

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Oji Holdings Corporation:

Opinion

We have audited the consolidated financial statements of Oji Holdings Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 (3) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p><i>Assessment of impairment recognition of fixed assets in the paper bags business</i></p> <p>The Group manufactures and sells bags made from paper or synthetic resins in the Household and Industry Materials segment (hereinafter described as the "paper bags business"). As described in Note 6, "Significant Accounting Estimates (1) (Assessment of impairment recognition of fixed assets in the paper bags business)" to the consolidated financial statements, the fixed assets balance of the paper bags business was ¥13,198 million as of March 31, 2021.</p> <p>In recent years, the sales volume of paper bags business has been decreasing due to the decline in the domestic demand for shopping bags and heavy-duty paper sacks for industrial products. Under these circumstances, the operating income of paper bags business has deteriorated, and indication of impairment has been identified. For those reasons, it was necessary to assess whether an impairment loss should be recognized.</p> <p>The Group has not recognized impairment losses because the total amount of undiscounted future cash flows, which are based on the business plan approved by the board of directors and the estimated net realizable value of land after the expected period of use, has exceeded its carrying amount.</p> <p>The significant assumptions in estimating undiscounted future cash flows include:</p> <ul style="list-style-type: none"> • the forecast of sales amounts based on the estimated unit selling price and sales volume • estimated cost-to-sales ratio based on the estimated unit purchase prices of wood chips that are the main raw materials, and • estimated net realizable value of land. <p>These significant assumptions involve judgment made by management and are subject to uncertainty as they are affected by the demand forecast of domestic packing papers and market trend of purchase prices of wood chips. In addition, estimated net realizable value of land is based on appraisal value which requires a high degree of expertise. Therefore, we determined the assessment of impairment recognition of fixed assets in the paper bags business as a key audit matter.</p>	<p>Our audit procedures related to the assessment of impairment recognition of fixed assets in the paper bags business included the following, among others:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of internal controls over the assessment of impairment recognition of fixed assets • Evaluated the achievability of the future business plan by retrospectively analyzing the factors which have impacted the difference between the business plan developed in the past and the actual performance results • Regarding the significant assumptions in the undiscounted future cash flows of paper bags business, we performed the following audit procedures: <ul style="list-style-type: none"> —We inquired of management about the estimated unit selling price and compared them with available external data, and analyzed trends in the past. —We inquired of management about the forecast of sales volume and compared them with available external data related to the demand forecast of the domestic packing papers, and the past sales volume. —We inquired of management about the estimated unit purchase prices of wood chips and compared them with available external data, and performed the past trend analysis. —With the assistance of our appraisal specialists, we evaluated the reasonableness of the appraisal value of land, which is the basis for the net realizable value of land, by comparing it with available external information and by evaluating the appropriateness of appraisal methods. —In assessing the achievability of the future business plan, we evaluated the impact of uncertainties on the future business plan based on the considerations made by management for estimating sales and cost-to-sales ratio.

Other Matter

The consolidated financial statements of the Group for the year ended March 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on October 8, 2020.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

September 30, 2021

OJI HOLDINGS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2021

OJI HOLDINGS CORPORATION

CONSOLIDATED BALANCE SHEET

As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note1)
	2021	2020	2021
ASSETS			
Current assets			
Cash and deposits (Note 9 (2))	¥ 130,529	¥ 73,943	\$1,179,018
Notes and accounts receivable-trade (Note 9 (2))	297,718	301,682	2,689,175
Short-term investments	5,725	10,381	51,719
Merchandise and finished goods (Note 9 (2))	86,440	98,483	780,786
Work in process (Note 9 (2))	19,273	23,467	174,085
Raw materials and supplies (Note 9 (2))	89,090	94,946	804,723
Short-term loans receivable (Note 9 (2))	4,324	3,749	39,059
Accounts receivable-other	19,608	20,232	177,119
Other (Note 9 (2))	17,734	15,407	160,186
Allowance for doubtful accounts	(1,675)	(1,811)	(15,134)
Total current assets	668,770	640,484	6,040,740
Non-current assets			
Property, plant and equipment			
Buildings and structures	685,779	670,400	6,194,376
Accumulated depreciation (Note 9 (7))	(494,548)	(482,113)	(4,467,058)
Buildings and structures (Net) (Notes 9 (2), (8))	191,231	188,286	1,727,318
Machinery, equipment and vehicles	2,389,121	2,376,088	21,579,999
Accumulated depreciation (Note 9 (7))	(2,090,184)	(2,078,455)	(18,879,816)
Machinery, equipment and vehicles (Net) (Notes 9 (2), (8))	298,937	297,632	2,700,183
Tools, furniture and fixtures	60,791	60,765	549,103
Accumulated depreciation (Note 9 (7))	(55,099)	(55,205)	(497,693)
Tools, furniture and fixtures (Net) (Note 9 (2))	5,691	5,560	51,410
Land (Notes 9 (2), (5))	239,052	235,700	2,159,264
Forests (Note 9 (2))	105,560	109,664	953,482
Plantations (Notes 9 (2), (8))	85,584	85,858	773,046
Leased assets	55,844	50,587	504,418
Accumulated depreciation (Note 9 (7))	(19,767)	(15,738)	(178,548)
Leased assets (Net)	36,077	34,849	325,869
Construction in progress (Note 9 (2))	79,279	58,241	716,104
Total property, plant and equipment	1,041,413	1,015,794	9,406,679
Intangible assets			
Goodwill	3,122	4,672	28,200
Other (Note 9 (2))	9,049	8,388	81,740
Total intangible assets	12,171	13,060	109,941

OJI HOLDINGS CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Investments and other assets			
Investment securities (Notes 9 (1), (2))	163,961	150,831	1,481,000
Long-term loans receivable	6,933	7,558	62,629
Long-term prepaid expenses	3,692	3,998	33,348
Net defined benefit asset	60,993	32,019	550,933
Deferred tax assets	7,074	7,184	63,900
Other (Note 9 (2))	17,379	15,258	156,984
Allowance for doubtful accounts	(952)	(910)	(8,600)
Total investments and other assets	259,083	215,941	2,340,195
Total non-current assets	1,312,668	1,244,796	11,856,816
Total assets	¥1,981,438	¥1,885,280	\$17,897,556

OJI HOLDINGS CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade (Note 9 (2))	¥197,950	¥209,669	\$ 1,788,010
Short-term loans payable (Note 9 (2))	129,963	172,027	1,173,912
Commercial paper	—	14,000	—
Current portion of bonds	—	20,000	—
Accounts payable-other (Note 9 (2))	20,741	16,330	187,347
Accrued expenses	48,874	48,485	441,460
Income taxes payable	11,526	22,984	104,112
Other	32,657	29,479	294,986
Total current liabilities	441,713	532,976	3,989,829
Non-current liabilities			
Bonds	155,000	80,000	1,400,054
Long-term loans payable (Note 9 (2))	362,718	295,647	3,276,294
Net defined benefit liability	54,010	54,213	487,855
Long-term deposits	7,305	7,492	65,991
Deferred tax liabilities	59,892	48,412	540,985
Deferred tax liabilities for land revaluation (Note 9 (5))	7,739	7,803	69,905
Other	27,450	27,078	247,953
Total non-current liabilities	674,117	520,647	6,089,041
Total liabilities	¥ 1,115,831	¥ 1,053,623	\$ 10,078,870
CONTINGENT LIABILITIES (Note 9 (3))			
EQUITY			
Shareholders' equity			
Common stock— authorized, 2,400,000,000 shares; issued, 1,014,381,817 shares in 2021 and 2020 (Note 12)	103,880	103,880	938,315
Capital surplus	109,100	110,750	985,464
Retained earnings	493,224	457,568	4,455,103
Treasury stock—at cost, 24,002,558 shares in 2021 and 24,368,163 shares in 2020 (Note 12)	(13,400)	(13,577)	(121,044)
Total shareholders' equity	692,805	658,623	6,257,838
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	31,654	21,004	285,927
Deferred gains and losses on hedges	2,721	(957)	24,586
Revaluation reserve for land (Note 9 (5))	5,684	5,813	51,349
Foreign currency translation adjustment	(6,418)	2,390	(57,975)
Remeasurements of defined benefit plans	24,533	5,261	221,597
Total accumulated other comprehensive income	58,176	33,512	525,483
Share acquisition rights	199	216	1,798
Non-controlling interests	114,426	139,305	1,033,565
Total equity	865,606	831,657	7,818,686
Total liabilities and equity	¥1,981,438	¥1,885,280	\$ 17,897,556

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF INCOME

Fiscal years ended March 31, 2021 and 2020

(Consolidated Statement of Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales	¥ 1,358,985	¥ 1,507,607	\$ 12,275,179
Cost of sales (Notes 10 (1), (2))	1,031,553	1,143,665	9,317,621
Gross profit	327,431	363,942	2,957,557
Selling, general and administrative expenses			
Freight expenses	131,590	141,674	1,188,602
Warehouse expenses	6,506	7,006	58,772
Salaries and wages	51,921	52,360	468,984
Retirement benefit expenses	853	1,214	7,713
Depreciation and amortization	6,343	5,582	57,300
Other	45,422	49,978	410,280
Total selling, general and administrative expenses (Note 10 (1))	242,638	257,816	2,191,653
Operating income	84,793	106,125	765,903
Other income			
Interest income	1,121	2,172	10,134
Dividends income	3,170	3,146	28,637
Equity in earnings of affiliates	142	2,889	1,287
Exchange gain	4,616	—	41,699
Insurance claim income	4,761	2,273	43,004
Gain on sale of businesses	906	—	8,188
Profit on subsidiary status change from equity method affiliate to consolidated subsidiary (Note 10 (3))	808	—	7,306
Other	4,794	10,914	43,310
Total other income	20,322	21,397	183,568
Other expenses			
Interest expenses	6,791	6,948	61,348
Loss on sublet of facilities	2,836	—	25,619
Exchange loss	—	4,797	—
Loss on disaster (Note 10 (4))	2,065	2,583	18,659
Loss on business restructuring (Note 10 (5))	1,977	2,758	17,862
Loss on disposal of non-current assets (Note 10 (6))	1,459	1,910	13,178
Special retirement expenses	995	436	8,995
Other	8,106	9,950	73,219
Total other expenses	24,232	29,384	218,882
Profit before income taxes	80,883	98,138	730,590
Income taxes-current	28,830	35,018	260,414
Income taxes-deferred	354	(1,380)	3,203
Total income taxes	29,185	33,637	263,617
Profit	51,698	64,500	466,972
Profit attributable to non-controlling interests	2,062	6,319	18,630
Profit attributable to owners of parent	¥ 49,635	¥ 58,181	\$ 448,341
PER SHARE OF COMMON STOCK (Note 23):			
Basic profit	¥ 50.13	¥ 58.78	\$ 0.45
Diluted profit	50.09	58.74	0.45

The accompanying notes are an integral part of these financial statements.

(Consolidated Statement of Comprehensive Income)**For the years ended March 31, 2021 and 2020**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥ 51,698	¥ 64,500	\$ 466,972
Other comprehensive income			
Valuation difference on available-for-sale securities	9,305	(11,030)	84,048
Deferred gains and losses on hedges	3,633	(1,284)	32,818
Foreign currency translation adjustment	(12,937)	(11,565)	(116,856)
Remeasurements of defined benefit plans	18,258	(5,000)	164,922
Share of other comprehensive income (loss) of entities accounted for using equity method	2,221	(2,268)	20,066
Total other comprehensive income (loss) (Note 11(1))	20,481	(31,149)	185,000
Comprehensive income (loss)	¥ 72,179	¥ 33,351	\$ 651,972
(Breakdown)			
Comprehensive income (loss) attributable to owners of parent	¥ 74,429	¥ 28,020	\$ 672,295
Comprehensive income (loss) attributable to non-controlling interests	(2,249)	5,330	(20,322)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fiscal years ended March 31, 2021 and 2020

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	¥ 103,880	¥ 110,474	¥413,023	¥ (13,753)	¥613,625
Cumulative effects of changes in accounting policies	—	—	¥ (752)	—	¥ (752)
Restated balance	¥ 103,880	¥ 110,474	¥412,271	¥ (13,753)	¥612,872
Changes of items during the year					
Cash dividends	—	—	(12,883)	—	(12,883)
Profit attributable to owners of parent	—	—	58,181	—	58,181
Purchase of treasury stock	—	—	—	(582)	(582)
Disposal of treasury stock	—	(8)	—	758	750
Change in treasury stock arising from changes in equity in affiliates	—	—	—	0	0
Change of scope of consolidation	—	—	92	—	92
Increase by merger of consolidated subsidiaries	—	—	(88)	—	(88)
Transfer to capital surplus from retained earnings	—	8	(8)	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	276	—	—	276
Reversal of revaluation reserve for land	—	—	3	—	3
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	276	45,297	176	45,750
Balance at April 1, 2020	¥ 103,880	¥ 110,750	¥457,568	¥ (13,577)	¥658,623
Changes of items during the year					
Cash dividends	—	—	(13,888)	—	(13,888)
Profit attributable to owners of parent	—	—	49,635	—	49,635
Purchase of treasury stock	—	—	—	(4)	(4)
Disposal of treasury stock	—	(19)	—	181	162
Change in treasury stock arising from changes in equity in affiliates	—	—	—	(0)	(0)
Change of scope of consolidation	—	—	(200)	—	(200)
Transfer to capital surplus from retained earnings	—	19	(19)	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	(1,650)	—	—	(1,650)
Reversal of revaluation reserve for land	—	—	128	—	128
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(1,650)	35,655	176	34,182
Balance at March 31, 2021	¥ 103,880	¥ 109,100	¥ 493,224	¥ (13,400)	¥ 692,805

OJI HOLDINGS CORPORATION

Millions of yen

	Accumulated other comprehensive income								Total equity
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	
Balance at April 1, 2019	¥ 32,981	¥ 317	¥ 5,816	¥ 13,223	¥ 11,428	¥ 63,767	¥ 222	¥ 137,790	¥ 815,406
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	¥ (504)	¥ (1,257)
Restated balance	¥ 32,981	¥ 317	¥ 5,816	¥ 13,223	¥ 11,428	¥ 63,767	¥ 222	¥ 137,286	¥ 814,149
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(12,883)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	58,181
Purchase of treasury stock	—	—	—	—	—	—	—	—	(582)
Disposal of treasury stock	—	—	—	—	—	—	—	—	750
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	0
Change of scope of consolidation	—	—	—	—	—	—	—	—	92
Increase by merger of consolidated subsidiaries	—	—	—	—	—	—	—	—	(88)
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	276
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	3
Net changes of items other than shareholders' equity	(11,976)	(1,274)	(3)	(10,832)	(6,167)	(30,255)	(6)	2,019	(28,242)
Total changes of items during the year	(11,976)	(1,274)	(3)	(10,832)	(6,167)	(30,255)	(6)	2,019	17,507
Balance at April 1, 2020	¥ 21,004	¥ (957)	¥ 5,813	¥ 2,390	¥ 5,261	¥ 33,512	¥ 216	¥ 139,305	¥ 831,657
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(13,888)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	49,635
Purchase of treasury stock	—	—	—	—	—	—	—	—	(4)
Disposal of treasury stock	—	—	—	—	—	—	—	—	162
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	(0)
Change of scope of consolidation	—	—	—	—	—	—	—	—	(200)

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Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(1,650)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	128
Net changes of items other than shareholders' equity	10,650	3,679	(128)	(8,809)	19,271	24,664	(16)	(24,879)	(232)
Total changes of items during the year	10,650	3,679	(128)	(8,809)	19,271	24,664	(16)	(24,879)	33,949
Balance at March 31, 2021	¥ 31,654	¥ 2,721	¥ 5,684	¥ (6,418)	¥ 24,533	¥ 58,176	¥ 199	¥ 114,426	¥ 865,606

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	\$ 938,315	\$ 1,000,369	\$ 4,133,036	\$ (122,636)	\$ 5,949,085
Changes of items during the year					
Cash dividends	—	—	(125,450)	—	(125,450)
Profit attributable to owners of parent	—	—	448,341	—	448,341
Purchase of treasury stock	—	—	—	(43)	(43)
Disposal of treasury stock	—	(171)	—	1,641	1,469
Change in treasury stock arising from changes in equity in affiliates	—	—	—	(5)	(5)
Change of scope of consolidation	—	—	(1,810)	—	(1,810)
Transfer to capital surplus from retained earnings	—	171	(171)	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	(14,904)	—	—	(14,904)
Reversal of revaluation reserve for land	—	—	1,158	—	1,158
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(14,904)	322,066	1,591	308,753
Balance at March 31, 2021	\$ 938,315	\$ 985,464	\$ 4,455,103	\$ (121,044)	\$ 6,257,838

OJI HOLDINGS CORPORATION

Thousands of U.S. dollars (Note 1)

Accumulated other comprehensive income

	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non- controlling interests	Total equity
Balance at April 1, 2020	\$ 189,723	\$ (8,645)	\$ 52,507	\$ 21,592	\$ 47,523	\$ 302,701	\$ 1,951	\$ 1,258,295	\$ 7,512,034
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(125,450)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	448,341
Purchase of treasury stock	—	—	—	—	—	—	—	—	(43)
Disposal of treasury stock	—	—	—	—	—	—	—	—	1,469
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	(5)
Change of scope of consolidation	—	—	—	—	—	—	—	—	(1,810)
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(14,904)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	1,158
Net changes of items other than shareholders' equity	96,203	33,231	(1,158)	(79,568)	174,073	222,781	(153)	(224,730)	(2,101)
Total changes of items during the year	96,203	33,231	(1,158)	(79,568)	174,073	222,781	(153)	(224,730)	306,651
Balance at March 31, 2021	\$ 285,927	\$ 24,586	\$ 51,349	\$ (57,975)	\$ 221,597	\$ 525,483	\$ 1,798	\$ 1,033,565	\$ 7,818,686

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥80,883	¥98,138	\$730,590
Depreciation and amortization	62,758	63,379	566,876
Amortization of goodwill	1,099	1,898	9,930
Depletion of standing timber	6,958	8,656	62,853
Increase (decrease) in allowance for doubtful accounts	(52)	(211)	(473)
(Increase) decrease in net defined benefit asset	(2,913)	(2,468)	(26,312)
Increase (decrease) in net defined benefit liability	760	1,750	6,868
Interest and dividend income	(4,292)	(5,319)	(38,772)
Interest expenses	6,791	6,948	61,348
Exchange loss (gain)	(3,946)	2,475	(35,647)
Equity in (earnings) losses of affiliates	(142)	(2,889)	(1,287)
Loss on disposal of non-current assets	1,459	1,910	13,178
Business structure improvement expenses	1,977	2,758	17,862
Loss (gain) on sale of businesses	(906)	—	(8,188)
Loss (gain) on subsidiary status change from equity method affiliate to consolidated subsidiary	(808)	—	(7,306)
(Increase) decrease in trade receivables	1,870	31,729	16,899
(Increase) decrease in inventories	20,163	(1,968)	182,132
Increase (decrease) in trade payables	(11,933)	(42,609)	(107,793)
Other	6,807	(10,176)	61,487
Subtotal	166,535	154,002	1,504,248
Interest and dividend income received	5,397	6,231	48,752
Interest paid	(5,623)	(5,892)	(50,794)
Income taxes paid	(39,202)	(29,850)	(354,098)
Net cash provided by operating activities	127,107	124,491	1,148,108
Cash flows from investing activities			
Proceeds from sales and redemption of short-term investments	—	2,730	—
Payment for acquisition of property, plant, equipment and intangible assets	(94,674)	(92,454)	(855,161)
Proceeds from sales of property, plant, equipment and intangible assets	854	594	7,718
Payment for acquisition of investment securities	(1,916)	(1,190)	(17,308)
Proceeds from sales and redemption of investment securities	1,163	25,543	10,513
Payment for loans receivable	(1,066)	(1,113)	(9,629)
Proceeds from collection of loans receivable	1,396	2,383	12,614
Other	2,682	(1,295)	24,234

OJI HOLDINGS CORPORATION

Net cash used in investing activities	(91,559)	(64,801)	(827,019)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(4,049)	17,715	(36,577)
Net increase (decrease) in commercial paper	(14,000)	11,000	(126,456)
Proceeds from long-term loans payable	71,279	4,203	643,839
Repayment of long-term loans payable	(43,250)	(80,650)	(390,663)
Proceeds from issuance of bonds	74,561	29,789	673,488
Payment for redemption of bonds	(20,000)	(20,000)	(180,652)
Purchase of treasury shares of subsidiaries	(24,162)	—	(218,252)
Repayments of lease obligations	(4,786)	(4,770)	(43,234)
Dividends paid	(13,888)	(12,883)	(125,450)
Other	(1,770)	(2,552)	(15,994)
Net cash provided by (used in) financing activities	19,932	(58,148)	180,046
Effect of exchange rate change on cash and cash equivalents	(2,169)	(1,737)	(19,597)
Net increase (decrease) in cash and cash equivalents	53,310	(196)	481,536
Cash and cash equivalents at the beginning of the year	82,390	82,794	744,198
Increase in cash and cash equivalents resulting from mergers of subsidiaries	7	9	71
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(39)	(216)	(354)
Cash and cash equivalents at the end of the year (Note 13)	¥ 135,669	¥ 82,390	\$ 1,225,453

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Basis of Preparation

- (1) The accompanying consolidated financial statements of Oji Holdings Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards, and which are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
- (2) In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain amounts in the consolidated financial statements as of and for the fiscal year ended March 31, 2020 have been reclassified to conform to the presentation in the consolidated financial statements as of and for the fiscal year ended March 31, 2021.
- (3) The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of readers outside Japan, have been translated into U.S. dollars at the rate of ¥ 110.71 to U.S. \$ 1.00, the approximate rate of exchange prevailing at March 31, 2021. This translation should not be construed as a representation that the yen amounts shown could be converted into U.S. dollars at the above or any other rate. Japanese yen figures less than a million yen are rounded down to the nearest million yen, and U.S. dollars figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

2. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 188 (189 in the year ended March 31, 2020)

Main consolidated subsidiaries include:

Oji Container Co., Ltd., Oji Materia Co., Ltd., Oji Seitai Co., Ltd., Oji Packaging Co., Ltd., Oji Nepia Co., Ltd., Morishigyo Co., Ltd., Oji Interpack Co., Ltd., Chuetsu Package Co., Ltd., Oji Adba Co., Ltd., Oji Asia Packaging Sdn. Bhd., GS Paperboard & Packaging Sdn. Bhd., Oji Asia Household Product Sdn. Bhd., Harta Packaging Industries Sdn. Bhd., S. Pack & Print Public Co., Ltd., Ojitex Haiphong Co., Ltd., Ojitex (Vietnam) Co., Ltd., Oji Packaging (Shanghai) Co., Ltd., Suzhou Oji Packaging Co., Ltd., Oji Tac Co., Ltd., Oji Kinocloth Co., Ltd., Oji F-Tex Co., Ltd., Oji Imaging Media Co., Ltd., New Tac Kasei Co., Ltd., Chuetsu Co., Ltd., Oji Papéis Especiais Ltda., Kanzaki Specialty Papers Inc., KANZAN Spezialpapiere GmbH, Oji Paper (Thailand) Ltd., Tele-Paper (M) Sdn. Bhd., Oji Label (Thailand) Ltd., Hyper-Region Labels Sdn. Bhd., Oji Kinocloth (Shanghai) Co., Ltd., Japan Brazil Paper and Pulp Resources Co., Ltd., Oji Cornstarch Co., Ltd., MPM Oji Eco-Energy Co.,Ltd., Oji Green Resources Co., Ltd., Oji Forest & Products Co., Ltd., Oji Green Energy Ebetsu Co., Ltd., Oji Green Energy Nichinan Co., Ltd., Celulose Nipo-Brasileira S.A., Pan Pac Forest Products Ltd., Oji Paper Co., Ltd., Jiangsu Oji Paper Co., Ltd., Oji Fibre Solutions (NZ) Ltd., Oji Oceania Management Co., Ltd., Oji Oceania Management (NZ) Ltd., Oji Logistics Co., Ltd., Kyokuyo Co., Ltd., Oji Engineering Co., Ltd., Oji Real Estate Co., Ltd., Ginpo Pack Co., Ltd., Hotel New Oji Co., Ltd., Oji Management Office Inc., and 135 other companies

Changes in the consolidated subsidiaries during the year ended March 31, 2021 are as follows:

The Company has newly added 2 companies into the scope of consolidation effective from the fiscal year ended March 31, 2021. The reasons for this were the establishment and the acquisition of an additional stake in an equity-method affiliate. In addition, the Company has excluded 3 companies from the scope of consolidation. The reasons for this were a decrease in quantitative significance of 2 companies and the sale of 1 company's stock.

- (2) Main unconsolidated subsidiaries:
PT. Korintiga Hutani, Tomakomai Energy Kosha Co., Ltd. and DHC Ginza Co., Ltd.
- (3) Reasons for excluding from the consolidation scope:
These companies are excluded from the scope of consolidation, as all are small-sized companies and their total assets, net sales, profit (corresponding to equity share), retained earnings (corresponding to equity share), etc., do not have significant impact on the consolidated financial statements.
- (4) Principles of Consolidation
All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

3. Application of the Equity Method

- (1) Unconsolidated subsidiaries and affiliates to which the equity method was applied: 1 (1 in the year ended March 31, 2020)
Company name: PT. Korintiga Hutani

Number of affiliates under the equity method: 23 (23 in the year ended March 31, 2020)

Main affiliates accounted for using the equity method include:
Mitsubishi Paper Mills Limited, Chuetsu Pulp & Paper Co., Ltd., Okayama Paper Industries Co., Ltd., Sunshine Oji (Shouguang) Specialty Paper Co., Ltd., PT Oji Indo Makmur Perkasa, and other 18 companies.

Changes in the affiliates under the equity method during the year ended March 31, 2021 are as follows:

The Company has newly added 1 company to the scope of application of the equity method. The reason for this was the acquisition of shares. In addition, the Company has excluded 1 company from the scope of application of the equity method. The reason for this was the consolidation.

- (2) Main unconsolidated subsidiaries and affiliates to which the equity method was not applied:
Tomakomai Energy Kosha Co., Ltd. and DHC Ginza Co., Ltd.
- (3) Reasons for exclusion from application of the equity method:
Unconsolidated subsidiaries and affiliates have not been included in scope of the equity method application as their total profit (corresponding to equity share), retained earnings (corresponding to equity share), etc., do not have a significant impact on the consolidated financial statements.

4. Matters Concerning the Fiscal Year of Consolidated Subsidiaries

The fiscal year-end of the Company's following consolidated subsidiaries is December 31:
Oji Papéis Especiais Ltda., Celulose Nipo-Brasileira S.A., Jiangsu Oji Paper Co., Ltd., Oji Fibre Solutions (NZ) Ltd. and 80 other companies.

For the purpose of preparing the consolidated financial statements, the above companies' financial statements as of the end of their respective fiscal years were used.

Adjustments were made as necessary for the purpose of consolidation in respect of the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date. For some of these consolidated subsidiaries, the Company used financial statements, prepared on a provisional basis at the Company's closing date using the same close process as used for the preparation of the full-year financial statements.

5. Summary of Significant Accounting Policies

(1) Method of valuation of significant assets

(i) Securities

Held-to-maturity debt securities: Stated at cost using the amortized cost method.

Available-for-sale securities

Securities with market quotations: Stated at fair value based on the market price as of the end of the fiscal period (the valuation difference is accounted for as a separate component of equity and securities sold calculated using the moving-average method).

Securities without market quotations: Stated at cost using the moving-average method.

(ii) Derivatives

Stated at fair value

(iii) Inventories

Mainly stated at cost using the periodic average method

(The consolidated balance sheet amount is calculated by writing down amounts to the net realizable value based on any decline in profitability)

(2) Depreciation method of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Declining balance method (however, the straight-line method is applied to buildings acquired on or after April 1, 1998 (excluding improvements), improvements of buildings and structures acquired on or after April 1, 2016 and for certain consolidated subsidiaries)

(ii) Leased assets

Depreciation of leased assets is calculated by using the straight-line method over the period of the lease contract term with no residual value.

(3) Significant provisions

Allowance for doubtful accounts

In order to prepare for potential credit losses on receivables outstanding at the end of the fiscal year, a provision is recorded in respect of an estimated uncollectible amount based on the historical rate of credit loss with respect to normal receivables as well as an amount determined after consideration of the specific collectability of individual accounts receivable and certain other receivables.

(4) Accounting treatment for retirement benefits

(i) Method of allocating projected retirement benefit obligation to periods

The benefit formula method is used for attributing the estimated amount of the retirement benefit obligation to periods up to the end of the fiscal year under review in the calculation of net defined benefit liability.

(ii) Amortization of actuarial gains and losses and prior service costs

Prior service costs are amortized using the straight-line method over a period reflecting the average remaining service period (11 – 19 years) of the employees in service during the period in which costs arise. Actuarial gains and losses are amortized from the fiscal year following recognition using the straight-line method over a period reflecting the average remaining service period (11 – 20 years) of the employees in service during the period in which they arise.

(iii) Adoption of simplified method at small-scale companies, etc.

Certain consolidated subsidiaries use a simplified method, which uses the net defined benefit liability to be the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end, to calculate the net defined benefit liability and retirement benefit expenses.

(5) Standards for translation of significant foreign-currency denominated assets and liabilities into Japanese yen

Foreign-currency denominated monetary claims and obligations are translated into yen using the spot exchange rate on the account closing date, and translation differences are recorded in the consolidated statement of income. The assets, liabilities, income and expenses of overseas subsidiaries, etc., are translated into yen using the spot exchange rate on the respective account closing date, and translation differences are recorded in foreign currency translation adjustments and non-controlling interests under equity.

(6) Significant method for hedge accounting

(i) Hedge accounting method

In principle, the Group adopts the deferred hedge accounting method for hedging instruments whereby any gains or losses arising from the instrument are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items (special treatment). Foreign currency transactions hedged by forward exchange contracts which meet certain conditions for hedge accounting are reported at the forward rate and the resulting differences between the spot rate and the forward rate amortized over the life of the contract (appropriate treatment). Transactions hedged by interest and currency swaps which meet certain conditions for integrated treatment (special treatment, appropriate treatment) are accounted for using the integrated treatment.

(ii) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
Foreign exchange forward contracts	Monetary assets/liabilities denominated in foreign currencies
Currency options	Monetary assets/liabilities denominated in foreign currencies
Interest rate and currency swaps	Foreign-currency denominated loans payable
Interest rate swaps	Loans payable
Commodity swaps	Electricity

(iii) Hedging policy

The risk management policy of the Group requires hedging against foreign exchange risk, interest rate risk and raw material price risk arising in the normal course of the business.

(iv) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate and duration are identical between the assets/liabilities of hedging instruments and hedged items.

(7) Method and period for amortizing goodwill

Goodwill is amortized using the straight-line method over a period reflecting the estimated useful life of each acquisition capped at a maximum of 20 years. If the value of goodwill is immaterial, the aggregate amount is written off in the fiscal year in which it arises.

(8) Scope of funds in consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be readily converted into cash with little risk of change in value.

(9) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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 and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the

temporary differences.

(10) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

(11) Other significant fundamental matters for preparing the consolidated financial statements

(i) Accounting for consumption tax

Consumption tax and local consumption taxes are accounted for under the tax exclusion method with transactions being recorded at amounts exclusive of such taxes.

(ii) Application of consolidated taxation system

Consolidated taxation system is applied.

(The application of the treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

Concerning items which transitioned to the group tax sharing system and those for which the non-consolidated tax payment system were reviewed in tandem with the transition to the group tax sharing system, which has been established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), the Company and some of its consolidated domestic subsidiaries have not applied the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), in accordance with Paragraph 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No.39, March 31, 2020). As a result, the amounts of deferred tax assets and deferred tax liabilities are reported based on the provisions of the tax act before the amendment.

6. Significant Accounting Estimates

(1) Impairment of fixed assets

The Group determines whether there is any indication of impairment of assets or asset groups with respect to property, plant and equipment, and intangible assets including goodwill, etc. If an indication of potential impairment of assets or asset groups exists and an impairment loss needs to be recognized, we estimate the recoverable amount of such assets or asset groups. The net realizable value or value in use, whichever is higher, is recognized as recoverable amount of assets or asset groups, and the book value is reduced to the recoverable amount for items whose recoverable amount falls below the book value. Such loss is recorded

as an impairment loss. Value in use is calculated based on certain assumptions on remaining economic useful life, future cash flows, discount rates, and others of assets or asset groups. With respect to the estimates of future cash flows in consideration of the impact of the novel coronavirus (COVID-19), moving forward, the demand is expected to gradually recover with economic activities advancing while preventing the spread of COVID-19 by vaccination, etc.

(Assessment of impairment recognition of fixed assets in the paper bags business)

With respect to the domestic paper bags business in the Household and Industrial Materials segment, the Group assessed whether an impairment loss should be recognized because the operating income of paper bags business has deteriorated due to the decline in the demand for shopping bags and heavy-duty paper sacks for industrial products in recent years, and an indication of impairment of the fixed assets (¥ 13,198 million (\$119,219 thousand) (including land)) has been identified.

With respect to an assessment of recognition, the Group estimated future cash flows based on the business plan in the expected use period of asset groups related to such business and on the net realizable value of the land after the expected use period passes. This business plan includes certain assumptions such as demand forecast for domestic packing papers by an external agency, selling price, market trend of prices of wood chips that are the main raw materials, and cost reduction plans.

As a result of this assessment of recognition, the total amount of future cash flows arising from the asset groups of the domestic paper bags business exceeded the carrying amount, and thus the Group has judged that an impairment loss recognition is not necessary.

These estimates and assumptions are determined by the best estimate and judgement of management and we consider them as appropriate. However, a change in product demand and market trend of prices of wood chips, etc. may affect the estimates of future cash flows. If they need to be reviewed, it may affect the amount recognized in the future consolidated financial statements.

(2) Collectability of deferred tax assets

With respect to deductible temporary differences, tax losses carried forward, and unused deferred tax credits, the Group records deferred tax assets after deducting the tax amount that is not expected to be collected in the future accounting periods from the amount thereof. The assessment of collectability in the future accounting periods is based on the assumption of the estimates for taxable income in the future fiscal years based on the business plan drawn up by the Group. With respect to the estimates of taxable income in the future fiscal years in consideration of the impact of COVID-19, moving forward, the demand is expected to gradually recover with economic activities advancing while preventing the spread of COVID-19 by vaccination, etc. The Company and its certain domestic consolidated subsidiaries apply consolidated taxation system and conduct tax effect accounting treatments in the type of applying consolidated taxation system.

The Group determines the estimates of taxable income by the best estimate and judgment of management and considers them as appropriate. However, a change in future business plans, economic conditions, and other factors, as well as revision and promulgation of relevant laws and regulations may affect the estimates. If they need to be reviewed, it may affect the amount recognized in the future consolidated financial statements.

The deferred tax assets recorded in the consolidated financial statements for the current consolidated fiscal year is shown in note “20 Tax Effect Accounting”.

(3) Net defined benefit liability and defined benefit asset

In order to prepare for the provision of retirement benefits for employees, the Group records net defined benefit liability or net defined benefit asset after deducting the amount of pension assets from retirement benefit obligations based on the estimated amounts as of the end of a fiscal year. Retirement benefit obligations are calculated based on actuarial assumptions. These assumptions include discount rate, long-term expected return on pension assets, turnover rate, and mortality rate.

The Group determines these assumptions by the best estimate and judgment of management and considers them as appropriate. However, a change in discount rate, mortality rate, and others due to a change in economic conditions may affect the assumptions. If they need to be reviewed, it may affect the amount recognized in the future consolidated financial statements.

The amounts related to the retirement benefit accounting recorded in the consolidated financial statements for the current consolidated fiscal year is shown in note “18 Retirement Benefits”.

7. New Accounting Pronouncements

(Accounting Standard, etc., Issued but Not Yet Applied)

I. The Company and domestic subsidiaries and affiliates

1. Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan)
- Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021, Accounting Standards Board of Japan)
- Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and published Revenue from Contracts with Customers (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. In line with this development, the Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published them together with the implementation guidance.

The basic policy of the ASBJ in developing the accounting standard for revenue recognition was to incorporate the basic principles of IFRS 15 as a starting point, and thereby aid the comparability of financial statements, while also adding alternative accounting treatments to reflect the Japanese market and practices to the extent that these do not detract from the overall comparability of the financial statements.

(2) Planned application date

To be applied from the beginning of the fiscal year ending March 31, 2022

(3) Impact of the application of the above accounting standard

The main changes resulting from the adoption of the new accounting standard are in the accounting treatment of consideration paid to customers, such as sales incentives, and in the accounting treatment of transactions in which purchased goods are sold to customers. With respect to sales incentives and other consideration paid to customers, a portion of the expenses that were previously recorded in selling, general and administrative expenses are now reduced from sales. In addition, as for transactions in which purchased goods are sold to customers, revenue was previously recognized at the total amount of consideration received from the customer, but has partly changed to be recognized at the net amount received from the customer less the amount paid to the supplier. The adoption of this standard reflects a cumulative effect on equity at the beginning of the next fiscal year, but it will not have a material impact.

2. Accounting Standard for Fair Value Measurement, etc.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019, Accounting Standards Board of Japan)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The ASBJ has promoted an initiative to enhance the comparability of the requirements of Japanese and international accounting standards, primarily in the areas of guidance on the fair value of financial instruments and their disclosure. To this end, ASBJ has issued the Accounting Standard for Fair Value Measurement, etc., in consideration of the fact that the IASB and the FASB have prescribed similarly detailed guidance (IFRS No.13 Fair Value Measurement issued by IASB and Accounting Standard Codification Topic 820 Fair Value Measurement issued by FASB).

The ASBJ's fundamental policies for developing the Accounting Standard for Fair Value Measurement, etc. are to include all requirements of IFRS No.13 so as to enhance the comparability of financial statements of domestic and overseas companies by prescribing uniform measurement methods, and exceptional treatments in consideration of established accounting conventions in Japan without compromising the comparability of financial statements.

(2) Planned application date

To be applied from the beginning of the fiscal year ending March 31, 2022

(3) Impact of the application of the above accounting standard, etc.

The amount of the impact on the consolidated financial statements from the application of the Accounting Standard for Fair Value Measurement, etc. will be immaterial.

II. Overseas subsidiaries and affiliates

As of March 31, 2021, of those newly established or revised accounting standards the Group has not applied the following standards:

The amount of the impact from the application of the accounting standards noted below is currently being assessed.

Name of accounting standards, etc.	Outline	Fiscal year in which Company will apply standard, etc.
Leases ASU 2016-02	Revisions to accounting for leases	Fiscal year ending March 31, 2023

8. Changes in Presentation Method

(1) Adoption of "Accounting Standard for Disclosure of Accounting Estimates"

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020, Accounting Standards Board of Japan) has been adopted from the consolidated financial statements pertaining to the end of the fiscal year ended March 31, 2021. Notes on significant accounting estimates are stated in the consolidated financial statements.

However, in accordance with the transitional treatment as stipulated provision under Paragraph 11 of the said Accounting Standard, descriptions pertaining to the prior fiscal year are not stated in the said notes.

9. Notes to Consolidated Balance Sheet

(1) Investments in unconsolidated subsidiaries and affiliates

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Stocks	¥ 71,048	¥ 70,391	\$ 641,753
Investments in capital	98	98	890

(2) Assets pledged as collateral

- (i) Mortgages and revolving mortgages were entered into with respect to the assets indicated below for short-term loans payable (¥ 2,999 million (\$ 27,097 thousand)) (¥ 3,480 million as of March 31, 2020), for long-term loans payable (including the amount scheduled to be repaid within one year) (¥ 2,590 million (\$ 23,394 thousand)) (¥ 1,930 million as of March 31, 2020), notes and accounts payable-trade (¥ 397 million (\$ 3,593 thousand)) (¥ 411 million as of March 31, 2020), and accounts payable-other (¥ 2 million (\$ 21 thousand)) (¥ 3 million as of March 31, 2020).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Cash and deposits	¥ 1,760	¥ 1,956	\$ 15,904
Notes and accounts receivable-trade	3,675	2,278	33,198
Merchandise and finished goods	2,416	1,404	21,826
Work in process	51	15	461
Raw materials and supplies	550	484	4,974
Short-term loans receivable	5,292	3,931	47,803
Current assets - other	3,707	2,449	33,488
Buildings and structures	7,720	6,866	69,740
Machinery, equipment and vehicles	9,355	8,188	84,501
Tools, furniture and fixtures	134	128	1,215
Land	9,254	7,861	83,593
Forests	1,943	919	17,558
Plantations	21,458	17,527	193,829
Construction in progress	771	720	6,967
Intangible assets - other	1,867	1,029	16,872
Investment securities	831	831	7,514
Investment and other assets - other	39	20	360
Total	¥ 70,833	¥ 56,613	\$ 639,812

- (ii) Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term loans payable (¥ 235 million (\$ 2,122 thousand), (¥ 285 million as of March 31, 2020)).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Buildings and structures	¥ 452	¥ 276	\$ 4,091
Machinery, equipment and vehicles	322	279	2,911
Tools, furniture and fixtures	16	18	153
Land	188	1,024	1,703
Total	¥ 980	¥ 1,597	\$ 8,859

(3) Contingent liabilities

Guarantee obligations

The Company has committed to providing the following guarantees for loans and others by unconsolidated subsidiaries, affiliates, and employees from banks and other financial institutions as of March 31, 2021 and 2020, respectively.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
PT. Korintiga Hutani	¥ 6,742	¥ 6,965	\$ 60,903
Forest Corporation, Tokyo Branch	5,488	6,058	49,570
Other	747	1,431	6,752
Total	¥ 12,978	¥ 14,454	\$ 117,226

(4) Notes discounted, etc.

Notes discounted: ¥ 9,300 million (\$ 84,010 thousand) and ¥ 10,386 million as of March 31, 2021 and 2020, respectively

Notes receivable endorsed: ¥ 321 million (\$ 2,908 thousand) and ¥ 222 million as of March 31, 2021 and 2020, respectively

(5) Revaluation reserve for land

Pursuant to the “Law on Revaluation of Land” (Law No. 34 of March 31, 1998) and the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 19 of March 31, 2001), the Group performed revaluation of land for business use held by certain consolidated subsidiaries on March 31, 2002.

Pursuant to the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 24 of March 31, 1999), the Group recorded the appropriate tax amount relevant to such revaluation of land as “Deferred tax liabilities on revaluation of land” in the liabilities section, and revaluation of land after deduction of such tax amount as “Revaluation reserve for land” in the equity section.

(i) Revaluation method: The value is calculated based on the property tax valuation prescribed in Article 2, Item 3 of the “Enforcement Order on Law on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998) and the land value designated as the tax basis for land value tax as prescribed in Article 2, Item 4 thereof.

(ii) Revaluation date: March 31, 2002

(6) Loan commitment (borrower)

The Company entered into loan commitment agreements with correspondent financial institutions for the purpose of achieving efficient use of working capital.

The balances of the unused portions under the agreement as of March 31, 2021 and 2020 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$ 451,630
Balance of loan outstanding	—	—	—
Unused portion	¥ 50,000	¥ 50,000	\$ 451,630

(7) Accumulated depreciation includes accumulated impairment losses.

(8) The amounts of advanced depreciation deducted directly from the acquisition costs of certain non-current assets for the fiscal years ended March 31, 2021 and 2020 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Buildings and structures	¥ 0	¥ 22	\$ 3
Machinery, equipment and vehicles	304	297	2,750
Plantations	214	262	1,937
Total	¥ 519	¥ 582	\$ 4,691

(9) The Group has transactions with unconsolidated subsidiaries and affiliates, however, accounts receivable from and accounts payable to those companies are not presented separately as the amounts were immaterial.

10. Notes to Consolidated Statement of Income

- (1) Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the fiscal years ended March 31, 2021 and 2020 were ¥ 9,704 million (\$ 87,653 thousand) and ¥ 9,088 million, respectively.
- (2) The amount of inventories stated on the consolidated balance sheet at the end of the year is calculated by writing down the value based on any decline in profitability.
The loss on valuation of inventories included in the cost of sales for the fiscal years ended March 31, 2021 and 2020 were ¥ (496) million (\$ (4,487) thousand) and ¥ 166 million, respectively.
- (3) Profit on subsidiary status change from equity method affiliate to consolidated subsidiary
This account consists of a gain on negative goodwill of ¥ 1,576 million (\$ 14,236 thousand) and a loss on step acquisitions of ¥ (767) million (\$ 6,930 thousand) arising from additional acquisition of stocks of an equity method affiliate and converting into a consolidated subsidiary.
- (4) Loss on disaster
This account includes fixed costs and other costs occurred during the plant outage periods under the requests from the governments of various nations of the world in the context of preventing the spread of COVID-19.
- (5) Loss on business restructuring
Business restructuring expenses are mainly the amount of impairment losses and removal costs on the assets in question due to the decision to stop production facilities as Oji F-Tex Co., Ltd. Ebetsu Mill, Oji Paper Co., Ltd. Tomakomai Mill and others.
- (6) Loss on disposal of non-current assets

For the fiscal years ended March 31, 2021 and 2020

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Buildings and structures	¥ 126	¥ 126	\$ 1,141
Machinery, equipment and vehicles	299	382	2,708
Tools, furniture and fixtures	11	19	101
Other	22	53	202
Demolishing costs	999	1,327	9,024
Total	¥ 1,459	¥ 1,910	\$ 13,178

11. Notes to Consolidated Statement of Comprehensive Income

(1) Reclassification adjustments and income tax relating to other comprehensive income

For the fiscal years ended March 31, 2021 and 2020

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 13,352	¥ (11,093)	\$ 120,604
Reclassification adjustments for gains and losses included in profit or loss	(51)	(4,766)	(463)
Amount before tax effect	13,300	(15,859)	120,141
Tax effect	(3,995)	4,828	(36,092)
Valuation difference on available-for-sale securities	9,305	(11,030)	84,048
Deferred gains and losses on hedges:			
Amount arising during the year	3,757	(2,783)	33,943
Reclassification adjustments for gains and losses included in profit or loss	1,282	1,003	11,586
Before tax effect adjustment	5,040	(1,780)	45,529
Tax effect	(1,407)	495	(12,711)
Deferred gains and losses on hedges	3,633	(1,284)	32,818
Foreign currency translation adjustment:			
Amount arising during the year	(12,937)	(11,566)	(116,856)
Reclassification adjustments for gains and losses included in profit or loss	—	—	—
Amount before tax effect	(12,937)	(11,566)	(116,856)
Tax effect	—	0	—
Foreign currency translation adjustment	(12,937)	(11,565)	(116,856)
Remeasurements of defined benefit plans:			
Amount arising during the year	27,717	(5,797)	250,357
Reclassification adjustments for gains and losses included in profit or loss	(1,165)	(1,470)	(10,524)
Amount before tax effect	26,551	(7,268)	239,832
Tax effect	(8,293)	2,267	(74,910)
Remeasurements of defined benefit plans	18,258	(5,000)	164,922
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	2,194	(2,348)	19,821
Reclassification adjustments for gains and losses included in profit or loss	27	80	245
Share of other comprehensive income of investments for which the equity method is applied	2,221	(2,268)	20,066
Other comprehensive income (loss)	¥ 20,481	¥ (31,149)	\$ 185,000

12. Notes to Consolidated Statement of Changes in Equity

(1) Type and number of issued shares of common stock and treasury stock

For the fiscal year ended March 31, 2021

Type of shares	Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021
Shares issued:				
Common stock	1,014,381,817	–	–	1,014,381,817
Total	1,014,381,817	–	–	1,014,381,817
Treasury stock:				
Common stock (Notes 1,2,3)	24,368,163	9,403	375,008	24,002,558
Total	24,368,163	9,403	375,008	24,002,558

Notes:

- | | |
|--|---------|
| 1. Increase in treasury stock | 9,403 |
| Details of the increase are as follows: | |
| Increase due to purchase of shares of less than the standard unit | 8,516 |
| Increase due to subsidiary status change from equity method affiliate | 843 |
| Increase in treasury stock due to increase in shares of the Company attributable to the Company arising from an increase in equity method affiliates | 44 |
| 2. Decrease in treasury stock | 375,008 |
| Details of the decrease are as follows: | |
| Decrease due to disposal of the Company's shares held by the Board Benefit Trust | 307,467 |
| Decrease due to exercising of stock options | 64,000 |
| Decrease in treasury stock arising from changes in the Company's ownership interest in equity method affiliates | 2,878 |
| Decrease due to sale of shares of less than the standard unit | 663 |
| 3. Number of shares of treasury stock at the end of the fiscal year ended March 31, 2021, includes 1,522,145 shares held by the Board Benefit Trust at March 31, 2021. | |

For the fiscal year ended March 31, 2020

Type of shares	Number of shares at April 1, 2019	Increase	Decrease	Number of shares at March 31, 2020
Shares issued:				
Common stock	1,014,381,817	–	–	1,014,381,817
Total	1,014,381,817	–	–	1,014,381,817
Treasury stock:				
Common stock (Notes 1,2,3)	24,762,066	1,044,539	1,438,442	24,368,163
Total	24,762,066	1,044,539	1,438,442	24,368,163

Notes:

- | | |
|--|-----------|
| 1. Increase in treasury stock | 1,044,539 |
| Details of the increase are as follows: | |
| Increase due to acquisition by the Board Benefit Trust | 1,035,700 |
| Increase due to purchase of shares of less than the standard unit | 8,835 |
| Increase in treasury stock due to increase in shares of the Company attributable to the Company arising from an increase in equity method affiliates | 4 |
| 2. Decrease in treasury stock | 1,438,442 |
| Details of the decrease are as follows: | |
| Decrease due to disposal to the Board Benefit Trust | 1,035,700 |
| Decrease due to disposal of the Company's shares held | |

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by the Board Benefit Trust	387,504
Decrease due to exercising of stock options	15,000
Decrease due to sale of shares of less than the standard unit	221
Decrease in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	17

3. Number of shares of treasury stock at the end of the fiscal year ended March 31, 2020, includes 1,829,612 shares held by the Board Benefit Trust at March 31, 2020.

(2) Share acquisition rights

For the fiscal year ended March 31, 2021

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2021	
			Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021	(Millions of yen)	(Thousands of U.S. dollars)
Parent company	Share acquisition rights as stock options	—	—	—	—	—	¥ 199	\$ 1,798
Total		—	—	—	—	—	¥ 199	\$ 1,798

For the fiscal year ended March 31, 2020

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2020	
			Number of shares at April 1, 2019	Increase	Decrease	Number of shares at March 31, 2020	(Millions of yen)	
Parent company	Share acquisition rights as stock options	—	—	—	—	—	¥ 216	
Total		—	—	—	—	—	¥ 216	

(3) Dividends

(i) Amount of cash dividends distributed

For the fiscal year ended March 31, 2021

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)			
Board of Directors' Meeting held on May 25, 2020	Common stock	¥ 6,944	\$ 62,725	¥ 7.0	March 31, 2020	June 11, 2020
Board of Directors' Meeting held on November 5, 2020	Common stock	6,944	62,725	7.0	September 30, 2020	December 1, 2020

Notes:

1. Dividends for shares in the Board Benefit Trust are included in the total dividend amount in accordance with the resolution at the Board of Directors' Meeting held on May 25, 2020 (included amount; ¥ 12 million).
2. Dividends for shares in the Board Benefit Trust are included in the total dividend amount in accordance with the resolution at the Board of Directors' Meeting held on November 5, 2020 (included amount; ¥ 10 million).

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For the fiscal year ended March 31, 2020

Resolution	Type of shares	Total dividend amount	Dividends per share (yen)	Record date	Effective date
		(Millions of yen)			
Board of Directors' Meeting held on May 13, 2019	Common stock	¥ 5,946	¥ 6.0	March 31, 2019	June 5, 2019
Board of Directors' Meeting held on November 5, 2019	Common stock	6,937	7.0	September 30, 2019	December 2, 2019

Notes:

1. Dividends for shares in the Board Benefit Trust are included in the total dividend amount in accordance with the resolution at the Board of Directors' Meeting held on May 13, 2019 (included amount; ¥ 7 million).
2. Dividends for shares in the Board Benefit Trust are included in the total dividend amount in accordance with the resolution at the Board of Directors' Meeting held on November 5, 2019 (included amount; ¥ 5 million).

(ii) Dividends with the cut-off date falling within the fiscal year ended March 31, 2020 and the effective date in the fiscal year ended March 31, 2021

Resolution	Type of shares	Total dividend amount		Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)				
Board of Directors' Meeting held on May 13, 2021	Common stock	¥ 6,944	\$ 62,725	Retained earnings	¥ 7.0	March 31, 2021	June 7, 2021

Note: Dividends for shares in Board Benefit Trust are included in total dividend amount (included amount; ¥ 10 million).

Dividends with the cut-off date falling within the fiscal year ended March 31, 2019 and the effective date in the fiscal year ended March 31, 2020

Resolution	Type of shares	Total dividend amount	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)				
Board of Directors' Meeting held on May 25, 2020	Common stock	¥ 6,944	Retained earnings	¥ 7.0	March 31, 2020	June 11, 2020

Note: Dividends for shares in Board Benefit Trust are included in total dividend amount (included amount; ¥ 12 million).

13. Notes to Consolidated Statement of Cash Flows

(1) Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2021 and 2020 are reconciled to the accounts reported in the consolidated balance sheet as of March 31, 2021 and 2020 as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Cash and deposits	¥ 130,529	¥ 73,943	\$ 1,179,018
Time deposits with maturities of more than three months	(585)	(1,934)	(5,284)
Short-term investments	5,725	10,381	51,719
Cash and cash equivalents	¥ 135,669	¥ 82,390	\$ 1,225,453

14. Lease Transactions

(1) Operating lease transactions

Future minimum lease payments under non-cancellable operating leases as of March 31, 2021 and 2020:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Due within one year	¥ 2,329	¥ 2,332	\$ 21,044
Due after one year	14,406	16,362	130,126
Total	¥ 16,736	¥ 18,694	\$ 151,171

Future minimum lease income under non-cancellable operating leases as of March 31, 2021 and 2020:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Due within one year	¥ 752	¥ 752	\$ 6,798
Due after one year	9,013	9,765	81,413
Total	¥ 9,765	¥ 10,518	\$ 88,211

15. Financial Instruments

(1) Matters concerning financial instruments

(i) Management policy

The Company and its main consolidated subsidiaries manage group finance under which mainly the Company finances and controls the cash necessary for Group operations primarily through loans from financial institutions, issuance of commercial paper and corporate bonds, and other activities.

The Company invests temporary surplus cash in short-term and low-risk financial instruments only and does not make any investment for speculative purposes.

The Company uses derivatives to hedge the risks described below and does not use derivatives for speculative purposes.

(ii) Nature and extent of risks arising from financial instruments

Receivables, such as notes and accounts receivable-trade, are exposed to customer credit risk.

Receivables that are denominated in foreign currencies, arising from the global operation of the business, are exposed to foreign currency exchange rate fluctuations. However, the Group uses foreign exchange forward contracts to hedge the net position (determined by deducting the amount of payables denominated in the same foreign currencies) as appropriate, taking the trends in the foreign currency exchange market into account.

Investment securities are mainly stocks of companies with which the Group has business relationships and these are exposed to market price fluctuation risks.

All of the payment terms of payables, such as notes and accounts payable-trade, are less than one year. Some of the payables that arise from importing raw materials and others are denominated in foreign currencies and are exposed to foreign currency exchange rate fluctuation risks. The Group uses foreign exchange forward contracts to hedge such risk as appropriate.

With respect to borrowings and debt, short-term loans payable are mainly for financing related to operating activities, while long-term loans payable is mainly for financing related to investment in property, plant and equipment. Borrowings and debt with floating interest rates are exposed to interest rate volatility risk. Certain long-term loans payable with variable interest rates are hedged by using derivative transactions (interest rate swaps) by which interest rates are fixed.

Derivative transactions entered into and managed by the Group are as follows:

- Foreign exchange forward contracts, currency options and currency swaps to hedge foreign exchange fluctuation risk related to accounts receivable/payable-trade and borrowing and debt etc. denominated in foreign currencies,
- Interest rate swaps to hedge risk related to floating interest rates on borrowings and debt, and
- Commodity swaps to hedge price fluctuation risk related to energy purchases.

Regarding hedging instruments and hedged items, hedging policy, the method for assessing hedging effectiveness and others related to hedge accounting see Note 5. (6) Significant method for hedge accounting.

(iii) Risk management

(a) Credit risk management (risk of non-performance by customers or counterparties)

The Company and its main consolidated subsidiaries reduce credit risk through the following methods:

- The Company checks and manages the due dates and balances of receivables by customer.
- Each sales department of the Company periodically monitors and investigates, as necessary, the credit position of key customers.

The Company only enters into derivative transactions with highly rated financial institutions to reduce counterparty risk.

(b) Market risk management (risks related to foreign exchange rate fluctuation, floating interest rates and others)

The Company and some of its consolidated subsidiaries utilize foreign exchange forward contracts and currency swaps to hedge the foreign exchange risk exposure for their accounts receivable/payable-trade, borrowings, debt, etc. which is denominated in foreign currencies and expected to arise in the normal business activities.

The Company utilizes interest rate swaps to hedge fluctuation risk regarding variable interest rates for payments related to borrowings and debt.

Some of the consolidated subsidiaries utilize commodity swaps to hedge price fluctuation risk related to energy purchases.

With respect to corporate stocks of available-for-sale securities, the Company checks periodically their fair values and financial conditions of such issuing entities (the companies with which the Company has business relationships) and reviews the benefits of continuing to hold such stocks, considering its relationships with such companies.

In the Company, execution and management of derivative transactions are conducted based on the derivative transaction standards that provide the method and the organization for risk management and others.

The consolidated subsidiaries also execute and manage derivative transactions based on their own similar standards.

(c) Liquidity risk related to financing activities (risk of non-performance on a due date)

The Company makes and updates financing plans in a timely manner and manages liquidity risk by maintaining presumably sufficient liquidity on hand based on deposits and withdrawals information reported from departments and the consolidated subsidiaries that carry out group-wide financing together with the Company.

The Company is prepared to make emergency payments by entering into commitment lines of credit with related financial institutions.

(iv) Supplementary explanation: fair value of financial instruments

Fair values of financial instruments are measured based on the quoted prices in markets. In cases where a quoted price is not available, other reasonably assessed estimated fair values are used.

Such assessment is based on certain assumptions. Under different assumptions, the assessed value might differ.

The contract amounts of derivative transactions and others, as shown in “(2) Fair value of financial instruments,” do not measure the Company’s exposure to market risk related to derivative transactions.

(2) Fair value of financial instruments

The following tables present the Company’s financial instruments on the consolidated balance sheet, their fair value and the differences at March 31, 2021 and 2020, respectively.

However, financial instruments which were difficult to be measured have not be included within the below tables. (See Note 2. Financial instruments for which the fair value is deemed to be difficult to measure)

As of March 31, 2021

	Book value	Fair value	Difference
			(Millions of yen)
① Cash and deposits	¥ 130,529	¥ 130,529	¥ –
② Notes and accounts receivable–trade	297,718		
③ Short-term loans receivable	4,324		
Allowance for doubtful accounts (*1)	(1,614)		
	300,428	300,428	–
④ Long-term loans receivable	6,933		
Allowance for doubtful accounts (*2)	(362)		
	6,571	6,383	(188)
⑤ Short-term investments and investment securities			
(i) Held-to-maturity debt securities	5,725	5,725	–
(ii) Stocks of affiliates	34,364	11,266	(23,098)
(iii) Available-for-sale securities	88,150	88,150	–
Total assets	565,770	542,483	(23,286)
① Notes and accounts payable–trade	197,950	197,950	–
② Short-term loans payable	125,779	125,779	–
③ Bonds	155,000	155,402	402
④ Long-term loans payable	366,902	370,331	3,429
Total liabilities	845,633	849,464	3,831
Derivative transactions (*3)	5,297	5,297	–

	Book value	Fair value	Difference
			(Thousands of U.S. dollars)
① Cash and deposits	\$ 1,179,018	\$ 1,179,018	\$ –
② Notes and accounts receivable–trade	2,689,175		
③ Short-term loans receivable	39,059		
Allowance for doubtful accounts (*1)	(14,580)		
	2,713,654	2,713,654	–
④ Long-term loans receivable	62,629		
Allowance for doubtful accounts (*2)	(3,273)		
	59,355	57,656	(1,699)
⑤ Short-term investments and investment securities			
(i) Held-to-maturity debt securities	51,719	51,719	–
(ii) Stocks of affiliates	310,404	101,764	(208,639)
(iii) Available-for-sale securities	796,228	796,228	–
Total assets	5,110,381	4,900,041	(210,339)
① Notes and accounts payable–trade	1,788,010	1,788,010	–
② Short-term loans payable	1,136,119	1,136,119	–
③ Bonds	1,400,054	1,403,689	3,635
④ Long-term loans payable	3,314,087	3,345,061	30,973
Total liabilities	7,638,271	7,672,880	34,609

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Derivative transactions (*3)	47,851	47,851	–
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(*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.
(*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.
(*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

As of March 31, 2020

	Book value	Fair value	Difference
① Cash and deposits	¥ 73,943	¥ 73,943	¥ –
② Notes and accounts receivable-trade	301,682		
③ Short-term loans receivable	3,749		
Allowance for doubtful accounts (*1)	(1,799)		
	303,633	303,633	–
④ Long-term loans receivable	7,558		
Allowance for doubtful accounts (*2)	(646)		
	6,912	7,191	279
⑤ Short-term investments and investment securities			
(i) Held-to-maturity debt securities	10,381	10,381	–
(ii) Stocks of affiliates	33,967	11,254	(22,712)
(iii) Available-for-sale securities	75,511	75,511	–
Total assets	504,349	481,915	(22,433)
① Notes and accounts payable-trade	209,669	209,669	–
② Short-term loans payable	129,523	129,523	–
③ Commercial paper	14,000	14,000	–
④ Bonds	100,000	100,234	234
⑤ Long-term loans payable	338,151	344,688	6,537
Total liabilities	791,343	798,115	6,771
Derivative transactions (*3)	24	24	–

- (*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.
(*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.
(*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

Notes:

1. The method for measuring fair values of financial instruments and matters relating to securities and derivative transactions

Assets

①Cash and deposits②Notes and accounts receivable-trade and ③Short-term loans receivable

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments.

④Long-term loans receivable

The fair value of long-term loans receivable is calculated by applying a discount rate to the total of principal and interest. The discount interest rate is based on the assumed interest rate if similar new borrowings were entered into.

⑤Short-term investments and investment securities

The fair value of equity securities equals quoted market price. The fair value of debt securities equals the quoted market price or has been provided by financial institutions, etc.

Liabilities

①Notes and accounts payable-trade, and ②Short-term loans payable

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments. The current portion of long-term loans payable (the carrying amounts of such

portion on the consolidated balance sheet as of March 31, 2021 and 2020 were ¥ 4,184 million (\$ 37,792 thousand) and ¥ 42,504 million, respectively) is included in “④ Long-term loans payable.”

③ Bonds

The fair value of corporate bonds is calculated based on the quoted market price (Reference: Statistical Prices for OTC Bond Transactions), if it is available. The corporate bonds include the current portion (the carrying amounts on the consolidated balance sheet as of March 31, 2021 and 2020 were ¥—million (\$ —thousand) and ¥ 20,000 million, respectively).

④ Long-term loans payable

The fair value of the long-term loans payable is calculated by applying a discount rate to the total of the principal and interest. The discount interest rate is based on the assumed interest rate if similar new debt were entered into. A portion of the floating rate long-term loans payable is assumed to qualify for special accounting treatment for interest rate swaps or integrated accounting treatment (special and appropriate treatment) for interest and currency swaps. This portion is calculated by discounting the total amount of the principal and interest, with the relevant interest rate swaps, interest rate and currency swaps to which integrated accounting treatment has been applied, based on the reasonably estimated interest rate if similar new debt were entered into. Long-term loans payable includes the current portion (the carrying amounts on the consolidated balance sheet as of March 31, 2021 and 2020 were ¥ 4,184 million (\$ 37,792 thousand) and ¥ 42,504 million respectively).

Derivative transactions

Refer to Note 17. Derivative Transactions.

2. Financial instruments for which the fair value is deemed to be difficult to measure

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Non-listed stocks	¥ 41,446	¥ 41,352	\$ 374,367

Regarding the above item, quoted prices are not available and also the future cash flows cannot be estimated reliably, therefore the fair value of the above item is deemed to be difficult to measure and is not included in 1. Assets ⑤ Short-term investments and investment securities.

3. The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2021

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Deposits	¥ 128,018	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	297,718	—	—	—
Short-term loans receivable	4,324	—	—	—
Long-term loans receivable	—	4,163	2,591	178
Short-term investments and investment securities				
Held-to-maturity debt securities				
Others	5,725	—	—	—
Total	¥ 435,787	¥ 4,163	¥ 2,591	¥ 178

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	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
(Thousands of U.S. dollars)				
Deposits	\$ 1,156,342	\$ –	\$ –	\$ –
Notes and accounts receivable-trade	2,689,175	–	–	–
Short-term loans receivable	39,059	–	–	–
Long-term loans receivable	–	37,611	23,406	1,611
Short-term investments and investment securities				
Held-to-maturity debt securities				
Others	51,719	–	–	–
Total	\$ 3,936,297	\$ 37,611	\$ 23,406	\$ 1,611

The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2020

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
(Millions of yen)				
Deposits	¥ 71,875	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	301,682	–	–	–
Short-term loans receivable	3,749	–	–	–
Long-term loans receivable	–	4,147	3,139	271
Short-term investments and investment securities				
Held-to-maturity debt securities				
Others	10,381	–	–	–
Total	¥ 387,689	¥ 4,147	¥ 3,139	¥ 271

4. The repayment schedule for bonds, long-term loans payable and other interest-bearing liabilities subsequent to March 31, 2021

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Millions of yen)						
Short-term loans payable	¥ 125,779	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds	–	–	–	10,000	30,000	115,000
Long-term loans payable	4,184	59,209	71,774	70,971	65,746	95,016
Total	¥ 129,963	¥ 59,209	¥ 71,774	¥ 80,971	¥ 95,746	¥ 210,016

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Thousands of U.S. dollars)						
Short-term loans payable	\$ 1,136,119	\$ –	\$ –	\$ –	\$ –	\$ –
Bonds	–	–	–	90,326	270,978	1,038,749
Long-term loans payable	37,792	534,816	648,314	641,054	593,861	858,246
Total	\$ 1,173,912	\$ 534,816	\$ 648,314	\$ 731,381	\$ 864,840	\$ 1,896,996

The repayment schedule for bonds, long-term loans payable and other interest-bearing liabilities subsequent to March 31, 2020

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	(Millions of yen)					
Short-term loans payable	¥ 129,523	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	14,000	—	—	—	—	—
Bonds	20,000	—	—	—	10,000	70,000
Long-term loans payable	42,504	3,697	58,541	71,033	70,240	92,134
Total	¥ 206,027	¥ 3,697	¥ 58,541	¥ 71,033	¥ 80,240	¥ 162,134

5. Hedging relationships that apply the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments That Reference LIBOR”

As of the end of the current fiscal year, all hedging relationships in the application scope of the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments That Reference LIBOR” (Practical Issues Task Force (PITF) No. 40, September 29, 2020) apply special treatments stipulated in this PITF. Details of hedging relationships that apply this PITF is as follows:

- | | |
|---|---|
| ① Hedge accounting method | Special treatment of interest rate swap, integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment) |
| ② Types of financial instruments serving as hedging instruments | Interest rate swaps, interest rate and currency swaps |
| ③ Types of financial instruments serving as hedged items | Long-term loans payable |
| ④ Types of hedging transactions | Hedging transactions where cash flow is fixed |

16. Securities

(1) Held-to-maturity debt securities

As of March 31, 2021

		Book value	Market value	Difference
		(Millions of yen)		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	¥ —	¥ —	¥ —
	② Corporate bonds	—	—	—
	③ Others	—	—	—
	Total	—	—	—
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	5,725	5,725	—
	Total	5,725	5,725	—
Total		¥ 5,725	¥ 5,725	¥ —

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		Book value	Market value	Difference
		(Thousands of U.S. dollars)		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	\$ —	\$ —	\$ —
	② Corporate bonds	—	—	—
	③ Others	—	—	—
	Total	—	—	—
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	51,719	51,719	—
	Total	51,719	51,719	—
Total		\$ 51,719	\$ 51,719	\$ —

As of March 31, 2020

		Book value	Market value	Difference
		(Millions of yen)		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	¥ —	¥ —	¥ —
	② Corporate bonds	—	—	—
	③ Others	—	—	—
	Total	—	—	—
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	10,381	10,381	—
	Total	10,381	10,381	—
Total		¥ 10,381	¥ 10,381	¥ —

(2) Available-for-sale securities

As of March 31, 2021

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 84,700	¥ 38,872	¥ 45,828
	② Others	—	—	—
	Total	84,700	38,872	45,828
Securities with a book value not exceeding acquisition cost	① Corporate stocks	2,071	2,457	(386)
	② Others	1,378	1,704	(326)
	Total	3,449	4,162	(712)
Total		¥ 88,150	¥ 43,034	¥ 45,115

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		Book value	Acquisition cost	Difference
		(Thousands of U.S. dollars)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	\$ 765,069	\$ 351,117	\$ 413,951
	② Others	—	—	—
	Total	765,069	351,117	413,951
Securities with a book value not exceeding acquisition cost	① Corporate stocks	18,708	22,197	(3,489)
	② Others	12,451	15,399	(2,948)
	Total	31,159	37,597	(6,437)
Total		\$ 796,228	\$ 388,714	\$ 407,513

Notes: The following items are not included in above table because no available quoted market price is available and it is not possible to estimate their future cash flows, therefore measuring their fair value is deemed to be extremely difficult:

- Non-listed corporate stocks,
- Investments in capital, and
- Others

(Their book value on the balance sheet: ¥ 4,663 million (\$ 42,127 thousand))

As of March 31, 2020

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 64,180	¥ 29,859	¥ 34,321
	② Others	—	—	—
	Total	64,180	29,859	34,321
Securities with a book value not exceeding acquisition cost	① Corporate stocks	10,199	11,733	(1,534)
	② Others	1,131	1,713	(581)
	Total	11,330	13,446	(2,115)
Total		¥ 75,511	¥ 43,306	¥ 32,205

Notes: The following items are not included in above table because no available quoted market price is available and it is not possible to estimate their future cash flows, therefore measuring their fair value is deemed to be extremely difficult:

- Non-listed corporate stocks,
- Investments in capital, and
- Others

(Their book value on the balance sheet: ¥ 4,829 million)

(3) Available-for-sale securities sold

For the fiscal year ended March 31, 2021

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
Corporate stocks	¥ 1,105	¥ 292	¥ 180
Others	4	—	3

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	Proceeds from sales	Gains	Losses
	(Thousands of U.S. dollars)		
Corporate stocks	\$ 9,981	\$ 2,646	\$ 1,632
Others	41	—	36

For the fiscal year ended March 31, 2020

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
Corporate stocks	¥ 25,209	¥ 5,068	¥ 9
Others	6	—	6

(4) Impairment of available-for-sale securities

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2021	2020	2021
Corporate stocks	¥ 83	¥ 285	\$ 753

Note: In calculating impairment losses, where the fair value as of the year-end is lower than the acquisition cost by 50% or more, the whole amount of such difference is recorded as an impairment loss. In cases where fair value as of the year-end is lower than acquisition cost by between 30-50%, the impairment loss amount is calculated and recorded by giving consideration to recoverability among other factors.

17. Derivative Transactions

(1) Derivatives contracts outstanding for which hedge accounting was not applied
The information is omitted as it is immaterial.

(2) Derivatives contracts outstanding for which hedge accounting was applied

(i) Currency-related derivatives

As of March 31, 2021

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars	Accounts receivable-trade	¥ 14,654	¥ -	¥ (61)
	Buy: New Zealand dollars				
	Sell: Japanese yen	Accounts receivable-trade	279	-	17
	Buy: New Zealand dollars				
	Sell: Euro	Accounts receivable-trade	193	-	3
	Buy: New Zealand dollars				
	Currency Options				
	Buy: Call options	Accounts			
	Sell: Put options	Long-term	1,029	1,029	(120)
	U.S. dollars,	loans payable			
	Indonesian rupiah				
	Total		¥ 16,156	¥ 1,029	¥ (160)
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	2,992	-	(139)
	Buy				
U.S. dollars	Accounts payable-trade	255	-	7	
Euro	Accounts payable-trade	104	-	0	
	Total		¥ 3,352	¥ -	¥ (132)

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Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S. dollars)		
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	\$ 132,365	\$ —	\$ (552)
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	2,522	—	161
	Sell: Euro, Buy: New Zealand dollars	Accounts receivable-trade	1,748	—	28
Currency Options					
Buy: Call options					
Sell: Put options					
U.S. dollars, Indonesian rupiah	Accounts Long-term loans payable	9,295	9,295	(1,092)	
Total			\$ 145,932	\$ 9,295	\$ (1,453)
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	27,026	—	(1,263)
	Buy				
U.S. dollars	Accounts payable-trade	2,308	—	67	
Euro	Accounts payable-trade	944	—	2	
Total			\$ 30,279	\$ —	\$ (1,193)

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts, which are accounted for as part of the foreign currency assets or liabilities, is included in that of hedged foreign currency assets or liabilities (except when scheduled transactions are assumed to be hedged).
3. Transactions of currency options are collar transactions, which have the effect of limiting foreign exchange risk by buying call options and selling put options.

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As of March 31, 2020

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars	Accounts receivable-trade	¥ 8,526	¥ -	¥ (619)
	Buy: New Zealand dollars				
	Sell: Japanese yen	Accounts receivable-trade	313	-	(27)
	Buy: New Zealand dollars				
	Sell: Euro	Accounts receivable-trade	83	-	(5)
	Buy: New Zealand dollars				
	Buy				
	Buy: New Zealand dollars	Accounts payable-other	532	-	(17)
Sell: Japanese yen					
Buy: Canadian dollars	Accounts payable-trade	19	-	0	
Sell: New Zealand dollars					
Currency Options					
Buy: Call options					
Sell: Put options	Accounts receivable-trade	225	-	(22)	
U.S. dollars, New Zealand dollars					
Buy: Call options					
Sell: Put options	Accounts receivable-trade	90	-	(7)	
Japanese yen, New Zealand dollars					
Total			¥ 9,790	¥ -	¥ (700)
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	3,309	-	(2)
	Buy				
U.S. dollars	Accounts payable-trade	635	-	4	
Euro	Accounts payable-trade	41	-	(0)	
Total			¥ 3,987	¥ -	¥ 2

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts, which are accounted for as part of the foreign currency assets or liabilities, is included in that of hedged foreign currency assets or liabilities (except when scheduled transactions are assumed to be hedged).
3. Transactions of currency options are collar transactions, which have the effect of limiting foreign exchange risk by buying call options and selling put options.

(ii) Interest-rate-related derivatives

As of March 31, 2021

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	¥ 20,000	¥ 20,000	¥ (248)
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	135,996	135,943	(Note 2)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	38,730	38,730	(Note 2)
Total			¥ 194,726	¥ 194,673	¥ (248)

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	\$ 180,652	\$ 180,652	\$ (2,244)
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	1,228,402	1,227,925	(Note 2)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	349,832	349,832	(Note 2)
Total			\$ 1,758,887	\$ 1,758,410	\$ (2,244)

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions and others.
2. When an interest swap contract meets the criteria for the special treatment and the integrated treatment of interest rate and currency swap (special and appropriate treatment), the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.
The fair value of interest rate swaps, interest rate and currency swaps accounted for by special treatment and the integrated treatment, is included in the hedged long-term loans payable.

As of March 31, 2020

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	¥ 20,000	¥ 20,000	¥ (319)
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	164,049	135,996	(Note 2)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	38,730	38,730	(Note 2)
Total			¥ 222,779	¥ 194,726	¥ (319)

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest swap contract meets the criteria for the special treatment and the integrated treatment of interest rate and currency swap (special and appropriate treatment), the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.
The fair value of interest rate swaps, interest rate and currency swaps accounted for by special treatment and the integrated treatment, is included in the hedged long-term loans payable.

(iii) Commodity-related derivatives

As of March 31, 2021

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 4,357	¥ 2,779	¥ 4,288
Total			¥ 4,357	¥ 2,779	¥ 4,228

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	\$ 39,357	\$ 25,108	\$ 38,733
Total			\$ 39,357	\$ 25,108	\$ 38,733

Note: Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

As of March 31, 2020

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 4,626	¥ 2,592	¥ (165)
Total			¥ 4,626	¥ 2,592	¥ (165)

Note: Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

18. Retirement Benefits**(1) Outline of Retirement Benefit Plan Adopted**

The Group has established defined contribution corporate pension plans as well as corporate defined benefit pension plans including both employees' pension fund plans and retirement lump-sum payment plans. In addition, certain consolidated subsidiaries have joined multi-employer corporate pension plans. Certain consolidated subsidiaries have established employees' retirement benefit trusts for the defined benefit-type corporate pension plans and retirement lump-sum payment plans.

Furthermore, in certain instances of an employee's retirement or other termination, extra retirement payments may be provided, which are not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting.

(2) Defined benefit plans (including multi-employer plans)**(i) Reconciliation of beginning and ending balances of retirement benefit obligation (excluding plans for which a simplified method is applied)**

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of retirement benefit obligation	¥121,529	\$ 1,097,731
Service cost	3,291	29,733
Interest cost	462	4,176
Actuarial loss	587	5,306
Prior service cost	234	2,120
Payment of retirement benefits	(8,369)	(75,595)
Other	(226)	(2,043)
Ending balance of retirement benefit obligation	¥ 117,510	\$ 1,061,429

For the fiscal year ended March 31, 2020

	<u>Millions of yen</u>
Beginning balance of retirement benefit obligation	¥ 126,492
Service cost	3,555
Interest cost	268
Actuarial loss	(735)
Prior service cost	(45)
Payment of retirement benefits	(8,276)
Other	271
Ending balance of retirement benefit obligation	¥ 121,529

(ii) Reconciliation of beginning and ending balances of plan assets (excluding plans for which a simplified method is applied)

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of plan assets	¥105,031	\$ 948,704
Expected return on plan assets	1,541	13,927
Actuarial gain	28,539	257,784
Employer contributions	380	3,437
Payment of retirement benefits	(6,342)	(57,286)
Other	141	1,281
Ending balance of plan assets	¥129,292	\$ 1,167,849

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For the fiscal year ended March 31, 2020

	<u>Millions of yen</u>
Beginning balance of plan assets	¥ 116,221
Expected return on plan assets	1,529
Actuarial gain	(6,578)
Employer contributions	365
Payment of retirement benefits	(6,492)
Other	(14)
<u>Ending balance of plan assets</u>	<u>¥ 105,031</u>

(iii) Reconciliation of beginning and ending balance of net defined benefit liability for plans for which the simplified method is applied

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of net defined benefit liability	¥ 5,695	\$ 51,440
Retirement benefit expenses	177	1,601
Payment of retirement benefits	(1,450)	(13,106)
Plan contributions	(515)	(4,652)
Other	892	8,059
<u>Ending balance of net defined benefit liability</u>	<u>¥ 4,798</u>	<u>\$ 43,342</u>

For the fiscal year ended March 31, 2020

	<u>Millions of yen</u>
Beginning balance of net defined benefit liability	¥ 5,488
Retirement benefit expenses	1,383
Payment of retirement benefits	(925)
Plan contributions	(511)
Other	259
<u>Ending balance of net defined benefit liability</u>	<u>¥ 5,695</u>

(iv) Reconciliation of ending balance of retirement benefit obligation and plan assets, net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Funded retirement benefit obligation	¥ 80,365	\$ 725,905
<u>Plan assets</u>	<u>(139,130)</u>	<u>(1,256,709)</u>
	(58,765)	(530,803)
<u>Unfunded retirement benefit obligation</u>	<u>51,781</u>	<u>467,725</u>
<u>Net liabilities and assets recorded on the consolidated balance sheet</u>	<u>(6,983)</u>	<u>(63,077)</u>
Net defined benefit liability	54,010	487,855
<u>Net defined benefit asset</u>	<u>(60,993)</u>	<u>(550,933)</u>
<u>Net liabilities and assets recorded on the consolidated balance sheet</u>	<u>¥ (6,983)</u>	<u>\$ (63,077)</u>

Note: Including plans for which the simplified method is applied.

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For the fiscal year ended March 31, 2020

	<u>Millions of yen</u>
Funded retirement benefit obligation	¥ 83,909
Plan assets	(113,892)
	(29,983)
Unfunded retirement benefit obligation	52,177
Net liabilities and assets recorded on the consolidated balance sheet	22,193
Net defined benefit liability	54,213
Net defined benefit asset	(32,019)
Net liabilities and assets recorded on the consolidated balance sheet	¥ 22,193

Note: Including plans for which the simplified method is applied.

(v) Components of retirement benefit expenses

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Service costs	¥ 3,291	\$ 29,733
Interest cost	462	4,176
Expected return on plan assets	(1,541)	(13,927)
Amortization of actuarial loss	(510)	(4,612)
Amortization of prior service cost	(654)	(5,912)
Retirement benefit expenses calculated by simplified method	177	1,601
Special retirement expenses (Note 1)	995	8,995
Extra retirement payments (Note 2)	18	169
Retirement benefit expenses related to defined benefit plans	¥ 2,238	\$ 20,223

For the fiscal year ended March 31, 2020

	<u>Millions of yen</u>
Service costs	¥ 3,555
Interest cost	268
Expected return on plan assets	(1,529)
Amortization of actuarial loss	(849)
Amortization of prior service cost	(621)
Retirement benefit expenses calculated by simplified method	1,383
Special retirement expenses (Note 1)	436
Extra retirement payments (Note 2)	224
Retirement benefit expenses related to defined benefit plans	¥ 2,867

Notes:

1. Extra retirement payments arising from business structure improvement were recorded in “Other” under other expenses.
2. Extra retirement payments associated with transferees and retirees were recorded in “Other” under non-operating expenses.

(vi) Remeasurements of defined benefit plans in consolidated statement of income

The breakdown of items recorded in remeasurements of defined benefit plans is as follows (before deduction of tax effects):

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Prior service cost	¥ (889)	\$ (8,032)
Actuarial loss	27,441	247,865
Total	¥ 26,551	\$ 239,832

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For the fiscal year ended March 31, 2020

	<u>Millions of yen</u>
Prior service cost	¥ (575)
Actuarial loss	(6,692)
Total	¥ (7,268)

(vii) Remeasurements of defined benefit plans

The breakdown of items recorded in remeasurements of defined benefit plans is as follows (before deduction of tax effects):

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Unrecognized prior service cost	¥ (6,272)	\$ (56,660)
Unrecognized actuarial gain	(29,505)	(266,513)
Total	¥ (35,778)	\$ (323,173)

For the fiscal year ended March 31, 2020

	<u>Millions of yen</u>
Unrecognized prior service cost	¥ (7,162)
Unrecognized actuarial gain	(2,064)
Total	¥ (9,226)

(viii) Matters relating to plan assets

(a) Breakdown of principal plan assets

The principal asset classes as percentages of total plan assets are as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Domestic corporate stocks	51 %	41 %
Overseas corporate stocks	6	5
Domestic bonds	5	7
Overseas bonds	4	5
Cash and deposits	8	7
Life insurance general accounts	10	17
Alternative investments (Note 1)	15	17
Other	1	1
Total (Note 2)	100	100

Notes:

- Alternative investments are mainly investments in hedge funds, etc.
- Retirement benefit trusts established for corporate pension plans constituted 47% of total plan assets in the fiscal year ended March 31, 2021 and 36% in the fiscal year ended March 31, 2020.

(b) Method to determine long-term expected rate of return on plan assets

In order to determine the long-term expected rate of return on plan assets, the Company takes into account the current and the forecast allocation of plan assets and the current and anticipated long-term expected rate of return on a wide range of assets that constitute plan assets.

(ix) Assumptions used in actuarial calculations

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
(a) Discount rates		
Domestic	0.1 – 0.5 %	0.1 – 0.6 %
Overseas	0.8 – 3.0	1.1 – 4.0
(b) Long-term expected rates of return on plan assets		
Domestic	0.1 – 4.4 %	0.1 – 2.5 %
Overseas	0.8 – 7.0	1.8 – 7.0
(c) Expected rates of salary increases		
Domestic	1.5 – 8.2 %	1.4 – 8.2 %
Overseas	2.5	1.8 – 2.5

(3) Defined contribution plan

The contributions to the defined contribution plans of the consolidated subsidiaries, including the multi-employer plans that are accounted for in the same way as defined contribution plans, were ¥ 2,702 million (\$ 24,407 thousand) in the fiscal year ended March 31, 2021 and ¥ 2,627 million in the fiscal year ended March 31, 2020.

19. Stock Options

(1) The account title and the amount of expenses related to stock options

None

(2) Content, size and changes of stock options

(i) Stock option plans

	Stock option 2009
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 174,000 shares
Grant date	July 13, 2009
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2010 If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2009 (June 26, 2009) to the date of the ordinary general meeting of shareholders in 2010
Exercise period	From July 14, 2009 to June 30, 2029

	Stock option 2010
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 220,000 shares
Grant date	July 16, 2010
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2011 If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2010 (June 29, 2010) to the date of the ordinary general meeting of shareholders in 2011
Exercise period	From July 17, 2010 to June 30, 2030

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Stock option 2011	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 219,000 shares
Grant date	July 15, 2011
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2012 If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2011 (June 29, 2011) to the date of the ordinary general meeting of shareholders in 2012
Exercise period	From July 16, 2011 to June 30, 2031

Stock option 2012	
Individuals covered by the Plan	Directors of the Company: 12
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 219,000 shares
Grant date	July 17, 2012
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2013 If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2012 (June 28, 2012) to the date of the ordinary general meeting of shareholders in 2013
Exercise period	From July 18, 2012 to June 30, 2032

Stock option 2013	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 220,000 shares
Grant date	July 16, 2013
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2014 If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2013 (June 27, 2013) to the date of the ordinary general meeting of shareholders in 2014
Exercise period	From July 17, 2013 to June 30, 2033

Stock option 2014	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 176,000 shares
Grant date	July 15, 2014
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2015 If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2014 (June 27, 2014) to the date of the ordinary general meeting of shareholders in 2015
Exercise period	From July 16, 2014 to June 30, 2034

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	Stock option 2015
Individuals covered by the Plan	Directors of the Company: 11
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 199,000 shares
Grant date	July 14, 2015
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2016 If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2015 (June 26, 2015) to the date of the ordinary general meeting of shareholders in 2016
Exercise period	From July 15, 2015 to June 30, 2035

(ii) Changes in the number of stock options

This table shows stock options outstanding for the fiscal year ended March 31, 2021, and the quantities are expressed in equivalent number of shares.

(a) Quantity of stock options

	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013	Stock option 2014	Stock option 2015
	(Shares)						
Share acquisition rights which are not yet vested							
Outstanding as of March 31, 2020	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding as of March 31, 2021	—	—	—	—	—	—	—
Share acquisition rights which have already been vested							
Outstanding as of March 31, 2020	24,000	30,000	30,000	103,000	143,000	126,000	184,000
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	44,000	—	—	20,000
Forfeited	—	—	—	—	—	—	—
Outstanding as of March 31, 2021	24,000	30,000	30,000	59,000	143,000	126,000	164,000

(b) Price information of stock options

As of March 31, 2021

	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock Option 2013	Stock Option 2014	Stock option 2015
	(Yen)						
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	—	—	—	554	—	—	489
Weighted average fair value per share at the granted date	285	334	307	189	351	324	432

	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013	Stock option 2014	Stock option 2015
	(U.S. dollars)						
Exercise price	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Average market price of the stock at the time of exercise	—	—	—	5.00	—	—	4.41
Weighted average fair value per share at the granted date	2.57	3.01	2.77	1.70	3.17	2.92	3.90

(3) Method for estimating the number of vested options

Since it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited compared to the number vested.

20. Tax Effect Accounting

(1) Significant components of deferred tax assets and deferred tax liabilities

	March 31, 2021 (Millions of yen)	March 31, 2020 (Millions of yen)	March 31, 2021 (Thousands of U.S. dollars)
Deferred tax assets			
Tax losses carried forward (Note)	¥ 16,391	¥ 17,157	\$ 148,059
Net defined benefit liability	23,402	23,144	211,388
Investment securities	7,210	7,159	65,125
Property, plant and equipment	23,675	27,470	213,855
Accrued bonuses	5,183	5,046	46,817
Inventory	2,393	2,227	21,616
Other	17,017	12,969	153,711
Subtotal	95,274	95,176	860,574
Valuation allowance for tax losses carried forward (Note)	(15,327)	(16,486)	(138,444)
Valuation allowance for total of deductible temporary differences	(27,644)	(28,854)	(249,702)
Valuation allowance	(42,971)	(45,340)	(388,147)
Total deferred tax assets	52,302	49,835	472,426
Deferred tax liabilities			
Adjustment of book value due to fair value revaluation	(34,597)	(35,836)	(312,504)
Property, plant and equipment	(25,770)	(23,237)	(232,778)
Reserve for advanced depreciation of non-current assets	(10,166)	(9,852)	(91,828)
Net defined benefit liability	(25,220)	(16,017)	(227,808)
Valuation difference on available-for-sale securities	(13,604)	(9,760)	(122,882)
Reserve for special depreciation	(816)	(1,245)	(7,378)
Other	(2,683)	(2,917)	(24,237)
Total deferred tax liabilities	(112,859)	(98,867)	(1,019,417)
Net deferred tax liabilities	¥ (60,557)	¥ (49,031)	\$ (546,990)

(Note) Amount of tax losses carried forward and deferred tax assets by carry forward period
For the fiscal year ended March 31, 2021

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax losses carried forward*	¥ 3,411	¥ 175	¥ 789	¥ 2,977	¥ 1,956	¥ 7,080	¥ 16,391
Valuation allowance	(3,411)	(171)	(784)	(2,808)	(1,806)	(6,344)	(15,327)
Deferred tax assets	0	3	5	169	149	736	1,064

(Thousands of U.S. dollars)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax losses carried forward*	\$ 30,815	\$ 1,588	\$ 7,131	\$ 26,897	\$ 17,668	\$ 63,957	\$ 148,059
Valuation allowance	(30,814)	(1,552)	(7,084)	(25,368)	(16,321)	(57,303)	(138,444)
Deferred tax assets	0	35	46	1,529	1,347	6,654	9,614

* Tax losses carried forward is the amount multiplied by the statutory tax rate.

For the fiscal year ended March 31, 2020

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax losses carried forward*	¥ 2,891	¥ 3,396	¥ 238	¥ 915	¥ 3,161	¥ 6,554	¥ 17,157
Valuation allowance	(2,870)	(3,373)	(173)	(902)	(3,094)	(6,072)	(16,486)
Deferred tax assets	21	22	65	13	67	481	671

* Tax losses carried forward is the amount multiplied by the statutory tax rate.

(2) Difference between the statutory tax rate and the effective rate of the tax burden after applying tax effect accounting

	For the fiscal year ended March 31	
	2021	2020
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Non-deductible entertainment and social expenses, etc.	1.1	0.7
Non-taxable income of dividends received, etc.	(1.3)	(1.2)
Per capita levy of local inhabitant tax	0.6	0.5
Tax credit	(2.1)	(1.6)
Equity in earnings of affiliates	(0.0)	(0.9)
Different tax rates applied to foreign subsidiaries	3.9	3.5
Amortization of goodwill	0.4	0.6
Change in valuation allowance	1.0	3.3
Other	1.9	(1.2)
Effective rate of the tax burden	36.1	34.3

21. Business Combination

Transactions, etc. under common control

Purchase of treasury stock by a consolidated subsidiary of the Company

1. Summary of the transaction

(1) Name and business activities of the combining entities concerned

Name of the combining entities concerned:	Japan Brazil Paper and Pulp Development Ltd.
Business activities:	Management of pulp manufacturing company and import business of products

(2) Business combination date

December 25, 2020

(3) Legal form of business combination

Purchase of treasury stock by a consolidated subsidiary of the Company

(4) Name after the business combination

There is no change.

(5) Other matters related to the summary of transactions

For the purpose of further strengthening the management base of the Group, Japan Brazil Paper and Pulp Development Ltd. acquired the treasury stock held by non-controlling shareholders. As a result, the ratio of voting rights held by the Group for the company has become 62.8%.

2. Summary of the conducted accounting treatments

In compliance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), this accounting treatment is conducted as transactions with non-controlling shareholders under the recognition as transactions under common control, etc.

3. Acquisition cost related to purchase of treasury stock by a consolidated subsidiary of the Company and its breakdown

Consideration for acquisition	Cash	24,162 million yen (\$218,252 thousand)
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4. Matters related to change in ownership interest of the Company due to transactions with non-controlling shareholders
 - (1) Major change factors of capital surplus
 - Purchase of treasury stock by a consolidated subsidiary of the Company
 - (2) The decreased amount of capital surplus through transactions with non-controlling shareholders
 - 1,668 million yen (\$15,074 thousand)

22. Segment Information

(1) Overview of reporting segments

The reporting segments of the Company consist of business units of the Group that are similar in terms of economic characteristics, production method or production process, types of market or customers to which products are sold and other characteristics. The Company has four reporting segments: "Household and Industrial Materials," "Functional Materials," "Forest Resources and Environmental Marketing" and "Printing and Communications Media." Business segments that are not included in the reporting segments are put together as "Other."

Major business lineup for the segments are as follows.

Household and Industrial Materials:	Containerboard and corrugated container, boxboard and folding cartons, packaging papers and paper bags, household paper, disposable diapers
Functional Materials:	Specialty paper, thermal paper, adhesive paper, film
Forest Resources and Environmental Marketing:	Pulp, energy, afforestation and lumber processing
Printing and Communications Media:	Newsprint, printing, publishing and communications paper
Other:	Real estate, engineering, trading, logistics and other

(2) Methods to calculate amounts of sales, income or loss, assets, liabilities and other items by reporting segment

The accounting method applied for reporting segments is almost the same that described in Notes 1 to 5 of the Consolidated Financial Statements.

Segment profit is based on operating profit. Inter-segment sales and transfers are mainly based on market price.

(3) Information on amounts of sales, income or loss, assets, liabilities and other items by reporting segment

For the fiscal year ended March 31, 2021

	Reporting segments					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmen- tal marketing	Printing and communi- cations media	Total				
(Millions of yen)									
Net Sales									
Sales to third parties	¥595,554	¥170,020	¥215,049	¥210,531	¥1,191,155	¥167,829	¥1,358,985	-	¥1,358,985
Inter-segment sales and transfers	51,935	12,317	30,285	33,426	127,964	102,359	230,323	(230,323)	-
Total sales	647,489	182,338	245,334	243,957	1,319,120	270,188	1,589,308	(230,323)	1,358,985
Segment profit	38,090	11,480	16,651	11,156	77,379	6,752	84,132	660	84,793
Segment assets	636,536	179,223	555,552	236,280	1,607,592	506,345	2,113,937	(132,499)	1,981,438
Other items									
Depreciation and amortization (Note 4)	26,319	5,868	16,308	8,711	57,208	5,550	62,758	-	62,758
Increase in property, plant, equipment and intangible assets (Note 4)	52,502	7,417	21,266	9,750	90,938	7,484	98,422	-	98,422

	Reporting segments					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmen- tal marketing	Printing and communi- cations media	Total				
(Thousands of U.S. dollars)									
Net Sales									
Sales to third parties	\$5,379,411	\$1,535,727	\$1,942,457	\$1,901,645	\$10,759,241	\$1,515,938	\$12,275,179	-	\$12,275,179
Inter-segment sales and transfers	469,111	111,262	273,553	301,925	1,155,852	924,571	2,080,424	(2,080,424)	-
Total sales	5,848,522	1,646,989	2,216,010	2,203,570	11,915,093	2,440,509	14,355,603	(2,080,424)	12,275,179
Segment profit	344,060	103,701	150,406	100,773	698,941	60,996	759,938	5,965	765,903
Segment assets	5,749,586	1,618,854	5,018,087	2,134,228	14,520,755	4,573,616	19,094,372	(1,196,816)	17,897,556
Other items									
Depreciation and amortization (Note 4)	237,730	53,011	147,312	78,684	516,739	50,137	566,876	-	566,876
Increase in property, plant, equipment and intangible assets (Note 4)	\$474,237	\$67,003	\$192,094	\$88,076	\$821,412	\$67,603	\$889,015	-	\$889,015

Notes

- “Other” is a business segment which is not included in the reporting segments, and included in this segment are real estate, engineering, trading, logistics and other businesses.
- “Adjustments” are as follows.
 - Adjustment for segment profit, ¥ 660 million (\$ 5,965 thousand), primarily consists of adjustment related to internal transactions.
 - Adjustment for segment assets, ¥ (132,499) million (\$ (1,196,816) thousand), includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (152,834) million (\$ (1,380,493) thousand)
 - Group-wide assets* not allocated to each reporting segment, ¥ 20,334 million (\$ 183,677 thousand)
- *Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit and operating profit of the consolidated statement of income.
- Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, increase in property, plant, equipment and intangible assets.

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For the fiscal year ended March 31, 2020

	Reporting segments					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media	Total				
(Millions of yen)									
Net Sales									
Sales to third parties	¥631,606	¥200,709	¥239,667	¥251,837	¥1,323,820	¥183,787	¥1,507,607	-	¥1,507,607
Inter-segment sales and transfers	54,460	13,960	45,884	40,816	155,121	105,604	260,726	(260,726)	-
Total sales	686,066	214,669	285,551	292,653	1,478,942	289,392	1,768,334	(260,726)	1,507,607
Segment profit	40,937	15,354	28,847	11,326	96,464	8,976	105,441	683	106,125
Segment assets	610,868	192,015	574,697	225,320	1,602,902	424,926	2,027,828	(142,547)	1,885,280
Other items									
Depreciation and amortization (Note 4)	25,802	6,271	16,479	9,679	58,234	5,145	63,379	-	63,379
Increase in property, plant, equipment and intangible assets (Note 4)	38,837	5,103	38,057	9,142	91,140	6,333	97,474	-	97,474

Notes

- “Other” is a business segment which is not included in the reporting segments, and included in this segment are real estate, engineering, trading, logistics and other businesses.
- “Adjustments” are as follows.
 - Adjustment for segment profit (loss), ¥683 million, primarily consists of adjustment related to internal transactions.
 - Adjustment for segment assets, ¥ (142,547) million, includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (158,023) million
 - Group-wide assets* not allocated to each reporting segment, ¥ 15,476 million
- Adjustment is made between segment profit (loss) and operating profit of the consolidated statement of income.
- Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, increase in property, plant, equipment and intangible assets.

(4) Related information

For the fiscal year ended March 31, 2021

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Net Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 961,345	¥ 263,100	¥ 28,454	¥ 17,544	¥ 31,565	¥ 55,126	¥ 1,848	¥ 1,358,985

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Thousands of U.S. dollars)							
\$ 8,683,453	\$ 2,376,487	\$ 257,019	\$ 158,468	\$ 285,115	\$ 497,938	\$ 16,694	\$ 12,275,179

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	New Zealand	Oceania	Total
(Millions of yen)								
¥544,964	¥ 116,787	¥ 79,326	¥ 1,799	¥ 183,216	¥ 3,863	¥107,694	¥3,760	¥ 1,041,413

Japan	China	Asia	North America	Brazil	Europe	New Zealand	Oceania	Total
(Thousands of U.S. dollars)								
\$ 4,922,447	\$ 1,054,898	\$ 716,524	\$ 16,256	\$ 1,654,921	\$ 34,897	\$ 972,765	\$ 33,968	\$ 9,406,679

(iii) Information by major customer

Information by major customer is omitted, since there is no external customer whose sales exceed 10% or more of the net sales in the consolidated statement of income.

For the fiscal year ended March 31, 2020

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Net Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 1,057,316	¥ 292,698	¥ 34,197	¥ 26,296	¥ 38,908	¥ 54,792	¥ 3,397	¥ 1,507,607

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	New Zealand	Oceania	Total
(Millions of yen)								
¥535,930	¥ 112,795	¥ 66,082	¥ 2,061	¥ 198,452	¥ 3,834	¥93,532	¥3,104	¥ 1,015,794

(Changes in Presentation Method)

New Zealand, which was included in Oceania at the previous consolidated fiscal year, has been presented separately from the current consolidated fiscal year due to an increase in its monetary materiality. To reflect this change in presentation, "(4) Related information (ii) Information by region (b) Property, plant and equipment" for the previous fiscal year has been reclassified.

As a result, ¥ 96,636 million for Oceania for the previous fiscal year has been reclassified as ¥ 93,532 million for New Zealand and ¥ 3,104 million for Oceania.

(iii) Information by major customer

Information by major customer is omitted, since there is no external customer whose sales exceed 10% or more of the net sales in the consolidated statement of income.

(5) Information on impairment loss of property, plant and equipment by reporting segment

For the fiscal year ended March 31, 2021

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
(Millions of yen)						
Impairment loss	¥ 25	¥ 580	¥ 188	—	¥ 353	¥ 1,148

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
(Thousands of U.S. dollars)						
Impairment loss	\$ 228	\$ 5,244	\$ 1,703	—	\$ 3,196	\$ 10,373

Notes:

1. The amount of “Other” represents amount related to business segments which is not included in reporting segments and other.
2. The impairment loss of ¥ 1,148 million (\$ 10,373 thousand) for the fiscal year ended March 31, 2021, ¥ 769 million (\$ 6,946 thousand) is included in loss on business restructuring of other expenses.

For the fiscal year ended March 31, 2020

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
(Millions of yen)						
Impairment loss	¥ 3,543	—	¥ 0	¥ 127	—	¥ 3,671

Notes:

1. The amount of “Other” represents amount related to business segments which is not included in reporting segments and other.
2. The impairment loss of ¥ 3,671 million for the fiscal year ended March 31, 2020, ¥ 1,943 million is included in loss on business restructuring of other expenses.

(6) Information on amortization and ending balance of goodwill by reporting segment

As of and for the fiscal year ended March 31, 2021

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Millions of yen)						
Amortized amount of goodwill	¥ 573	¥ 515	¥ (0)	—	¥ 11	¥ 1,099
Balance of goodwill	781	2,246	(5)	—	99	3,122

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Thousands of U.S. dollars)						
Amortized amount of goodwill	\$ 5,179	\$ 4,655	\$ (5)	—	\$ 101	\$ 9,930
Balance of goodwill	7,060	20,289	(50)	—	900	28,200

Note 1: Amount for “Other” represents amount relating to business segments which is not included in reporting segments.

As of and for the fiscal year ended March 31, 2020

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Millions of yen)						
Amortized amount of goodwill	¥ 1,283	¥ 604	¥ (0)	—	¥ 10	¥ 1,898
Balance of goodwill	1,367	3,202	(6)	—	108	4,672

Note 1: Amount for “Other” represents amount relating to business segments which is not included in reporting segments.

(7) Information on gain on bargain purchase by reporting segment

For the fiscal year ended March 31, 2021

Information on gain on bargain purchase is omitted because the amount is immaterial.

For the fiscal year ended March 31, 2020

None

23. Information on Transactions with Related Parties

For the fiscal year ended March 31, 2021

(i) Transactions with related parties

Related party transactions with the Company which have submitted consolidated financial statements and their subsidiaries

None

(ii) Notes on significant affiliates

Summary of financial information on significant affiliates

None

For the fiscal year ended March 31, 2020

(i) Transactions with related parties

Related party transactions with the Company which have submitted consolidated financial statements and their subsidiaries

None

(ii) Notes on significant affiliates

Summary of financial information on significant affiliates

None

24. Per Share Information

As of and for the fiscal years ended March 31, 2021 and 2020

	(Yen)		(U.S. dollars)
	2021	2020	2021
Equity per share	¥ 758.28	¥ 699.12	\$ 6.85
Basic profit per share	¥ 50.13	¥ 58.78	\$ 0.45
Diluted profit per share (Note 1)	¥ 50.09	¥ 58.74	\$ 0.45

Note 1: Basis for computations of basic profit per share and diluted profit per share are as follows:

OJI HOLDINGS CORPORATION

For the fiscal years ended March 31, 2021 and 2020

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Basic profit per share			
Profit attributable to owners of parent	¥ 49,635	¥ 58,181	\$448,341
Amount not attributable to common Shareholders	—	—	—
Profit attributable to owners of parent allocated to common stock	49,635	58,181	448,341
Average number of shares outstanding during the period	(thousand shares) 990,221	(thousand shares) 989,857	(thousand shares) 990,221
Diluted profit per share			
Adjusted amount of profit attributable to owners of parent	—	—	—
Increase in shares of common stock	(thousand shares) 616	(thousand shares) 650	(thousand shares) 616
(Share acquisition rights among the above increase)	(thousand shares) (616)	(thousand shares) (650)	(thousand shares) (616)

Note: In computation of “Equity per share,” the treasury stock held by the Board Benefit Trust, which is recognized as treasury stock under shareholders' equity, is included in treasury stock deducted from the total number of issued shares at the end of the fiscal year (1,522 thousand shares for the fiscal year ended March 31, 2021 and 1,829 thousand shares for the fiscal year ended March 31, 2020).

Further, in computations of “Basic profit per share” and “Diluted profit per share,” the treasury stock is included in treasury stock deducted in computation of the average number of shares outstanding during the period (1,640 thousand shares for the fiscal year ended March 31, 2021 and 1,341 thousand shares for the fiscal year ended March 31, 2020).

25. Significant Subsequent Events

None

26. Bonds

Company	Name	Date of issue	Balance as of April 1, 2020 (Millions of yen)	Balance as of March 31, 2021 (Millions of yen)	Balance as of March 31, 2021 (Thousands of U.S. dollars)	Interest rate (%)	Collateral	Maturity
Oji Holdings Corporation	Bond No.32	July 26, 2013	20,000 (20,000)	—	—	0.79	None	July 24, 2020
Oji Holdings Corporation	Bond No.33	January 26, 2018	10,000	10,000	90,326	0.28	None	January 24, 2025
Oji Holdings Corporation	Bond No.34	January 26, 2018	10,000	10,000	90,326	0.43	None	January 26, 2028
Oji Holdings Corporation	Bond No.35	November 29, 2018	20,000	20,000	180,652	0.45	None	November 29, 2028
Oji Holdings Corporation	Bond No.36	November 29, 2018	10,000	10,000	90,326	1.08	None	November 29, 2038
Oji Holdings Corporation	Bond No.37	July 19, 2019	15,000	15,000	135,489	0.29	None	July 19, 2029
Oji Holdings Corporation	Bond No.38	July 19, 2019	15,000	15,000	135,489	0.80	None	July 19, 2039
Oji Holdings Corporation	Bond No.39	July 17, 2020	—	15,000	135,489	0.18	None	July 17, 2025
Oji Holdings Corporation	Bond No.40	July 17, 2020	—	15,000	135,489	0.37	None	July 17, 2030
Oji Holdings Corporation	Bond No.41	July 17, 2020	—	10,000	90,326	0.80	None	July 17, 2040
Oji Holdings Corporation	Bond No.42	March 24, 2021	—	15,000	135,489	0.08	None	March 24, 2026
Oji Holdings Corporation	Bond No.43	March 24, 2021	—	20,000	180,652	0.37	None	March 24, 2031
Total	—	—	¥ 100,000 (¥ 20,000)	¥ 155,000 (¥ —)	\$ 1,400,054 (\$ —)	—	—	—

Notes:

- The amounts indicated in parentheses above represent redemption amounts due in one year or less.
- The aggregate annual redemption amount of bonds within five years subsequent to March 31, 2021 are as follows:

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Millions of yen)				
¥ —	¥ —	¥ —	¥ 10,000	¥ 30,000

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Thousands of U.S. dollars)				
\$ —	\$ —	\$ —	\$ 90,326	\$ 270,978

27. Short-term loans payable and long-term loans payable

	April 1, 2020 (Millions of yen)	March 31, 2021 (Millions of yen)	March 31, 2021 (Thousands of U.S. dollars)	Average interest rate (%)	Maturity
Short-term loans payable	¥ 129,523	¥ 125,779	\$ 1,136,119	0.96	–
Current portion of long-term loans payable	42,504	4,184	37,792	2.82	–
Current portion of lease obligations	3,269	3,455	31,211	–	–
Long-term loans payable (excluding current portion)	295,647	362,718	3,276,294	0.72	Due 2022 through 2051
Lease obligations (excluding current portion)	17,568	18,487	166,992	–	Due 2022 through 2055
Other interest bearing liability commercial paper (current portion)	14,000	–	–	–	–
Total	¥ 502,512	¥ 514,625	\$ 4,648,411	–	–

Notes:

1. The above average interest rate is the applicable weighted-average interest rate to the above loans at the end of each fiscal year.
2. The average interest rates of lease obligations are not indicated above as lease obligations for companies that apply IFRS exclude interest equivalent amount, on the other hand lease obligations for companies that apply Japanese GAAP include interest equivalent amount.
3. The aggregate annual repayment amounts of long-term loans payable and lease obligations (excluding current portion) within five years subsequent to March 31, 2021 are as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Millions of yen)			
Long-term loans payable	¥ 59,209	¥ 71,774	¥ 70,971	¥ 65,746
Lease obligation	2,200	1,781	1,355	992

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Thousands of U.S. dollars)			
Long-term loans payable	\$ 534,816	\$ 648,314	\$ 641,054	\$ 593,861
Lease obligation	19,880	16,087	12,246	8,963

28. Asset Retirement Obligations

As the asset retirement obligations as of April 1, 2020 and March 31, 2021 account for less than 1% of the total liabilities and equity, this information is omitted pursuant to the provision of Article 92-2 of the Regulation for Consolidated Financial Statements.