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Consolidated Financial Results for the Year Ended March 31, 2018 [Japanese GAAP]

May 21, 2018

Company name: Japan Pulp & Paper Co., Ltd.

Stock exchange listing: Tokyo

Code number: 8032

URL: <https://www.kamipa.co.jp/>

Representative: Akihiko Watanabe President

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Scheduled date of Annual General Meeting of Shareholders: June 28, 2018

Scheduled date of commencing dividend payments: June 29, 2018

Scheduled date of filing annual securities report: June 28, 2018

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 01, 2017 to March 31, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2018	521,526	6.3	10,125	22.3	9,998	22.1	6,204	15.8
March 31, 2017	490,672	(3.2)	8,276	30.6	8,189	17.6	5,358	63.5

(Note) Comprehensive income: Fiscal year ended March 31, 2018: ¥ 11,379 million [67.1%]
Fiscal year ended March 31, 2017: ¥ 6,809 million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2018	429.20	426.83	7.6	3.2	1.9
March 31, 2017	392.67	390.04	7.2	2.8	1.7

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2018: ¥ 363 million
Fiscal year ended March 31, 2017: ¥ (60) million

*The Company has conducted a consolidation of shares in which 10 shares of common shares are consolidated into one share with an effective date of October 1, 2017. Basic earnings per share and diluted earnings per share have been calculated under the assumption that the aforementioned consolidation of shares was conducted at the beginning of the consolidated fiscal year ended March 31, 2017.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2018	338,268	94,735	25.7	6,170.79
March 31, 2017	287,863	80,784	26.4	5,590.56

(Reference) Equity: As of March 31, 2018: ¥ 86,967 million
As of March 31, 2017: ¥ 76,093 million

*The Company has conducted a consolidation of shares in which 10 shares of common shares are consolidated into one share with an effective date of October 1, 2017. Net assets per share has been calculated under the assumption that the aforementioned consolidation of shares was conducted at the beginning of the consolidated fiscal year ended March 31, 2017.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2018	8,698	(13,283)	4,361	6,837
March 31, 2017	16,282	367	(15,641)	6,157

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2017	-	5.00	-	5.00	10.00	1,364	25.5	1.9
March 31, 2018	-	5.00	-	50.00	-	1,453	23.3	1.7
Fiscal year ending								
March 31, 2019 (Forecast)	-	55.00	-	55.00	110.00		27.2	

* As the Company has conducted a consolidation of shares in which 10 shares of common shares are consolidated into one share with an effective date of October 1, 2017, the amount shown as the year-end dividend per share for the fiscal year ending March 31, 2018 (forecast) factors in the effect of the said consolidation of shares, and the total annual dividend is shown as “-.” Without factoring in the consolidation of shares, the year-end dividend per share for the fiscal year ending March 31, 2018 (forecast) would be 5.00 yen, and the annual dividend per share would be 10.00 yen.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 01, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	560,000	7.4	12,000	18.5	11,500	15.0	5,700	(8.1)	404.45

* Notes:

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New 2 (Company name: Ball & Doggett Group Pty Ltd, PagePack (NZ) Limited)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2018: 15,021,551 shares

March 31, 2017: 15,021,551 shares

2) Total number of treasury shares at the end of the period:

March 31, 2018: 928,241 shares

March 31, 2017: 1,410,620 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2018: 14,455,566 shares

Fiscal Year ended March 31, 2017: 13,644,917 shares

*The Company has conducted a consolidation of shares in which 10 shares of common shares are consolidated into one share with an effective date of October 1, 2017. Net assets per share has been calculated under the assumption that the aforementioned consolidation of shares was conducted at the beginning of the consolidated fiscal year ended March 31, 2017.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 01, 2017 to March 31, 2018)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2018	319,433	2.7	2,238	(5.2)	4,268	1.2	3,057	(23.5)
March 31, 2017	311,117	(2.8)	2,362	7.3	4,219	8.5	3,996	570.6

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2018	211.14	209.97
March 31, 2017	292.36	290.40

*The Company has conducted a consolidation of shares in which 10 shares of common shares are consolidated into one share with an effective date of October 1, 2017. Basic earnings per share and diluted earnings per share have been calculated under the assumption that the aforementioned consolidation of shares was conducted at the beginning of the consolidated fiscal year ended March 31, 2017.

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2018	235,627	68,593	29.0	4,843.38
March 31, 2017	211,082	62,965	29.7	4,598.12

(Reference) Equity: As of March 31, 2018: ¥ 68,376 million
As of March 31, 2017: ¥ 62,700 million

*The Company has conducted a consolidation of shares in which 10 shares of common shares are consolidated into one share with an effective date of October 1, 2017. Net assets per share has been calculated under the assumption that the aforementioned consolidation of shares was conducted at the beginning of the fiscal year ended March 31, 2017.

*This report is not subject to audits by certified public accountants or auditing firms.

* Explanation of the proper use of financial results forecast and other notes.

(Note Concerning Forward-Looking Statements)

The forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may significantly differ from these forecasts due to various factors.

Consolidated Financial Statements

Consolidated Balance Sheets

(Million yen)

	As of March 31,2017	As of March 31,2018
Assets		
Current assets		
Cash and deposits	6,157	6,837
Notes and accounts receivable - trade	122,764	139,731
Inventories	26,080	36,250
Deferred tax assets	1,560	1,464
Other	4,543	4,055
Allowance for doubtful accounts	(1,694)	(1,413)
Total current assets	159,410	186,925
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,238	34,282
Machinery, equipment and vehicles, net	25,991	25,862
Tools, furniture and fixtures, net	601	1,025
Land	25,984	32,080
Leased assets, net	139	404
Construction in progress	2,385	7,654
Total property, plant and equipment	88,339	101,307
Intangible assets		
Goodwill	284	3,798
Other	1,889	1,987
Total intangible assets	2,173	5,785
Investments and other assets		
Investment securities	32,468	38,185
Deferred tax assets	1,401	1,969
Net defined benefit asset	26	17
Other	6,906	7,188
Allowance for doubtful accounts	(2,928)	(3,164)
Total investments and other assets	37,871	44,195
Total non-current assets	128,382	151,287
Deferred assets	71	56
Total assets	287,863	338,268

(Million yen)

	As of March 31,2017	As of March 31,2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	88,683	100,012
Short-term loans payable	40,841	43,697
Current portion of long-term loans payable	2,896	11,142
Commercial papers	10,000	22,000
Lease obligations	57	188
Income taxes payable	1,471	1,514
Provision for bonuses	1,660	1,759
Provision for directors' bonuses	125	177
Other	7,901	10,298
Total current liabilities	153,634	190,788
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	24,805	21,341
Lease obligations	108	256
Deferred tax liabilities	1,523	3,075
Provision for directors' retirement benefits	83	754
Provision for management board incentive plan trust	-	94
Net defined benefit liability	4,797	4,725
Other	2,128	2,500
Total non-current liabilities	53,444	52,745
Total liabilities	207,079	243,533
Net assets		
Shareholders' equity		
Capital stock	16,649	16,649
Capital surplus	14,685	15,200
Retained earnings	43,478	48,503
Treasury shares	(4,706)	(3,623)
Total shareholders' equity	70,105	76,729
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,652	9,964
Deferred gains or losses on hedges	(5)	(3)
Foreign currency translation adjustment	631	1,195
Remeasurements of defined benefit plans	(1,291)	(918)
Total accumulated other comprehensive income	5,987	10,238
Share acquisition rights	265	217
Non-controlling interests	4,426	7,551
Total net assets	80,784	94,735
Total liabilities and net assets	287,863	338,268

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2017	For the fiscal year ended March 31,2018
Net sales	490,672	521,526
Cost of sales	440,951	462,034
Gross profit	49,721	59,492
Selling, general and administrative expenses	41,445	49,367
Operating profit	8,276	10,125
Non-operating income		
Interest income	65	64
Dividend income	643	637
Share of profit of entities accounted for using equity method	-	363
Other	845	631
Total non-operating income	1,554	1,694
Non-operating expenses		
Interest expenses	1,301	1,590
Share of loss of entities accounted for using equity method	60	-
Other	279	231
Total non-operating expenses	1,641	1,821
Ordinary profit	8,189	9,998
Extraordinary income		
Gain on sales of non-current assets	193	863
Gain on bargain purchase	-	492
Gain on sales of investment securities	1,777	88
Gain on sales of shares of subsidiaries and associates	-	30
Subsidy income	155	-
Other	4	-
Total extraordinary income	2,129	1,473
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	54	426
Loss on disposal of non-current assets	135	236
Loss on sales of investment securities	105	4
Impairment loss	897	-
Loss on valuation of investment securities	580	-
Loss on change in equity	151	-
Other	96	54
Total extraordinary losses	2,017	720
Profit before income taxes	8,300	10,752
Income taxes - current	2,306	3,127
Income taxes - deferred	(113)	436
Total income taxes	2,194	3,563
Profit	6,107	7,189
Profit attributable to non-controlling interests	749	984
Profit attributable to owners of parent	5,358	6,204

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2017	For the fiscal year ended March 31,2018
Profit	6,107	7,189
Other comprehensive income		
Valuation difference on available-for-sale securities	1,175	2,783
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustment	(450)	449
Remeasurements of defined benefit plans, net of tax	(141)	378
Share of other comprehensive income of entities accounted for using equity method	117	579
Total other comprehensive income	703	4,190
Comprehensive income	6,809	11,379
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,916	10,455
Comprehensive income attributable to non-controlling interests	893	924

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31,2017

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,649	14,674	39,150	(4,036)	66,437
Changes of items during period					
Dividends of surplus			(1,374)		(1,374)
Profit attributable to owners of parent			5,358		5,358
Purchase of treasury shares				(707)	(707)
Disposal of treasury shares		(8)		38	30
Change of scope of consolidation			(237)		(237)
Change of scope of equity method			590	(2)	587
Transfer to capital surplus from retained earnings		8	(8)		-
Purchase of shares of consolidated subsidiaries		11			11
Net changes of items other than shareholders' equity					
Total changes of items during period	-	11	4,328	(670)	3,669
Balance at end of current period	16,649	14,685	43,478	(4,706)	70,105

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,375	(6)	1,212	(1,152)	5,429	229	4,086	76,181
Changes of items during period								
Dividends of surplus								(1,374)
Profit attributable to owners of parent								5,358
Purchase of treasury shares								(707)
Disposal of treasury shares								30
Change of scope of consolidation								(237)
Change of scope of equity method								587
Transfer to capital surplus from retained earnings								-
Purchase of shares of consolidated subsidiaries								11
Net changes of items other than shareholders' equity	1,276	1	(581)	(138)	558	36	340	934
Total changes of items during period	1,276	1	(581)	(138)	558	36	340	4,603
Balance at end of current period	6,652	(5)	631	(1,291)	5,987	265	4,426	80,784

For the fiscal year ended March 31,2018

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,649	14,685	43,478	(4,706)	70,105
Changes of items during period					
Dividends of surplus			(1,422)		(1,422)
Profit attributable to owners of parent			6,204		6,204
Purchase of treasury shares				(2,844)	(2,844)
Disposal of treasury shares		97		526	624
Change of scope of consolidation			242		242
Change of scope of equity method				2	2
Changes by share exchanges		345		3,399	3,743
Purchase of shares of consolidated subsidiaries		73			73
Net changes of items other than shareholders' equity					
Total changes of items during period	-	516	5,025	1,083	6,623
Balance at end of current period	16,649	15,200	48,503	(3,623)	76,729

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	6,652	(5)	631	(1,291)	5,987	265	4,426	80,784
Changes of items during period								
Dividends of surplus								(1,422)
Profit attributable to owners of parent								6,204
Purchase of treasury shares								(2,844)
Disposal of treasury shares								624
Change of scope of consolidation								242
Change of scope of equity method								2
Changes by share exchanges								3,743
Purchase of shares of consolidated subsidiaries								73
Net changes of items other than shareholders' equity	3,313	2	564	373	4,251	(48)	3,125	7,328
Total changes of items during period	3,313	2	564	373	4,251	(48)	3,125	13,951
Balance at end of current period	9,964	(3)	1,195	(918)	10,238	217	7,551	94,735

Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31,2017	For the fiscal year ended March 31,2018
Cash flows from operating activities		
Profit before income taxes	8,300	10,752
Depreciation	4,987	5,703
Amortization of goodwill	179	516
Gain on bargain purchase	-	(492)
Impairment loss	897	-
Increase (decrease) in net defined benefit liability	126	365
Increase (decrease) in allowance for doubtful accounts	(324)	(276)
Increase (decrease) in provision for bonuses	111	27
Increase (decrease) in other provision	(5)	131
Interest and dividend income	(708)	(701)
Interest expenses	1,301	1,590
Share of loss (profit) of entities accounted for using equity method	60	(363)
Loss (gain) on sales of property, plant and equipment	(187)	(821)
Loss (gain) on valuation of investment securities	580	-
Loss (gain) on sales of investment securities	(1,672)	(114)
Loss on retirement of property, plant and equipment	99	179
Loss (gain) on change in equity	151	-
Decrease (increase) in notes and accounts receivable - trade	3,044	(5,730)
Decrease (increase) in inventories	(366)	(1,362)
Increase (decrease) in notes and accounts payable - trade	462	3,142
Decrease (increase) in other current assets	(553)	137
Increase (decrease) in other current liabilities	109	(577)
Other, net	2,165	533
Subtotal	18,757	12,638
Interest and dividend income received	752	757
Interest expenses paid	(1,286)	(1,610)
Income taxes (paid) refund	(1,941)	(3,087)
Net cash provided by (used in) operating activities	16,282	8,698
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,386)	(10,042)
Proceeds from sales of property, plant and equipment	739	1,676
Purchase of intangible assets	(231)	(136)
Purchase of investment securities	(536)	(391)
Proceeds from sales of investment securities	5,178	446
Payments of long-term loans receivable	(117)	(3)
Collection of long-term loans receivable	175	193
Proceeds from subsidy	2,491	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(5,395)
Other, net	55	368
Net cash provided by (used in) investing activities	367	(13,283)

(Million yen)

	For the fiscal year ended March 31,2017	For the fiscal year ended March 31,2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,209)	380
Increase (decrease) in commercial papers	(8,000)	12,000
Proceeds from long-term loans payable	-	819
Repayments of long-term loans payable	(3,078)	(5,088)
Redemption of bonds	(25)	-
Purchase of treasury shares	(719)	(2,849)
Proceeds from sales of treasury shares	1	565
Cash dividends paid	(1,374)	(1,422)
Proceeds from share issuance to non-controlling shareholders	101	-
Dividends paid to non-controlling interests	(155)	(167)
Other, net	(183)	123
Net cash provided by (used in) financing activities	(15,641)	4,361
Effect of exchange rate change on cash and cash equivalents	(103)	(58)
Net increase (decrease) in cash and cash equivalents	906	(281)
Cash and cash equivalents at beginning of period	5,328	6,157
Increase in cash and cash equivalents from newly consolidated subsidiary	-	962
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(77)	-
Cash and cash equivalents at end of period	6,157	6,837

Information related to net sales, profit (loss), assets and others by reportable segment

a. Segment Information

1. Prior consolidated Fiscal Year (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segments					Total	Adjustments	To consolidated statements of income
	Japan Wholesaling	Non-Japan Wholesaling	Paper Manufacturing & Processing	Resources & Environment	Real Estate Leasing			
Net sales								
Sales to external customers	290,789	146,975	22,217	27,837	2,854	490,672	—	490,672
Intersegment sales/transfers	9,310	405	23,907	6,797	108	40,528	(40,528)	—
Total	300,100	147,380	46,124	34,634	2,962	531,200	(40,528)	490,672
Segment income (loss)	5,186	1,394	2,494	660	573	10,307	(2,118)	8,189
Segment assets	111,256	40,149	51,997	31,851	26,607	261,860	26,003	287,863
Other								
Depreciation and amortization	268	204	2,271	1,277	869	4,888	98	4,987
Interest income	9	1	7	5	0	22	44	65
Interest expenses	419	440	321	359	756	2,295	(993)	1,301
Impairment loss	—	—	470	—	426	897	—	897
Amortization of goodwill	2	113	11	54	—	179	—	179
Unamortized balance of goodwill	3	102	10	168	—	284	—	284
Equity in earnings (losses) of affiliated companies	280	41	(481)	99	—	(61)	0	(60)
Increase in property, plant, and equipment and intangible fixed assets	260	128	2,145	2,023	3,767	8,323	168	8,490

(Notes)

1. Segment income (loss) is adjusted with ordinary income in the Consolidated Statements of Income.
2. Adjustments in segment income (loss) and assets include corporate expenses and assets that are not allocated to each relevant business segment.

2. Current consolidated Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable Segments					Total	Adjustments	To consolidated statements of income
	Japan Wholesaling	Non-Japan Wholesaling	Paper Manufacturing & Processing	Resources & Environment	Real Estate Leasing			
Net sales								
Sales to external customers	292,429	162,643	23,277	40,351	2,826	521,526	—	521,526
Intersegment sales/transfers	8,790	325	25,446	8,060	117	42,739	(42,739)	—
Total	301,219	162,968	48,722	48,411	2,944	564,265	(42,739)	521,526
Segment income (loss)	5,412	1,270	3,434	2,041	602	12,759	(2,761)	9,998
Segment assets	120,068	63,801	53,166	42,350	30,696	310,081	28,187	338,268
Other								
Depreciation and amortization	291	310	2,355	1,839	858	5,653	50	5,703
Interest income	7	4	3	4	0	19	46	64
Interest expenses	404	680	283	414	786	2,567	(976)	1,590
Impairment loss	—	—	—	—	—	—	—	—
Amortization of goodwill	2	453	10	52	—	516	—	516
Unamortized balance of goodwill	1	3,680	—	117	—	3,798	—	3,798
Equity in earnings (losses) of affiliated companies	226	29	13	95	—	362	0	363
Increase in property, plant, and equipment and intangible fixed assets	560	187	3,350	1,013	5,220	10,331	142	10,473

(Notes)

1. Segment income (loss) is adjusted with ordinary income in the Consolidated Statements of Income.
2. Adjustments in segment income (loss) and assets include corporate expenses and assets that are not allocated to each relevant business segment.

b. Other Information

Prior consolidated Fiscal Year (April 1, 2016 to March 31, 2017)

1. Products and services

	Paper	Paper Board	Pulp	Recovered Paper	Others	Total
Sales to external customers	320,797	72,714	5,716	21,735	69,710	490,672

2. Geographic information

Net sales

(Millions of Yen)

Japan	Asia	U.S.A.	Other North America and Europe	Other	Total
317,132	62,266	73,131	24,399	13,744	490,672

(Note) Net sales are categorized by country or region, according to the location of the customer.

Current consolidated Fiscal Year (April 1, 2017 to March 31, 2018)

1. Products and services

(Millions of Yen)

	Paper	Paper Board	Pulp	Recovered Paper	Others	Total
Sales to external customers	321,387	85,519	8,210	29,710	76,700	521,526

2. Geographic information

Net sales

(Millions of Yen)

Japan	Asia	U.S.A.	Other North America and Europe	Other	Total
329,785	66,902	64,141	22,740	37,958	521,526

(Note) Net sales are categorized by country or region, according to the location of the customer.