 2,522,402	$ (46,678)
(A) Notes and accounts payable-trade	¥ 95,166	¥ 95,166	¥ —	¥ 86,357	¥ 86,357	¥ —	$ 849,696	$ 849,696	$ —
(B) Short-term borrowings and the current portion of long-term loans payable	117,417	117,614	197	113,785	113,943	158	1,048,366	1,050,125	1,759
(C) Current portion of bonds	30	30	0	5,000	5,007	7	268	268	0
(D) Bonds payable	55,035	55,343	308	35,000	35,403	403	491,384	494,134	2,750
(E) Long-term loans payable	103,939	105,279	1,340	103,399	105,198	1,799	928,027	939,991	11,964
Total liabilities	¥ 371,587	¥ 373,432	¥ 1,845	¥ 343,541	¥ 345,908	¥ 2,367	$ 3,317,741	$ 3,334,214	$ 16,473
Derivatives transactions*1									
(a) Hedge accounting not applied	¥ 13	¥ 13	¥ —	¥ —	¥ —	¥ —	$ 116	$ 116	$ —
(b) Hedge accounting applied	(2)	(2)	—	(9)	(9)	—	(18)	(18)	—
Total derivatives transactions	¥ 11	¥ 11	¥ —	¥ (9)	¥ (9)	¥ —	$ 98	$ 98	$ —

*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) Investment securities

The fair value of investments in securities which have market values is the price listed on securities exchanges. Note 8 provides information on marketable securities classified according to the purpose for which they are held.

Liabilities

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

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

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

The fair value of bonds issued with available 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
	2017	2016	**2017**
Available-for-sale securities	**¥ 4,404**	¥ 4,379	**$ 39,321**
Equity securities issued by unconsolidated subsidiaries and affiliated companies	**15,679**	15,523	**139,991**

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

Note (3) The redemption schedule for receivables and marketable securities with maturities subsequent to March 31, 2017 and 2016 were as follows:

	Millions of yen			
	2017			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	**¥ 28,402**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable-trade	**163,128**	**—**	**—**	**—**
Investment securities				
Available-for-sale securities	**—**	**—**	**—**	**120**
Total	**¥ 191,530**	**¥ —**	**¥ —**	**¥ 120**

	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	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	120
Total	¥ 170,113	¥ —	¥ —	¥ 120

	Thousands of U.S. dollars			
	2017			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	**$ 253,589**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable-trade	**1,456,500**	**—**	**—**	**—**
Investment securities				
Available-for-sale securities	**—**	**—**	**—**	**1,071**
Total	**$ 1,710,089**	**$ —**	**$ —**	**$ 1,071**

Note (4) The repayment schedule of long-term debt and lease debt, others subsequent to March 31, 2017 and 2016 was as follows:

	Millions of yen					
	2017					
	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	¥ 75,255	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	42,192	35,829	26,865	31,449	22,730	42,101
Lease debt	1,822	1,518	1,193	773	530	419
Others	312	241	121	—	—	—
Total	¥ 119,581	¥ 37,588	¥ 28,179	¥ 32,222	¥ 23,260	¥ 42,520

	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

	Thousands of U.S. dollars					
	2017					
	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	$ 671,920	$ —	$ —	$ —	$ —	$ —
Long-term debt	376,714	319,902	239,866	280,794	202,947	375,902
Lease debt	16,268	13,554	10,652	6,902	4,732	3,741
Others	2,786	2,151	1,080	—	—	—
Total	$ 1,067,688	$ 335,607	$ 251,598	$ 287,696	$ 207,679	$ 379,643

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, 2017 and 2016.

	Millions of yen						Thousands of U.S. dollars		
	2017			2016			2017		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:									
Equity securities	¥ 78,608	¥ 36,884	¥ 41,724	¥ 68,582	¥ 36,451	¥ 32,131	$ 701,857	$ 329,322	$ 372,535
Bonds	—	—	—	—	—	—	—	—	—
Others	20	12	8	22	13	9	179	107	72
	78,628	36,896	41,732	68,604	36,464	32,140	702,036	329,429	372,607
Securities with book values (fair values) not exceeding acquisition costs:									
Equity securities	5,116	6,170	(1,054)	5,928	7,878	(1,950)	45,678	55,089	(9,411)
Bonds	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	5,116	6,170	(1,054)	5,928	7,878	(1,950)	45,678	55,089	(9,411)
Total	¥ 83,744	¥ 43,066	¥ 40,678	¥ 74,532	¥ 44,342	¥ 30,190	$ 747,714	$ 384,518	$ 363,196

(2) Sales of Available-for-Sale Securities

Proceeds from sales of available-for-sale securities in the fiscal years ended March 31, 2017 and 2016 amounted to ¥2,349 million (U.S. $20,973 thousand) and ¥1,107 million, respectively. The related gains for the fiscal years ended March 31, 2017 and 2016 amounted to ¥736 million (U.S. $6,571 thousand) and ¥1,058 million, respectively. The related losses for the fiscal years ended March 31, 2017 and 2016 amounted to ¥15 million (U.S. $134 thousand) and ¥2 million, respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

(1) Derivative Transactions for Which Hedge Accounting Does Not Apply

For the fiscal year ended March 31, 2017, derivative transactions for which hedge accounting does not apply were not material and have not been presented.

For the fiscal year ended March 31, 2016, there were no relevant transactions.

(2) Derivative Transactions for Which Hedge Accounting Applies

			Millions of yen		
			2017		
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	¥ 27,220	¥ 10,484	*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	16,000	*3
Forward exchange contracts with allocation method	Forward exchange contracts Selling U.S. dollars	Accounts receivable Scheduled transactions dominated in a foreign currencies	12	—	¥ (0)
Forward exchange contracts with principle method*4	Forward exchange contracts Buying Euros	Accounts payable	18	—	(2)

			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)

			Thousands of U.S.dollars		
			2017		
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	$ 243,036	$ 93,607	*2
Appropriate treatment of interest rate and currency swap transactions	Currency swap transactions Pay yen / Receive U.S. dollars	Long-term loans payable	187,500	142,857	*3
Forward exchange contracts with allocation method	Forward exchange contracts Selling U.S. dollars	Accounts receivable Scheduled transactions dominated in a foreign currencies	107	—	$ (0)
Forward exchange contracts with principle method*4	Forward exchange contracts Buying Euros	Accounts payable	161	—	(18)

*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.

10. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral including factory foundation for short-term borrowings of ¥6,808 million (U.S. $60,786 thousand) and the current portion of long-term debt, long-term debt of ¥3,514 million (U.S. $31,375 thousand), accounts payable-trade of ¥257 million (U.S. $2,295 thousand) and others of ¥1,062 million (U.S. $9,482 thousand) at March 31, 2017 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 17,087	$ 152,562
Machinery, equipment and vehicles	20,097	179,438
Land	38,047	339,705
Investment securities	1,624	14,500
Other	617	5,509
Total	¥ 77,472	$ 691,714

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and the current portion of long-term debt at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S.dollars	Weighted average interest rate
	2017	2016	2017	2017
Short-term borrowings	¥ 75,255	¥ 79,198	$ 671,920	0.54%
Current portion of long-term debt	42,192	39,587	376,714	0.62
Total	¥ 117,447	¥ 118,785	$ 1,048,634	—

Long-term debt at March 31, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loans mainly from banks and insurance companies			
(2017: due in 2027, with interest rates ranging from 0.00% to 2.2%, 2016: due in 2024, with interest rates ranging from 0.07% to 2.4%)	¥ 146,101	¥ 137,986	$ 1,304,473
Issued by Rengo Co., Ltd.			
Unsecured 0.57% straight bonds, due July 2016	—	5,000	—
Unsecured 0.86% straight bonds, due July 2018	5,000	5,000	44,643
Unsecured 0.28% straight bonds, due September 2019	10,000	10,000	89,286
Unsecured 0.27% straight bonds, due September 2020	5,000	5,000	44,643
Unsecured 0.45% straight bonds, due September 2021	10,000	10,000	89,286
Unsecured 0.50% straight bonds, due September 2022	5,000	5,000	44,643
Unsecured 0.28% straight bonds, due December 2023	10,000	—	89,286
Unsecured 0.39% straight bonds, due December 2026	10,000	—	89,286
Issued by Kato Danboru Co., Ltd.			
Unsecured 0.63% bonds, due September 2018	15	—	133
Unsecured 0.49% bonds, due August 2019	50	—	446
	201,166	177,986	1,796,125
Less current portion	(42,192)	(39,587)	(376,714)
	¥ 158,974	¥ 138,399	$ 1,419,411

The aggregate annual maturities of long-term debt at March 31, 2017 were as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 42,192	$ 376,714
2019	35,829	319,902
2020	26,865	239,866
2021	31,449	280,794
2022 and thereafter	64,831	578,849
Total	¥ 201,166	$ 1,796,125

12. INCOME TAXES

At March 31, 2017 and 2016, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Net operating loss carryforwards for tax purposes	¥ 4,410	¥ 3,512	$ 39,375
Net defined benefit liability	3,682	3,699	32,875
Accrued bonuses	2,261	2,111	20,187
Write-down of golf club memberships	396	427	3,536
Provision for directors' retirement benefits	340	299	3,036
Loss on valuation of investment securities	898	937	8,018
Allowance for doubtful accounts	215	247	1,920
Unrealized gain on sale of property, plant and equipment eliminated on consolidation	287	292	2,562
Accrued enterprise taxes	436	383	3,893
Impairment loss	649	428	5,795
Other	1,876	1,724	16,750
Subtotal deferred tax assets	15,450	14,059	137,947
Valuation allowance	(6,502)	(5,686)	(58,054)
Total deferred tax assets	8,948	8,373	79,893
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(12,356)	(9,149)	(110,321)
Deferred gain tax treatment of property	(3,030)	(3,208)	(27,054)
Noncurrent assets revaluation difference, net of taxes unrealized gain	(3,963)	(3,790)	(35,384)
Trademark right	(1,853)	—	(16,545)
Other	(955)	(558)	(8,527)
Total deferred tax liabilities	(22,157)	(16,705)	(197,831)
Net deferred tax assets (liabilities)	¥ (13,209)	¥ (8,332)	$ (117,938)

At March 31, 2017 and 2016, the reconciliation of the aggregate statutory income tax rate to the effective income tax rate was as follows:

	2017	2016
Statutory tax rate	30.7%	32.8%
Effect of:		
Tax deductions	(3.1)	(4.7)
Non-deductible items such as entertainment expenses	2.9	4.3
Non-taxable items such as dividends received	(3.1)	(3.8)
Per capita inhabitants' taxes	1.0	1.5
Dividends received eliminated in consolidation	2.7	2.8
Equity in earnings of affiliates	(2.1)	(2.7)
Valuation allowance	0.9	3.2
Amortization of goodwill	1.9	2.7
The effects from newly consolidated foreign subsidiaries	7.7	—
Other	0.0	1.6
Effective tax rate	39.5%	37.7%

13. RETIREMENT BENEFITS

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2017 and 2016 and retirement benefit expenses in the consolidated statements of income for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

(1) Defined Benefit Plans

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at April 1, 2016 and 2015	¥ 41,839	¥ 41,587	$ 373,563
Service cost	2,717	2,682	24,259
Interest cost	279	304	2,491
Actuarial loss (gain)	(85)	507	(759)
Benefits paid	(2,159)	(3,159)	(19,277)
Past service cost	(0)	1	(0)
Increase accompanying new additions to the scope of consolidation	129	—	1,152
Other	(1)	(83)	(9)
Balance at March 31, 2017 and 2016	¥ 42,719	¥ 41,839	$ 381,420

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at April 1, 2016 and 2015	¥ 33,298	¥ 34,579	$ 297,304
Expected return on plan assets	466	478	4,161
Actuarial loss (gain)	1,099	(1,367)	9,812
Contributions paid by the employer	1,871	2,046	16,705
Benefits paid	(1,595)	(2,438)	(14,241)
Other	(31)	—	(277)
Balance at March 31, 2017 and 2016	¥ 35,108	¥ 33,298	$ 313,464

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at April 1, 2016 and 2015	¥ 1,996	¥ 2,019	$ 17,821
Retirement benefit expenses	384	394	3,429
Benefits paid	(191)	(261)	(1,705)
Contributions paid by the employer	(184)	(177)	(1,643)
Increase accompanying new additions to the scope of consolidation	576	—	5,143
Other	12	21	107
Balance at March 31, 2017 and 2016	¥ 2,593	¥ 1,996	$ 23,152

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligations	¥ 44,946	¥ 43,970	$ 401,304
Plan assets	(37,791)	(35,799)	(337,420)
	7,155	8,171	63,884
Unfunded retirement benefit obligations	3,050	2,366	27,232
Total net liability for retirement benefits at March 31, 2017 and 2016	¥ 10,205	¥ 10,537	$ 91,116
Net defined benefit liability	¥ 12,669	¥ 12,105	$ 113,116
Net defined benefit asset	(2,464)	(1,568)	(22,000)
Total net liability for retirement benefits at March 31, 2017 and 2016	¥ 10,205	¥ 10,537	$ 91,116

E. Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 2,717	¥ 2,682	$ 24,259
Interest cost	279	304	2,491
Expected return on plan assets	(466)	(478)	(4,161)
Amortization of net unrecognized actuarial differences	151	270	1,348
Amortization of past service cost	(97)	(96)	(866)
Retirement benefit expenses applying for simplified method	384	394	3,429
Total retirement benefit expenses for the fiscal years ended March 31, 2017 and 2016	¥ 2,968	¥ 3,076	$ 26,500

F. Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Past service cost	¥ (98)	¥ (97)	$ (875)
Actuarial gains and losses	1,337	(1,507)	11,938
Total remeasurements of defined benefit plans for the fiscal years ended March 31, 2017 and 2016	¥ 1,239	¥ (1,604)	$ 11,063

G. Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Past service cost that are yet to be recognized	¥ 430	¥ 528	$ 3,839
Actuarial gains and losses that are yet to be recognized	1,793	456	16,009
Total balance at March 31, 2017 and 2016	¥ 2,223	¥ 984	$ 19,848

H. Plan assets
(a) Plan assets comprise

	2017	2016
General account	35%	35%
Bonds	31	30
Equity securities	30	30
Other	4	5
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

	2017	2016
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 Companies do not generally use it in actuarial calculations for their retirement benefit plans.

(2) Defined Contribution Plan
Required contribution for defined contribution plans by consolidated subsidiaries in the fiscal years ended March 31, 2017 and 2016 amounted to ¥209 million (U.S. $1,866 thousand) and ¥213 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 ¥276 million (U.S. $2,464 thousand) and ¥280 million, respectively.

A. The savings situation of the whole system

	Millions of yen		Thousands of U.S. dollars
	2017 (As of March 31, 2016)	2016 (As of March 31, 2015)	2017 (As of March 31, 2016)
Plan assets	¥ 101,854	¥ 175,375	$ 909,411
Net total actuarial obligations under pension funding programs and minimum actuarial reserve	126,601	216,290	1,130,366
Total balance	¥ (24,747)	¥ (40,915)	$ (220,955)

B. The ratio of the Companies' contributions to the multi-employer pension plans against total contributions
For the fiscal year ended March 31, 2017 corresponding to the fiscal year ended March 31, 2016 4.5%
For the fiscal year ended March 31, 2016 corresponding to the fiscal year ended March 31, 2015 4.2%

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 fiscal years ended March 31, 2017 and 2016 amounted to ¥25,534 million (U.S. $227,982 thousand) and ¥40,677 million, respectively. General reserve for the fiscal years ended March 31, 2017 and 2016 amounted to ¥4,338 million (U.S. $38,732 thousand) and ¥5,740 million, respectively.
In addition, the ratio in B mentioned above does not accord with the real burden on the Companies' ratio.

14. CONTINGENT LIABILITIES

As of March 31, 2017, the Companies' contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted	¥ 30	$ 268
As endorser of notes endorsed	82	732
As guarantor of indebtedness	1,868	16,679

Note:The guarantee obligations of ¥1,024 million (U.S. $9,143 thousand) was re-guaranteed by third party.

15. 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.

16. COMPREHENSIVE INCOME STATEMENTS

At March 31, 2017 and 2016, 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
	2017	2016	2017
Valuation difference on available-for-sale securities			
Increase (decrease) during the fiscal year	¥ 11,215	¥ (3,744)	$ 100,134
Reclassification adjustments for losses realized in profit	(715)	(935)	(6,384)
Subtotal, before tax amount	10,500	(4,679)	93,750
Tax (expense) or benefit	(3,154)	1,947	(28,160)
Subtotal, net of tax amount	7,346	(2,732)	65,590
Deferred gains and losses on hedges			
Increase (decrease) during the fiscal year	(0)	1	(0)
Tax (expense) or benefit	0	(0)	0
Subtotal, net of tax amount	(0)	1	(0)
Foreign currency translation adjustment			
Increase (decrease) during the fiscal year	(2,074)	(1,753)	(18,518)
Remeasurements of defined benefit plans			
Increase (decrease) during the fiscal year	1,186	(1,873)	10,590
Reclassification adjustments for losses realized in profit	53	269	473
Subtotal, before tax amount	1,239	(1,604)	11,063
Tax (expense) or benefit	(375)	61	(3,349)
Subtotal, net of tax amount	864	(1,543)	7,714
Share of other comprehensive income of affiliates accounted for using equity method			
Increase (decrease) during the fiscal year	(1,248)	(1,481)	(11,143)
Total other comprehensive income	¥ 4,888	¥ (7,508)	$ 43,643

17. 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 ¥1,448 million (U.S. $12,929 thousand) and ¥1,441 million for the fiscal years ended March 31, 2017 and 2016, respectively.

18. OFFICE TRANSFER EXPENSES

For the fiscal year ended March 31, 2017, office transfer expenses were caused by the decision to transfer the Tokyo Head Office of the Company, which created impairment loss of ¥244 million (U.S. $2,178 thousand) and other expenses of ¥297 million (U.S. $2,652 thousand).

The principle components of the impairment loss were as follows:

Place	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Minato-ku, Tokyo	Assets scheduled for disposal	Buildings and structures	¥ 239	$ 2,134
		Other	5	44
		Total	¥ 244	$ 2,178

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 "Office transfer expenses" (Other income(expenses)) due to the decision made to dispose of the above assets.

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

19. AMORTIZATION OF GOODWILL

For the fiscal year ended March 31 2017, the Company recognized a one-time amortization of goodwill in accordance with the provisions of Article 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (The Japanese Institute of Certified Public Accountants, Accounting Practice Committee Statement No. 7, issued November 28, 2014).

20. LOSS ON BUSINESS WITHDRAWAL

For the fiscal 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, removal cost of noncurrent assets of ¥616 million 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
Nishiyodogawa-ku, Osaka	Assets scheduled for disposal	Machinery, equipment and vehicles	¥ 28
		Other	35
		Total	¥ 63

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.

21. BUSINESS COMBINATIONS

Business combination through acquisition

(1) Summary of the Combination

A. Name and business of the company acquired

Name: Tri-Wall Holdings Limited

Business: 100% stock ownership of Tri-Wall Limited, which manages heavy duty packaging materials manufacture and sales businesses.

B. Reason for the combination

The addition of the heavy duty corrugated board Tri-Wall products, which are globally-recognized brands, into Rengo's line-up will lead to further expansion of business scope and enhanced performance.

C. Date of the combination

October 27, 2016 (Share acquisition date)

December 31, 2016 (Deemed acquisition date)

D. Legal form of the combination

Acquisition of equity shares for cash consideration

E. Post-combination name of the acquired company

Same as before the combination

F. Percentage of voting rights acquired
100%
G. Basis for determining acquiring company
The Company acquired Tri-Wall Holdings Limited shares for cash consideration.

(2) Period of Consolidation of the Acquired Company During the Fiscal Year Ended March 31, 2017
By regarding December 31, 2016 as the acquisition date, the Company has not included the operating results of Tri-Wall Holdings Limited in the consolidated financial statements.

(3) Acquisition Price and Type of Consideration Paid

Consideration paid for acquisition	Cash	U.S. $ 221,750 thousand (¥ 22,872 million)
Acquisition price		U.S. $ 221,750 thousand (¥ 22,872 million)

(4) Principal Acquisition Related Expenses
Advisory fees, etc.: ¥397 million (U.S. $3,545 thousand)

(5) Amount, Cause and Amortization of Goodwill Arising from the Aquisition
A. Amount of goodwill incurred through the acquisition
¥9,828 million (U.S. $87,750 thousand)
B. Cause for the occurrence of goodwill
Excess earnings power expected in the future due to business development
C. Amortization method and period
Straight-line method over 15 years

(6) Details of the Assets Acquired and the Liabilities Assumed at the Date of the Business Combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 15,792	$ 141,000
Noncurrent assets	15,213	135,830
Total assets	¥ 31,005	$ 276,830
Current liabilities	¥ 6,399	$ 57,134
Noncurrent liabilities	7,383	65,920
Total liabilities	¥ 13,782	$ 123,054

(7) The Major Categories and Amounts of Intangible Assets Other than Goodwill Recognized Using the Purchase Price Allocation and the Corresponding Amortization Periods

Categories	Millions of yen	Thousands of U.S. dollars	Amortization period (years)
Trademark right	¥ 6,094	$ 54,411	15
Customer relationships	1,430	12,768	13

(8) Estimated Impact on the Consolidated Statement of Income for the Fiscal Year Ended March 31, 2017 as if the Business Combination Had Been Completed at the Beginning of the Fiscal Year Ended March 31, 2017 and the Calculation Method
Net sales: ¥23,956 million (U.S. $213,893 thousand)
Operating income: ¥ 255 million (U.S. $ 2,277 thousand)
(Calculation method of estimated impact)
The estimated impact amounts were calculated as the difference between sales and other profits or losses assuming that the business combination was completed at the beginning of the fiscal year ended March 31, 2017 and the Company's sales and other profits or losses on the consolidated financial statement of income. The amortization of goodwill and other was calculated assuming that the goodwill and other, which was recognized at the date of the business combination, had arisen at the beginning of the fiscal year ended March 31, 2017.
This note has not been audited.

22. 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 fiscal years ended March 31, 2017 and 2016 was as follows:

Millions of yen

	2017							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*3	Total*4
Sales to third parties	¥ 382,146	¥ 65,699	¥ 39,790	¥ 26,802	¥ 514,437	¥ 31,052	¥ —	¥ 545,489
Intergroup sales and transfers	1,578	161	849	4,288	6,876	23,286	(30,162)	—
Total sales	383,724	65,860	40,639	31,090	521,313	54,338	(30,162)	545,489
Segment profit	13,309	4,883	2,632	825	21,649	1,846	147	23,642
Segment assets	545,268	52,427	41,109	111,755	750,559	33,881	(79,613)	704,827
Other items								
Depreciation and amortization	23,437	2,062	1,065	1,709	28,273	1,299	(48)	29,524
Amortization of goodwill*5	728	237	356	227	1,548	18	—	1,566
Investment in equity method affiliates	642	1,715	—	29,848	32,205	724	—	32,929
Increase in property, plant and equipment and intangible assets	22,969	2,155	1,953	1,443	28,520	1,966	(40)	30,446

Millions of yen

	2016							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*2	Adjustments*3	Total*4
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

	Thousands of U.S. dollars, 2017, Reportable segments: Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*3	Total*4
Sales to third parties	$ 3,412,018	$ 586,598	$ 355,268	$ 239,304	$ 4,593,188	$ 277,250	$ —	$ 4,870,438
Intergroup sales and transfers	14,089	1,438	7,580	38,286	61,393	207,911	(269,304)	—
Total sales	3,426,107	588,036	362,848	277,590	4,654,581	485,161	(269,304)	4,870,438
Segment profit	118,831	43,598	23,500	7,366	193,295	16,482	1,312	211,089
Segment assets	4,868,464	468,098	367,045	997,813	6,701,420	302,509	(710,831)	6,293,098
Other items								
Depreciation and amortization	209,259	18,411	9,509	15,259	252,438	11,598	(429)	263,607
Amortization of goodwill*5	6,500	2,116	3,178	2,027	13,821	161	—	13,982
Investment in equity method affiliates	5,732	15,313	—	266,500	287,545	6,464	—	294,009
Increase in property, plant and equipment and intangible assets	205,080	19,241	17,438	12,884	254,643	17,554	(358)	271,839

*1 "Other Businesses" for the fiscal year ended March 31, 2017 are the businesses which are not included in reportable segments and included domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.
*2 "Other Businesses" for the fiscal year ended March 31, 2016 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.
*3 Resulting "Adjustments" were as follows:
(a) The adjustments of segment profits of ¥147 million (U.S. $1,312 thousand) and ¥197 million for the fiscal years ended March 31, 2017 and 2016, respectively, were from the elimination of intersegment transactions.
(b) The adjustments of segment assets of -¥79,613 million (-U.S. $710,831 thousand) and -¥55,830 million for the fiscal years ended March 31, 2017 and 2016, respectively, were from the elimination of intersegment transactions.
(c) The adjustments of depreciation and amortization of -¥48 million (-U.S. $429 thousand) and -¥52 million for the fiscal years ended March 31, 2017 and 2016, respectively, were from the elimination of intersegment transactions.
(d) The adjustments of increases in property, plant and equipment, and intangible assets of -¥40 million (-U.S. $358 thousand) and -¥4 million for the fiscal years ended March 31, 2017 and 2016, respectively, were from the elimination of intersegment transactions.
*4 The segment profit was reconciled with operating income in the consolidated statements of income.
*5 For the fiscal year ended March 31, 2017, the amortization of goodwill of "Paperboard and Packaging-Related Business" includes amortization of goodwill consisting of other income (expenses) on the consolidated statements of income.

(2) Related Information

A. Products and Services

Sales to third parties

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Paperboard	¥ 55,921	¥ 54,922	$ 499,295
Corrugated board	41,741	40,810	372,687
Corrugated boxes	263,621	258,824	2,353,759
Flexible packaging and cellophane	67,919	66,020	606,420
Other	116,287	111,958	1,038,277
Total	¥ 545,489	¥ 532,534	$ 4,870,438

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 fiscal years ended March 31, 2017 and 2016. Therefore, information regarding geographical segments was not required to be disclosed.

C. Major Customers

There were no specific customers whose sales exceeded 10% of the total sales in the consolidated statements of income for the fiscal years ended March 31, 2017 and 2016. 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 — 2017

	Reportable segments: Paperboard and Packaging-Related Business	Reportable segments: Flexible Packaging-Related Business	Reportable segments: Heavy Duty Packaging-Related Business	Reportable segments: Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥ 403	¥ —	¥ —	¥ 13	¥ 416	¥ 2	¥ —	¥ 418

Millions of yen — 2016

	Reportable segments: Paperboard and Packaging-Related Business	Reportable segments: Flexible Packaging-Related Business	Reportable segments: Heavy Duty Packaging-Related Business	Reportable segments: Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥ 120	¥ 7	¥ —	¥ 280	¥ 407	¥ 91	¥ —	¥ 498

Thousands of U.S. dollars — 2017

	Reportable segments: Paperboard and Packaging-Related Business	Reportable segments: Flexible Packaging-Related Business	Reportable segments: Heavy Duty Packaging-Related Business	Reportable segments: Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	$ 3,598	$ —	$ —	$ 116	$ 3,714	$ 18	$ —	$ 3,732

"Other Businesses" for the fiscal year ended March 31, 2017 are the businesses which are not included in reportable segments and included domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

"Other Businesses" for the fiscal year ended March 31, 2016 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 "Paperboard and Packaging-Related Business", impairment loss of ¥244 million (U.S. $2,178 thousand) related to the office transference is included in "Office transfer expenses" and impairment loss of ¥88 million (U.S. $786 thousand) related to the factory renovation is included in "Renewal expenses of plants" (Other income (expenses)) on the consolidated statements of income as of March 31, 2017.

In "Other Businesses", impairment loss of ¥2 million (U.S. $18 thousand) related to the renewal of plants is included in "Renewal expenses of plants" (Other income (expenses)) on the consolidated statements of income as of March 31, 2017.

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

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

Millions of yen — 2017

	Reportable segments: Paperboard and Packaging-Related Business	Reportable segments: Flexible Packaging-Related Business	Reportable segments: Heavy Duty Packaging-Related Business	Reportable segments: Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	¥ 728	¥ 237	¥ 356	¥ 227	¥ 1,548	¥ 18	¥ —	¥ 1,566
Balance at end of period	637	475	534	10,104	11,750	—	—	11,750
Negative goodwill								
Amortized for the period	39	2	—	4	45	—	—	45
Balance at end of period	184	15	—	20	219	—	—	219

	Millions of yen							
	2016							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	¥ 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

	Thousands of U.S. dollars							
	2017							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	**$ 6,500**	**$ 2,116**	**$ 3,178**	**$ 2,027**	**$ 13,821**	**$ 161**	**$ —**	**$ 13,982**
Balance at end of period	**5,688**	**4,241**	**4,768**	**90,214**	**104,911**	**—**	**—**	**104,911**
Negative goodwill								
Amortized for the period	**348**	**18**	**—**	**36**	**402**	**—**	**—**	**402**
Balance at end of period	**1,643**	**134**	**—**	**178**	**1,955**	**—**	**—**	**1,955**

“Other Businesses” for the fiscal year ended March 31, 2017 are the businesses which are not included in reportable segments and included domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

“Other Businesses” for the fiscal year ended March 31, 2016 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.

For the fiscal year ended March 31, 2017, the amortization of goodwill of “Paperboard and Packaging-Related Business” includes amortization of goodwill consisting of other income (expenses) on the consolidated statements of income.

23. SUBSEQUENT EVENTS

At the Board of Directors meeting held on May 12, 2017, 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, 2017. Such appropriations are recognized in the period in which they are approved.

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, 2017 and 2016, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan
June 29, 2017

KPMG AZSA LLC

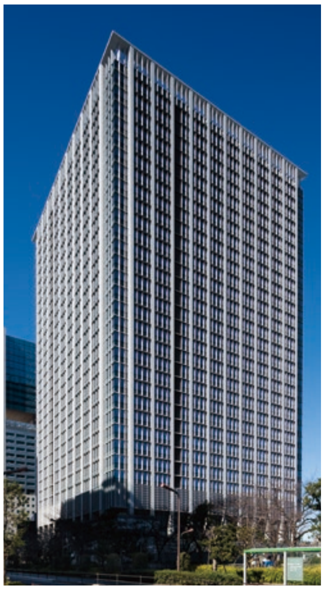
KPMG AZSA LLC

Company Information (as of March 31, 2017)

Corporate Profile

Founded	April 12, 1909	
Incorporated	May 2, 1920	
Capital stock	31.067 billion yen	
Number of shares authorized	800,000,000	
Number of shares issued	271,056,029	
Number of shareholders	16,899	
Number of employees	Rengo	3,700
	Consolidated subsidiaries	12,338
	Total	16,038
Stock exchange listings	Tokyo	
Stock transfer agent	Sumitomo Mitsui Trust Bank, Limited	
	4-5-33, Kitahama, Chuo-ku, Osaka, Japan	


Head Office

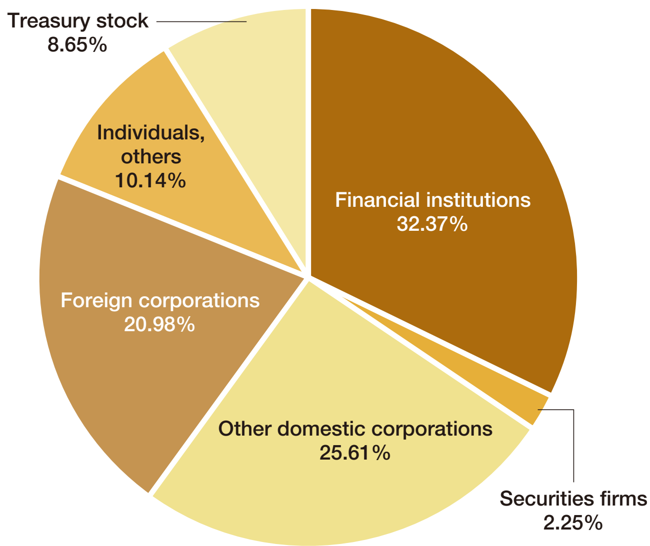

Tokyo Head Office

Major Shareholders

Shareholders	Ownership ratio
Japan Trustee Services Bank, Ltd.	11.07%
Nippon Paper Industries Co., Ltd.	4.81%
The Master Trust Bank of Japan, Ltd.	3.86%
Sumitomo Mitsui Banking Corporation	3.53%
SUMITOMO LIFE INSURANCE COMPANY	2.60%
GOVERNMENT OF NORWAY	2.36%
Mitsui Sumitomo Insurance Company, Ltd.	2.33%
The Norinchukin Bank	2.20%
SUMITOMO CORPORATION	1.94%
DFA INTL SMALL CAP VALUE PORTFOLIO	1.57%

(Note) In addition, Rengo holds 8.65% of its own shares as treasury stock.

Shareholder Distribution



IR Calendar

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

Rengo Co., Ltd. Domestic Network

Head Office
Nakanoshima Central Tower,
2-2-7 Nakanoshima, Kita-ku,
Osaka, Japan 530-0005
Tel: +81-6-6223-2371

Tokyo Head Office
Shinagawa Season Terrace,
1-2-70 Konan, Minato-ku,
Tokyo, Japan 108-0075
Tel: +81-3-6716-7300

Laboratories / Packaging Technical Departments
Central Laboratory
Central Laboratory (Fukui)
Packaging Technical Department, Tokyo
Packaging Technical Department, Osaka

Mills and Plants / Sales Offices

Paper mills
Tonegawa Division
Yashio Mill
Kanazu Mill
Yodogawa Mill
Amagasaki Mill

Corrugated plants

Hokkaido Region Group
Eniwa Plant
- Hakodate Sales Office
- Obihiro Sales Office
- Kitami Sales Office
- Asahikawa Sales Office
- Kushiro Sales Office

Asahikawa Plant

Tohoku Region Group
Aomori Plant
- Hachinohe Sales Office
- Akita Sales Office

Shin-Sendai Plant
- Yamagata Sales Office
- Morioka Sales Office

Fukushima-Yabuki Plant

Kanto Region Group
Oyama Plant
- Mito Sales Office

Maebashi Plant
Tokyo Plant
Chiba Plant
Shonan Plant
- Kofu Sales Office

Niigata Plant

Chubu Region Group
Nagano Plant
- Matsumoto Sub-Plant
- Matsumoto Sales Office

Shimizu Plant
Toyohashi Plant
Shin-Nagoya Plant
- Suzuka Sales Office

Fukui Plant
- Kanazawa Sales Office

Kinki Region Group
Shiga Plant
Shin-Kyoto Division
Sanda Plant
Wakayama Plant

Chugoku-Shikoku-Kyushu Region Group
Okayama Plant
- Tottori Sales Office

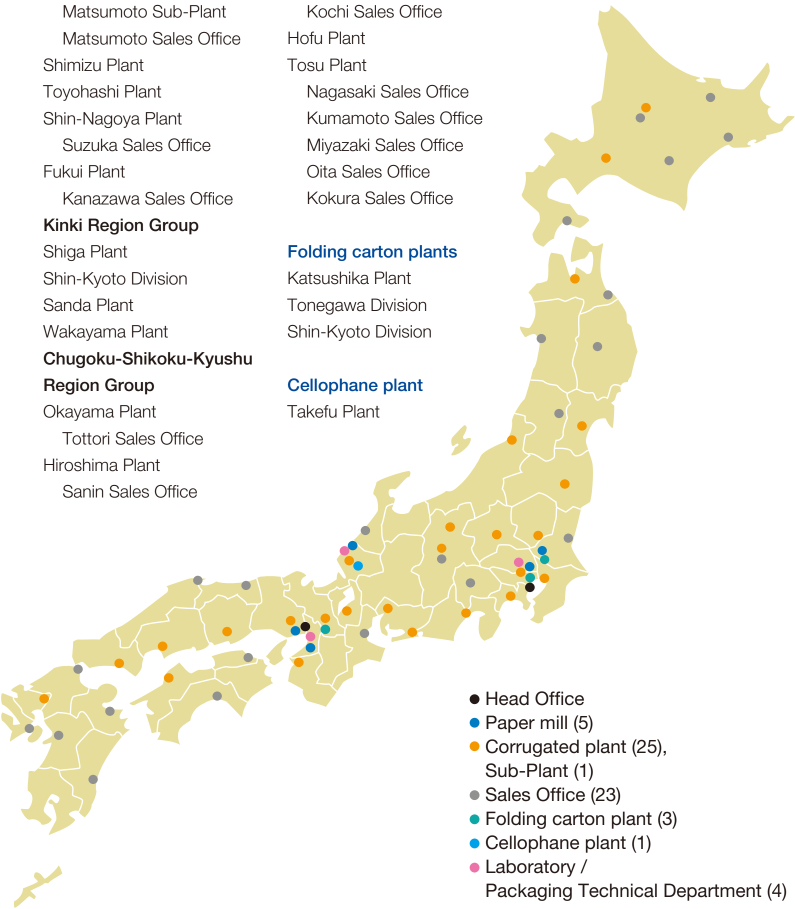
Hiroshima Plant
- Sanin Sales Office

Matsuyama Plant
- Higashi-Shikoku Sales Office
- Kochi Sales Office

Hofu Plant
Tosu Plant
- Nagasaki Sales Office
- Kumamoto Sales Office
- Miyazaki Sales Office
- Oita Sales Office
- Kokura Sales Office

Folding carton plants
Katsushika Plant
Tonegawa Division
Shin-Kyoto Division

Cellophane plant
Takefu Plant



Rengo Group Companies in Japan

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

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.
Touhoku Carton Co., Ltd.
Tohoku Kogyo Co., Ltd.
Tohoku Shiki Co., Ltd.
Toyotsu New Pack Co., Ltd.
Yamatoya Co., Ltd.
Yoshikawa Shigyo Co., Ltd.

Flexible Packaging
Howa Sangyo Co., Ltd.
Sun･Tox Co., Ltd.

Heavy Duty Packaging
Nihon Matai Co., Ltd.
Tri-Wall Japan Co., Ltd.

Other
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.
WiLLife K.K.
Yamada Kikai Kogyo Co., Ltd.

Rengo Group Companies Overseas

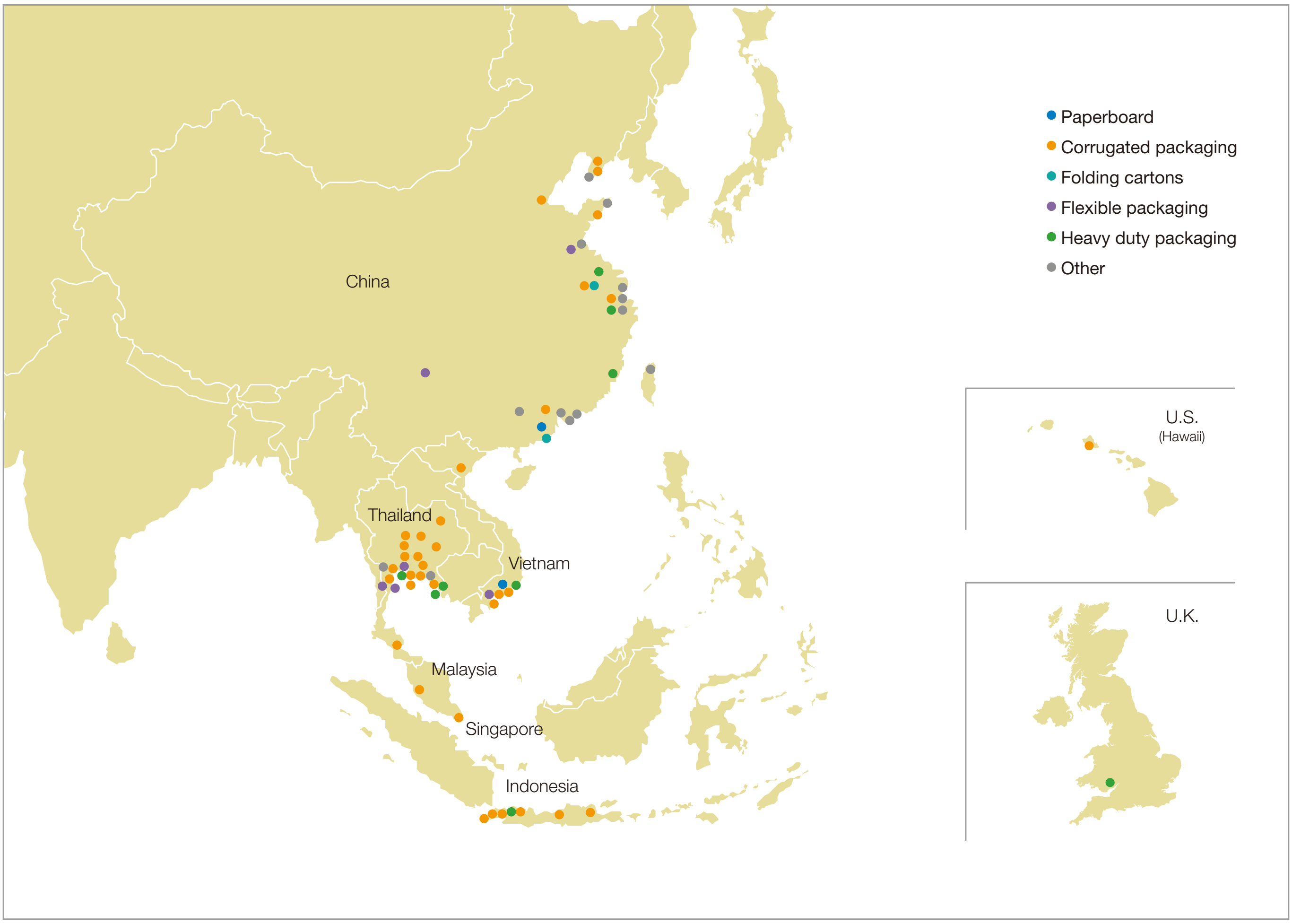
Paperboard
China
Zhongshan Rengo Hung Hing Paper Manufacturing Co., Ltd.
Vietnam
Vina Kraft Paper Co., Ltd.

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) Ltd.
Malaysia
Rengo Packaging Malaysia Sdn. Bhd.
Indonesia
PT Surya Rengo Containers
PT Indoris Printingdo
PT Primacorr Mandiri
Vietnam
Settsu Carton Vietnam Corporation
New Asia Industries Co., Ltd.
Alcamax Packaging (Vietnam) Co., Ltd.
AP Packaging (Hanoi) Co., Ltd.
U.S.
Rengo Packaging, Inc.

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
China
Tri-Wall Limited
Tri-Wall Packaging (Jiangsu) Co., Ltd.
Tri-Wall Packaging (Fuzhou) Co., Ltd.
Shanghai Shengyuan Packaging Co., Ltd.
Thailand
Tri-Wall Packaging (Thai) Ltd.
Thai Marsol Co., Ltd.
Prepack Thailand Co., Ltd.
Indonesia
PT Marsol Abadi Indonesia
PT Taiyo Marsol Indonesia
Vietnam
Matai (Vietnam) Co., Ltd.
U.K.
Tri-Wall Europe Limited

Other
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.
Taipei
Howa Taiwan Co., Ltd.
Thailand
Pal Tech (ASIA) Co., Ltd.
Yamato-Shiki (Thailand) Co., Ltd.



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