



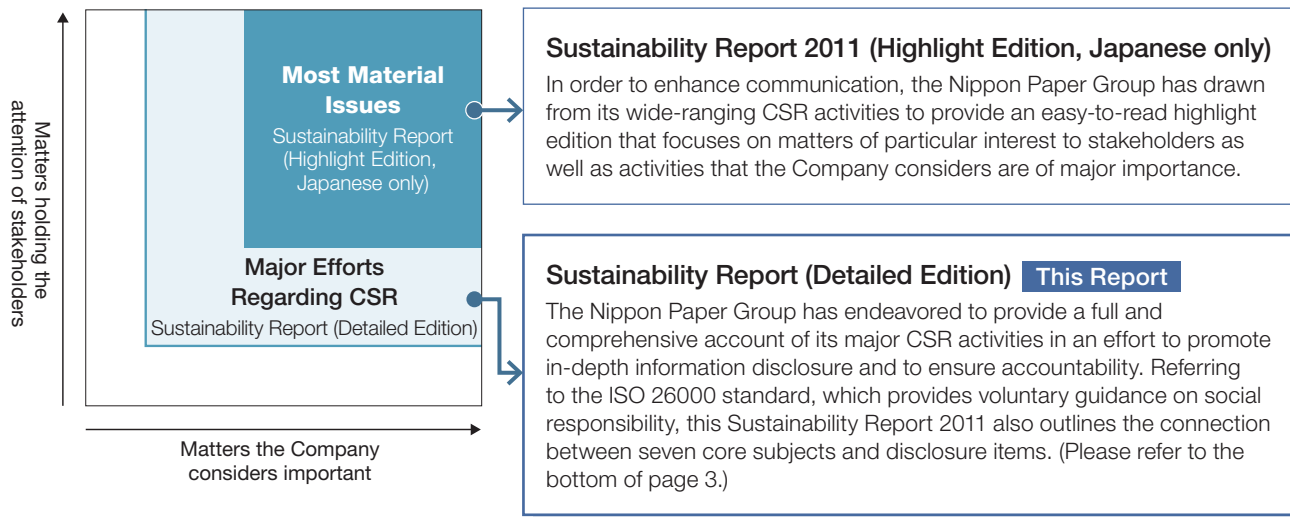
NIPPON PAPER GROUP

Sustainability Report 2011

Detailed Edition



The Nippon Paper Group has this year published an English-language detailed edition sustainability report to provide both in-house and external stakeholders an in-depth account of the Group's corporate social responsibility (CSR) activities. In addition, the Group has published an annual report covering the economic and financial aspects of the Group's activities.



The Selection of Reporting Items

The selection of reporting items was made taking into consideration matters holding the attention of stakeholders and items that the Company considers are of major importance. Selection was also based on an exhaustive review of issues of priority to society drawing on a wide variety of sources including past questionnaire surveys, guideline and other requirements, daily communication activities and SRI research.

Period Covered

April 1, 2010–March 31, 2011*

* Includes some information from before April 1, 2010 and after March 31, 2011.

Scope of Organizations Covered

This report positions Nippon Paper Group, Inc., the holding company, as the principal reporting entity, while also covering the activities of its consolidated subsidiaries. The scope of organizations covered has therefore expanded from the 11 companies (Nippon Paper Group, Inc. and 10 core Group companies) covered in 2010 to 47 companies (Nippon Paper Group, Inc. and all of its consolidated subsidiaries).

At the same time, the scope of the report covers the basic environmental policies, systems, environmental accounting and environment performance data of the following 20 companies, which include all major production bases. However, values for Nippon Paper Industries' Ishinomaki Mill in March 2011 are not included in units of energy input and CO₂ emissions data throughout this report. This is attributable to the impact of the Great East Japan Earthquake.

Nippon Paper Group, Inc.; Nippon Paper Industries Co., Ltd.; Nippon Daishowa Paperboard Co., Ltd.; Nippon Paper Greca Co., Ltd.; Nippon Paper Papyrus Co., Ltd.; SHIKOKU COCA-COLA BOTTLING CO., LTD.; NIPPON PAPER-PAK CO., LTD.; Nippon Paper Chemicals Co., Ltd.; Nippon Paper Lumber Co., Ltd.; NP Trading Co., Ltd.; Nippon Paper Development Co., Ltd.; KOYO PAPER MFG. CO., LTD.; Kitakami Paper Co., Ltd.; Nippon Paper Industries USA Co., Ltd.; Nippon Seitai Corporation; Akita Jujo

Chemicals Co., Ltd. (unconsolidated); PAL WOOD MATERIAL CO., LTD.; PAL CO., LTD.; N&E Co., LTD.; Daishowa Uniboard Co., Ltd. (The contribution to total consolidated sales of the 20 companies listed here was 90%.)

Nippon Paper Group, Inc., and the companies listed above are defined as "the Company" and "The Nippon Paper Group," respectively, in this report. The overall organizational structure of the Nippon Paper Group is presented in "Outline of the Nippon Paper Group" on pages 12–14. The organizational scope covered by certain sections of this report may differ. In such cases, individual sections specify the scope covered.

Referenced Guidelines

- *Environmental Reporting Guidelines* (2007) of the Ministry of the Environment
- *Sustainability Reporting Guidelines* (Version 3.1) issued by the Global Reporting Initiative (GRI)
- United Nations Global Compact
- ISO 26000, etc.

Disclaimer

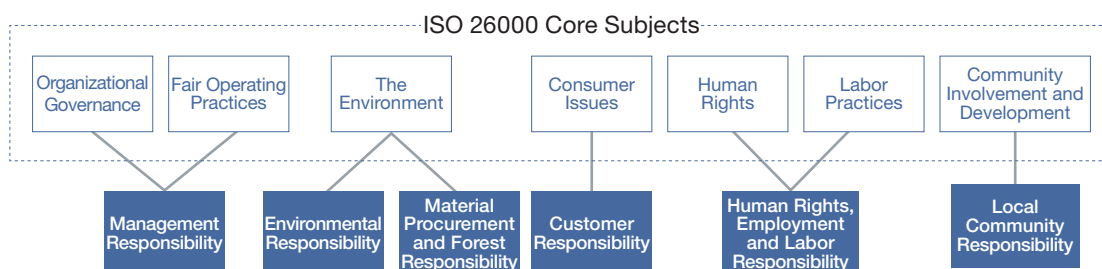
This report includes statements of fact and historical data as well as plans, forecasts and estimates (forward-looking statements) based on the business plan and policies of the Nippon Paper Group. These forward-looking statements are the result of assumptions or judgments based on currently available information as this report was prepared. Be advised that the estimates described in the forward-looking statements may differ significantly from actual results due to a number of important factors including future business activities and changing market conditions.

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The Connection between the Seven Core Subjects of ISO 26000 and Disclosure Items

The Nippon Paper Group is guided by ISO 26000 in its efforts to fully grasp the needs of society and engage in comprehensive information disclosure. The connection between the disclosure items of the Group's Sustainability Report 2011 (Detailed Edition) and the seven core subjects of ISO 26000 is presented as follows. Recognizing that the Nippon Paper Group, which relies heavily on timber as a source for manufacturing paper and related products, has a particularly close association with forests compared with other industries, this report includes a section on material procurement and forest resources that is independent of the section on the environment. In addition, steps have been taken to comment on the Group's responsibility with respect to management encompassing organizational governance as well as fair operating practices and responsibility with respect to human rights, employment and labor covering human rights and labor practices.



The key to a sustainable future is a more robust corporate group capable of overcoming hardships along the way.



A handwritten signature in black ink that reads "Yoshio Haga". The signature is written in a cursive, flowing style.

Yoshio Haga
President
Nippon Paper Group, Inc.

The Nippon Paper Group was not spared the devastation of the Great East Japan Earthquake.

I first express heartfelt condolences for all those who lost their lives to the Great East Japan Earthquake that occurred on March 11, 2011. I also extend my deepest sympathies to those who grieve the loss of a loved one or suffered personal injury or property damage.

The earthquake caused massive devastation particularly to the north-east region of the nation. The Nippon Paper Group and its production bases were not spared. Nippon Paper Industries' Ishinomaki, Iwanuma and Nakoso mills in particular incurred extensive damage. I issued an immediate emergency declaration to Group employees and convened an emergency committee on March 12, 2011, to direct and lead efforts toward quick resumption of operations. On inspecting first-hand the devastated areas, toward the end of March, I felt that the journey ahead would be long and harsh. However, we were able to achieve a complete restoration of activities at our Iwanuma and Nakoso mills in May and the progressive restart of operations at our Ishinomaki Mill from September. We were able to achieve a these recovery at a greater-than-expected pace thanks to the perseverance and tireless efforts of Group employees and the support of a great many people. I would like to express my sincere appreciation to all who made it happen.

I have long believed that a strong resolve in overcoming hardship is critical to carving out a brighter future, so despite the extensive damage caused by the earthquake and subsequent tsunami at Ishinomaki, which triggered considerable concern for the mills' survival, I became convinced that the facility could be rebuilt when I saw the N6 paper machine in almost pristine condition amid the debris and rubble. A good many livelihoods depended on it. As a cornerstone of the region's economy, questions surrounding the mill's reconstruction attracted strong interest from the local community. The expectations of residents drove me to announce on the day of inspection the Group's commitment to these restore the mills. Buoyed by the hopes and wishes of the community, we have taken up the challenge of overcoming this hardship to not only restore the Ishinomaki production base, but to complete a comprehensive reconstruction of the Nippon Paper Group as a more robust corporate entity with an unshakeable resolve.

A new business plan in tune with social trends to strengthen the group and become a major global force.

In conjunction with restoration and reconstruction efforts, the Nippon Paper Group is promoting a major overhaul of its business plan. In working to achieve our Group Vision 2015 of becoming one of the top five pulp and paper companies worldwide, we are currently striving to realize stable and high revenues in our domestic business and a full-scale expansion of our businesses overseas. In the aftermath of the so-called Lehman shock and the ensuing downturn in the economy, the domestic paper market incurred an approximate 20% drop in demand for printing paper. Looking ahead, demand is projected to continue its downward spiral at an annual rate of around 2%. Against the backdrop of a contracting market, it is virtually impossible to avoid drastic rationalization. Accordingly, the Nippon Paper Group announced details of its Paper Business Revitalization Plan in August 2011. Anticipating persistent low demand, the plan calls for the reconstruction of the Group's production structure and systems as well as a reduction in its workforce. Despite a considerable amount of pain, we are confident that in promptly implementing this plan and adhering strictly to a policy of management resource selection and focus, we will reemerge as a more powerful corporate group and fulfill the expectations of stakeholders.

The Group's overseas operations are being shaped by a pursuit of growth across the Pacific Rim region by building on the efforts of Paper Australia Pty. Ltd. to transition increasingly toward higher earnings, plus strengthening our alliance with Yuen Foong Yu Paper Mfg. Co., Ltd., as well as Lee & Man Paper Manufacturing Ltd. Overseas business development by the Nippon Paper Group reflects a recognition of the importance of responding to the needs of society from a global perspective. To this end, we are a signatory to the United Nations Global Compact and its principles with respect to human rights, labor standards and the prevention of corruption. We resolve to engage in business activities that are consistent with these principles.

Our core raw material is timber, a renewable resource that comprises a diverse range of products.

The Nippon Paper Group supplies a wide range of products, including paper, that come from renewable timber. As the world's population continues to rise and concerns surrounding the depletion of natural resources grow, we are convinced that our mainstay business, which is based on this renewable resource, is a strategic advantage to helping realize a sustainable society. Moving forward, we will deliver to society a consistent supply of products that facilitate daily life while maximizing the potential of timber by harnessing our research and development capabilities. Guided by this commitment, the Nippon Paper Group will focus on promoting environmental initiatives across the entire supply chain in domestic and overseas forest management and raw material procurement activities.

In this Sustainability Report 2011 Detailed Edition, we provide in-depth information disclosure and endeavor to ensure complete accountability. The report places particular emphasis on presenting a detailed account of the Group's responsibilities with respect to management, the environment, raw material procurement and forest resources, customers, human rights, employment and labor; and local communities.

As we work toward realizing a sustainable society, taking into account the needs of the global community, we welcome any comments and opinions on this report in the spirit of improvement. I sincerely appreciate your ongoing support and understanding.

Measures in Response to the Great East Japan Earthquake

The Great East Japan Earthquake struck northeastern Japan on March 11, 2011. Led by the president, the Nippon Paper Group set up the Emergency Committee. This committee took immediate steps to collect information, placing the utmost priority on confirming the safety of employees and their families, while working toward a recovery. In addition, Nippon Paper Industries, which sustained particularly severe damage, established the Disaster Recovery Division on March 17, 2011. This division was charged with the responsibility of ensuring stable supply, overseeing the resumption of operations at damaged mills and securing alternative production base arrangements as an interim measure.

In this special feature, we provide an overview of the measures implemented by the Nippon Paper Group in response to the Great East Japan Earthquake.

Note: Details of announcements and related materials relating to the Great East Japan Earthquake can be found on the Group's website.

URL: <http://www.np-g.com/e/news/2011.html>

From the General Manager, Disaster Recovery Division, Nippon Paper Industries Co., Ltd.

Working in partnership with local communities to rebuild a more robust foundation

Natsuo Fujisaki
General Manager,
Disaster Recovery Division,
Nippon Paper Industries Co., Ltd.



I would like to extend my deepest sympathies to all those affected by the earthquake and my sincere condolences to all who lost a loved one.

After restarting operations at two mills, plans are in place to resume production at the remaining mill by the end of the year.

The earthquake caused considerable damage to Nippon Paper Industries' Ishinomaki, Iwanuma and Nakoso mills. While operations were completely suspended at the Iwanuma and Nakoso mills, production recommenced in full within two months. At the company's Ishinomaki Mill, which was hardest hit by the tsunami, partial production has been restored using Paper Machine 8. Every effort is now being made to bring most mainstay machines online during the second half of fiscal 2011.

An early recovery thanks to all concerned

Our ability to bring about the early resumption of production was due largely to our capabilities in the field. Notwithstanding the significant pressures imposed by persistent aftershocks, mill employees, business partners and equipment manufacturers worked diligently at the frontline. Support from many of the Group's other mills was also considerable, with substantial numbers dispatched to provide assistance. Working in unison, for example, more than 1,800 personnel strove daily to bring

about a recovery at the Ishinomaki Mill. I would like to take this opportunity to extend my sincere appreciation to all those involved in reconstruction efforts.

Energies channeled toward ensuring supply through wide-ranging initiatives including alternative production

Nippon Paper Industries placed particular emphasis on confirming the safety of employees and their families while working to ensure stable supply to customers. We took steps to explain to users the status of damages incurred, recovery efforts and estimates regarding the earliest possible sale of products. At the same time, we provided information on supply procedures and methods on an individual basis. Nippon Paper Industries maintains a widespread network of mills extending from Hokkaido in the north to Kyushu in the south. On this basis, alternative production arrangements were made at mills unaffected by the disaster. In addition, emergency supplies of newsprint were imported from North Pacific Paper Corporation (NORPAC), a Group company located in North America. Through these and other means, we channeled our energies toward fulfilling our responsibility with respect to supply. Our stable supply structure was also complemented through collaborative ties with other manufacturers.

Working toward reconstruction in partnership with local communities as a cornerstone of the region's economy

Damage to the Ishinomaki Mill was particularly severe, prompting fears for the facility's survival. Amid decisive steps to bring about an early resumption of operations, however, the president announced his commitment to



In front of Nippon Paper Industries' Ishinomaki Mill main gate in the immediate aftermath of the earthquake (left); An onsite photo taken on October 5, 2011 (right)



The Nippon Paper Group's production bases in northeastern Japan

Nippon Paper Industries Co., Ltd.

- ① Ishinomaki Mill
- ② Iwanuma Mill
- ③ Nakoso Mill

Nippon Daishowa Paperboard Co., Ltd.

- ④ Akita Mill

Kitakami Paper Co., Ltd.

- ⑤ Ichinoseki Mill

Daishowa Uniboard Co., Ltd.

- ⑥ Miyagi Mill

ensure a recovery during onsite inspections on March 26. Moved by the president's determination and recognition of the mill as a cornerstone of the region's economy, both I and those who took part in the inspection felt a strong sense of mission. Moving forward, we will work to ensure the earliest possible resumption of operations knowing that reconstruction will have a significant positive impact on the region's overall recovery. As a part of ongoing efforts to prevent future disaster, particular weight will be placed on port and coastline tide prevention as well as safety and evacuation initiatives while maintaining collaboration with prefectural and municipal authorities.

Putting in place a revitalization plan

In addition to the impact of the recent earthquake, the ripple effects from the financial crisis have triggered a slump in domestic demand for paper. Despite efforts to stimulate consumption, the market continues to suffer from an imbalance between supply and demand, with little or no sign of the gap closing in the short term. In this context, the Nippon Paper Group has put in place a paper business revitalization plan that takes into account the current structure of demand and incorporates a renewed outlook and strategy (see page 9). While the plan calls for severe measures including the shutdown of facilities for an annual output of 800,000 tons, equivalent to approximately 15% of the Group's domestic paper production capacity, the ultimate goal is to ensure the company's survival as a going concern and a more robust Nippon Paper Group.

Drawing on the solidarity of the Group, which continues to emerge as an outstanding force in reconstruction efforts, we will rebuild a production network, focusing on each of the three damaged mills, that is distinguished by its higher earnings power.



Yoshio Haga (center), president of Nippon Paper Group, Inc., inspecting the Ishinomaki Mill

Damages Incurred by the Nippon Paper Group

● The status of personal injury and suffering to Group employees

Nippon Paper Industries Co., Ltd.

The Ishinomaki, Iwanuma and Nakoso mills, together with the Tohoku Branch (total aggregate workforce: 1,409 employees), incurred damage as a result of the earthquake disaster. The safety of all employees who were on duty at the time of the earthquake was confirmed. It is with a deep sense of regret that we announce six employees from the Ishinomaki and Iwanuma mills lost their lives outside working hours.

NANKO UNYU CO., LTD.

The company's headquarters (Ishinomaki) and offices in Ishinomaki, Iwanuma, Nakoso and Sendai suffered damage. Sadly, four headquarters and Ishinomaki Office employees lost their lives.

Related and Partner Companies

Regrettably, eight employees from related companies not included in the Group's scope of consolidation, as well as major partner companies, lost their lives.

● The status of property damage

The Nippon Paper Group was forced to suspend operations at the six mills listed below as a result of the earthquake disaster. Nippon Paper Industries' Ishinomaki Mill suffered both earthquake and tsunami damage. Damage at the other five mills was limited to the earthquake disaster. The current status of restoration activities at each mill is as follows.

Nippon Paper Industries Co., Ltd.

Ishinomaki Mill: Paper Machine 8 was brought back into service in September. Production will recommence using the main machine during the second half of fiscal 2011. Plans are in place to resume operations using all production equipment designated under the Paper Business Revitalization Plan (see page 9) during the first half of fiscal 2012.

Iwanuma Mill: Paper Machine 3 was brought back online on April 11. Operations were restored in full using all four paper machines by May 11.

Nakoso Mill: Coating Machine 2 resumed operations on April 4. Despite additional damage due to aftershocks registering a weak six on the Japanese seven-level seismic scale on April 11 and 12, all four coating machines were brought back on-stream by May 10.

Nippon Daishowa Paperboard Co., Ltd.

Akita Mill: Operations recommenced using all production facilities on March 18.

Kitakami Paper Co., Ltd

Ichinoseki Mill: All production facilities resumed operations on March 25.

Daishowa Uniboard Co., Ltd.

Miyagi Mill: Operations recommenced using all production facilities on April 6.

Measures in Response to the Great East Japan Earthquake

Reconstruction Support for Devastated Areas

● Donations

Nippon Paper Industries is providing relief funds totaling ¥100 million to local government in the municipalities of Ishinomaki, Iwanuma and Iwaki in support of reconstruction efforts. Together with contributions from trading partners and Group employees, ¥250 million was also delivered to the employees of mills and subcontractors located in devastated areas.

● Emergency assistance and relief supplies

In the immediate wake of the earthquake, the Nippon Paper Group progressively dispatched 55 trucks containing relief supplies from March 13, 2011. Supplies were delivered to those mills hardest hit by the disaster as well as local government authorities in earthquake-affected areas where the Group's mills are located.

In addition, Kimberly-Clark Corporation, a major U.S. manufacturer of health and hygiene products and partner of Nippon Paper Crecia provided 360,000 disposable diapers. This entire contribution was delivered to victims in areas stricken by the disaster.

Note: Relief supplies: food, drinking water, generators, blankets, winter clothes, diapers, powdered milk, portable gas stoves, stoves, comic books, books and related items



Employees loading relief supplies (Nippon Paper Group, Inc., head office)

● Employees' volunteer activities

The city of Ishinomaki, where Nippon Paper Industries' Ishinomaki Mill is located, suffered extensive damage as a result of the earthquake. Responding to the wishes of Group employees seeking to directly assist in onsite reconstruction endeavors, the Nippon Paper Group organized buses to help volunteers in the round trip between Tokyo and Ishinomaki. Three buses had been dispatched by September, transporting



Volunteers retrieving fishing equipment

79 participants. Volunteers took part in removing mud from roadside ditches in residential areas, cleaning photos, clearing away debris and retrieving fishing equipment.

● Use of company facilities

Nippon Paper Industries has provided free-of-charge a company-owned site of approximately 6,000m² located in Hagurocho, Ishinomaki, for the construction of temporary



Temporary housing constructed on a company-owned site.

housing. Available for a period of four years, construction of makeshift prefabricated housing was completed in August 2011. Many of the evacuees of Ishinomaki have taken up occupation.

Contributing to the use of wood rubble and debris from quake-hit areas

One of several pressing issues confronting areas affected by the earthquake is the disposal of rubble and debris. In Miyagi Prefecture alone, the earthquake produced 18 million tons of rubble. This is equivalent to 23 years of non-industrial waste. The Nippon Paper Group has decided to incinerate wood rubble in the Ishinomaki area, covering Ishinomaki, Higashimatsushima and Onagawa, at the request of the governor of Miyagi Prefecture.

Rubble initially stored at a transfer station in the Ishinomaki area is transported to the stockyard, where it is crushed and

incinerated in the mill's boiler for use as fuel. The Nippon Paper Group intends to process 120,000 tons of rubble each year in this manner. Furthermore, a part of the electricity generated using this process, up to 40,000 kw (electricity for 100,000 households) is being supplied to Tohoku Electric Power Co., Inc.

Looking ahead, the Nippon Paper Group will continue to support reconstruction efforts across quake-hit areas by processing wood rubble and supplying electric power.



Sorting wood rubble at the transfer station



Resorting rubble transported



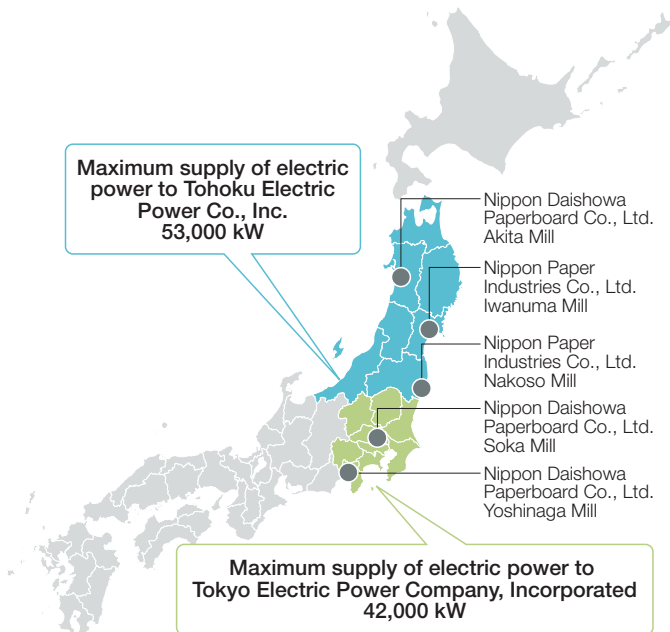
Rubble crushing machine

Responding to Power Shortages

● Supplying electricity to power companies

In response to requests from Tokyo Electric Power Company, Incorporated, and Tohoku Electric Power Co., Inc., the Nippon Paper Group has continued to supply electricity to each utility company since June 2011.

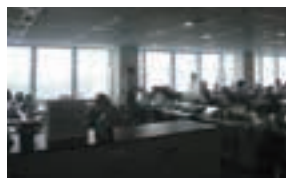
Accounting for the surplus electricity generated through the full operation of in-house facilities at the main mills of Nippon Paper Industries and Nippon Daishowa Paperboard as well as the resumption of operations at idle facilities, the overall supply of electricity has reached a maximum of 95,000 kW.



* Excluding the supply of electric power to Tohoku Electric Power Co., Inc. from Nippon Paper Industries' Ishinomaki Mill

● Power-saving initiatives

In response to the restrictions on electricity use imposed by the Electricity Business Act of Japan, the Nippon Paper Group is working to save power across its business sites located in areas serviced by Tokyo Electric Power Company, Incorporated, and Tohoku Electric Power Co., Inc. Under the aforementioned act, companies that consume large volumes of electricity (contract supply of 500 kW or more) are required to reduce their power consumption by 15% compared with the maximum electricity used during the peak summer period of 2010. By using backup in-house generators to their full extent, the Nippon Paper Group was successful in achieving this target. At the Group's small-scale electricity demand business sites (contract supply of less than 500 kW) we have set the same reduction target of 15%. By reducing the number of fluorescent lights and changing the preset



All lights are switched off during the lunch break (Nippon Paper Industries).

temperatures of air-conditioning units, we achieved reductions in excess of this target.

Details of power-saving initiatives at the Group's head office building are outlined on page 40.

Results of power-saving initiatives

Category	Business Site	Results (compared with peak electricity usage during the 2010 summer period)
Large-scale electricity user	Six business sites located in areas serviced by Tohoku Electric	Reduction of more than 40%
	23 business sites located in areas serviced by Tokyo Electric	Reduction of more than 49%
Small-scale electricity user	Nine business sites located in areas serviced by Tohoku Electric	Reduction of more than 16%
	29 business sites located in areas serviced by Tokyo Electric	Reduction of more than 17%

The Nippon Paper Group's Paper Business Revitalization Plan

Thanks to the tireless efforts of every member of the Nippon Paper Group, operations had recommenced at all mills damaged by the earthquake by September 2011. Buffeted, however, by the earthquake as well as ongoing contraction in the domestic paper market and other factors, the Group continues to confront a harsh operating environment. Against this backdrop, we decided to completely overhaul the structure of our paper business and to put in place a revitalization plan.

The plan calls for the shutdown of facilities with high manufacturing costs, that combined produce 800,000 tons of paper each year, equivalent to approximately 15% of the Group's domestic paper production capacity. In addition, steps will be taken to withdraw from the production of certain unprofitable paper products. Commensurate with these measures, we intend to reduce the number of employees by around 1,300. This represents approximately 15% of the Group's paper business workforce.

In faithfully implementing the revitalization plan, the Nippon Paper Group will build a more robust earnings platform through efforts to promote an optimal Group-wide production structure.

Overview of the revitalization plan

- 1) Shutdown of production facilities—eight paper machines and four coating machines

Nippon Paper Industries Co., Ltd.

- Ishinomaki Mill:** Two paper machines and one coating machine
- Iwanuma Mill:** One paper machine and one coating machine
- Fuji Mill (Suzukawa):** Three paper machines
- Fuji Mill (Fuji):** One paper machine and one coating machine
- Iwakuni Mill:** One coating machine

Nippon Daishowa Paperboard Co., Ltd.

- Yoshinaga Mill:** One paper machine

Total reduction in paper production capacity:
800,000 tons per annum

- 2) Reduction in the employee numbers—approximately 1,300 (including approximately 450 contract employees) (Planned measures include not filling vacant positions, relocating employees within the Group, providing outplacement assistance and other initiatives)



Effective use of wood, a renewable resource, drives sustainable business development

The Nippon Paper Group provides a wide variety of products that come from the renewable resource of timber. The Group addresses the demands of a sustainable society throughout all of its mainstay business activities.

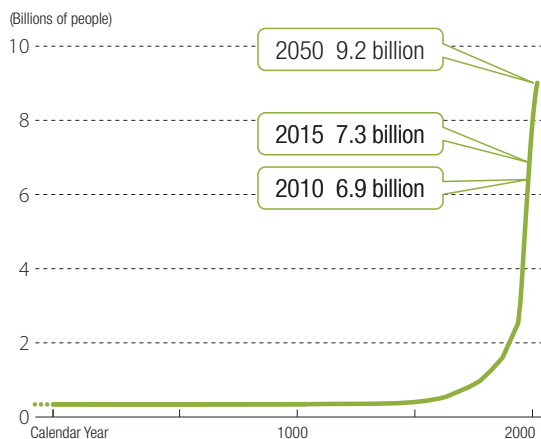
Sustainable Growth

Amid Population Increases

The world's population has grown rapidly over the past century, from around two billion people in 1900 to some seven billion today. In our modern civilization, the burden each individual imposes on the environment is far greater than ever before. We are therefore witnessing deterioration in the global environment at an alarming pace.

As humankind continues to engage in excessive consumption, we are leaving to future generations a host of negative legacies including the depletion of resources. Now more than ever, sustainable development is vital to our planet's future.

Global Population Trends and Future Outlook



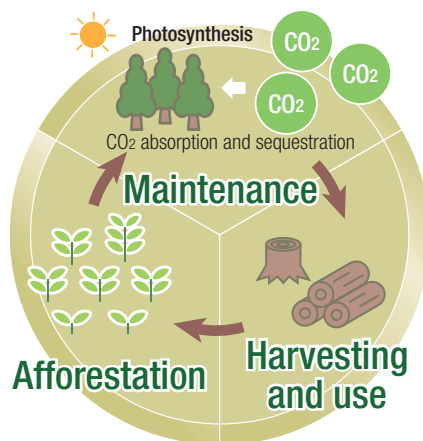
Source: Prepared from 2010 population statistical data compiled by the National Institute of Population and Social Security Research

Sustainable Resources

Amid Environmental Challenges

The use of renewable resources is an obvious method for promoting sustainable development. As opposed to using crude oil, a limited resource, use of solar and wind power as well as biomass fuels like wood can reduce the burden on the environment.

The renewable resource of wood is a key raw material in the production of paper and construction materials. It can also be used as an effective resource in biomass power generation. In addition, wood plays an important role in the natural growth process. Through CO₂ absorption and sequestration, forests, the primary source of wood, contribute to the prevention of global warming. Therefore, the sustainable management and use of forests is vital to the future of our planet.



Renewable forest resources sustain the Nippon Paper Group's diverse range of products.

The Nippon Paper Group engages in a widerange of business activities. In addition to the paper, packaging and health care businesses, which build on the fundamental writing, wrapping and wiping functions of paper, the Group is active in such areas as wood and construction materials, functional chemical products, which utilize wood-based materials, and energy.



Outline of the Nippon Paper Group

Company Profile

Name Nippon Paper Group, Inc.
Address 1-2-2, Hitotsubashi, Chiyoda-ku, Tokyo, Japan
Capital ¥55.73 billion
Incorporation March 30, 2001
Securities Exchanges Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange (Securities Code 3893)
Telephone +80-3-6665-1000

Group Companies (As of March 31, 2011)

By Financial Statement Classification

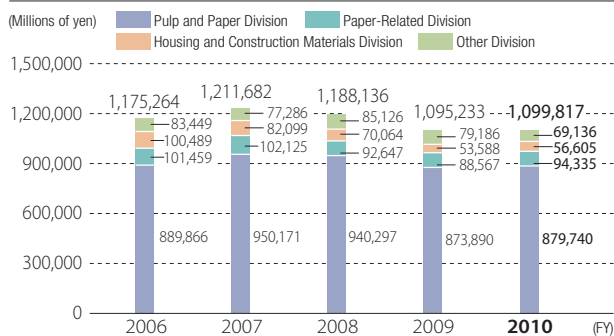
Consolidated subsidiaries	Non-consolidated subsidiaries	Affiliates
47	89	50

By Region

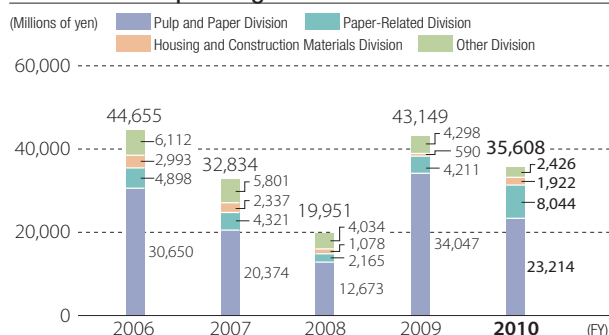
Country / Region	Japan	USA	Canada	Australia	Asia	Europe	Total
Consolidated subsidiaries	35	2	1	4	3	2	47
Equity-method affiliates	6	1	1	1	0	1	10

Major Financial Indicators Trends

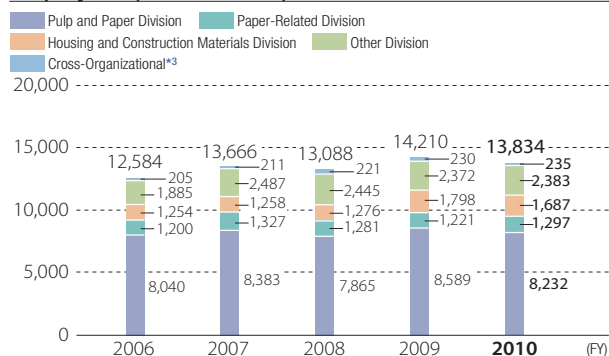
Consolidated Net Sales*1



Consolidated Operating Income*1



Employees (Consolidated)*2

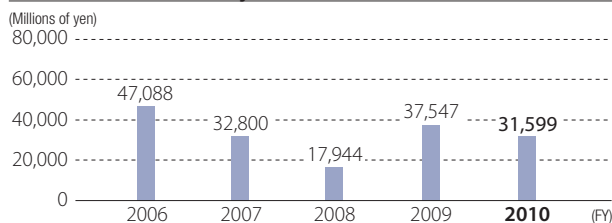


*1 The Nippon Paper Group reclassified its business segments in FY2010. Figures up to FY2009 represent data for business segments prior to reclassification.

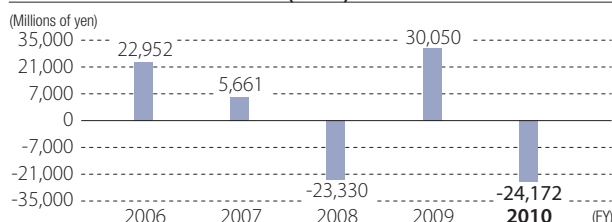
*2 Fiscal year-end data

*3 "Cross-organizational" means employees responsible for multiple divisions.

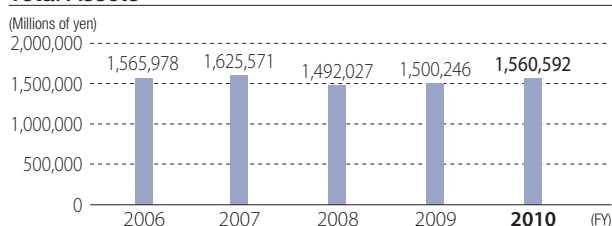
Consolidated Ordinary Income



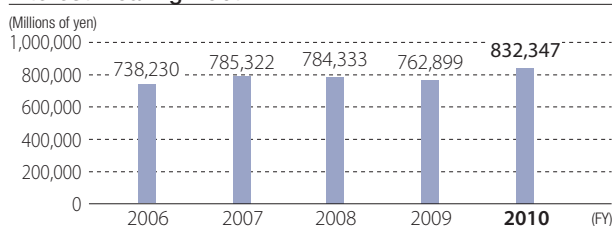
Consolidated Net Income (Loss)



Total Assets



Interest-Bearing Debt



Business Details, Major Customers and Markets of the Nippon Paper Group

Pulp and Paper Division

Manufacture and sale of paper, paperboard, household paper products and pulp

Consolidated Subsidiaries
Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papylia Co., Ltd., Kitakami Paper Co., Ltd., KOYO PAPER MFG. CO., LTD., Daishowa North America Corporation, Nippon Paper Industries USA Co., Ltd., NP Trading Co., Ltd., Kokuei Paper Co., Ltd., Dyna Wave Holding Asia*1, Paper Australia Pty. Ltd. and seven other companies

Major Products

- Newsprint, printing and publication paper, business communication paper and related products
- Specialty paper (thin paper, high-performance paper)
- ◆ Linerboard and corrugating medium, coated duplex board, tube and core paperboard, packaging paper
- ▲ Household paper products (facial tissue paper, bathroom tissue paper, paper towels, diapers)

Paper-Related Division

Manufacture and sales of processed paper products and chemical products

Consolidated Subsidiaries
NIPPON PAPER-PAK CO., LTD., Nippon Paper Chemicals Co., Ltd., Nippon Seitai Corporation, FLOWRIC CO., LTD. and Sakurai Co., Ltd.

Major Products

- ◆ Liquid-packaging cartons and paper packaging containers
- ◆ Heavy duty bags (paper bags and plastic bags)
- Functional films
- Dissolved pulp, functional chemical products (sweeteners, seasonings, base products for pharmaceuticals, paints)
- ▲ Kitchen wraps

Housing and Construction Materials Division

Procurement and sales of lumber; manufacture and sales of construction materials, and; civil engineering-related businesses

Consolidated Subsidiaries
Nippon Paper Lumber Co., Ltd., South East Fiber Exports Pty. Ltd., NIPPON PAPER UNITEC CO., LTD., Kokusaku Kiko Co., Ltd., PAL WOOD MATERIAL Co., Ltd.*2, PAL CO., LTD., N&E CO., LTD., Daishowa Uniboard Co., Ltd., Kunimoku House Co., Ltd. and Nippon Paper Ishinomaki Technology Co., Ltd.

Major Products / Business

- Housing and construction materials (beams, flooring, doors)
- Housing
- ▲ Woodchips and recovered paper

Other Division

Beverage, leisure, warehousing and transportation and electric power supply businesses

Consolidated Subsidiaries
Nippon Paper Development Co., Ltd., Graphic Arts Communication, NIPPON PAPER LOGISTICS CO., LTD., Kyokushin Transport Co., Ltd., NANKO UNYU CO., LTD., Hotoku Co., Ltd., SHIKOKU COCA-COLA BOTTLING CO., LTD., SHIKOKU SAWAYAKA SERVICE CO., LTD., CANTEEN CO., LTD., SHIKOKU COCA-COLA VENDING CO., LTD., SHIKOKU CUSTOMER SERVICE CO., LTD., SHIKOKU COCA-COLA PRODUCTS CO., LTD. AND DYNAFLOW CO., LTD.

Major Products / Business

- Printing
- ▲ Beverages
- ▲ Sports and leisure facilities
- ▲ Insurance and leasing
- ▲ Real estate
- Greening and landscaping work
- ◇ Warehousing and transportation
- ◇ Electric power supply

Paper Media

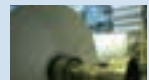
Product Applications
Newspapers, books, magazines, leaflets, postcards, notebooks, printer paper, various paper slips



Principal Customers
The corporate sector including newspaper, publishing, printing, stationary and related companies; the public sector including public agencies and offices

Paper Manufacturing

Principal Customers
Paper manufacturers



Container and Packaging

Product Applications
Beverage containers, cardboard products, paper boxes, envelopes, paper bags, wrapping paper



Principal Customers
Beverage manufacturers, manufacturers of a variety of paper processing products

Food and Chemical Products

Product Applications
Paints, rayon fibers, seasonings, pharmaceuticals



Principal Customers
Manufacturers of beverages, food, chemicals

Housing and Construction

Product Applications
Housing, furniture



Principal Customers
Construction materials, housing and construction companies, general consumers

Daily Necessity, Food and Service

Principal Customers
General consumers



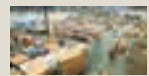
Civil Engineering

Principal Customers
Administrative authorities



Manufacturing

Principal Customers
Manufacturing



Energy

Principal Customers
Utilities



*1 Dyna Wave Holding Asia was established on June 22, 2010.

*2 PAL CO., LTD. (former company name) established a new company by way of a corporate split on October 1, 2010. On the same day, the name of the company was changed to PAL WOOD MATERIAL CO., LTD. The name of the newly established company was registered as PAL CO., LTD.

Outline of the Nippon Paper Group

Major Operating Companies and Production Sites (As of April 1, 2011)

Pulp and Paper Division

- Nippon Paper Industries Co., Ltd.
 - 1 Kushiro Mill
 - 2 Asahikawa Works, Hokkaido Mill
 - 3 Yufutsu Works, Hokkaido Mill
 - 4 Shiraoi Works, Hokkaido Mill
 - 5 Ishinomaki Mill
 - 6 Iwanuma Mill
 - 7 Nakoso Mill
 - 8 Fuji Mill
 - 9 Iwakuni Mill
 - 10 Yatsushiro Mill
- ◆ Nippon Daishowa Paperboard Co., Ltd.
 - 11 Akita Mill
 - 12 Soka Mill
 - 13 Ashikaga Mill
 - 14 Yoshinaga Mill
 - 15 Otake Mill
- Nippon Paper Crecia Co., Ltd.
 - 16 Tokyo Mill
 - 17 Kaisei Mill
 - 18 Kyoto Mill
 - 19 Iwakuni Mill

▲ Nippon Paper Papylia Co., Ltd.

- 20 Harada Mill
- 21 Suita Mill
- 22 Kochi Mill

● Kitakami Paper Co., Ltd.

- 23 Ichinoseki Mill

◆ KOYO PAPER MFG. CO., LTD.

- 24 Head Office Mill

● Nippon Paper Industries USA Co., Ltd.

- 25 Port Angeles Mill

● Paper Australia Pty. Ltd.

- 26 Maryvale Mill
- 27 Shoalhaven Mill

Paper-Related Division

- NIPPON PAPER-PAK CO., LTD.
 - 1 SOKA PAPER-PAK CO., LTD.
 - 2 EGAWA PAPER-PAK CO., LTD.
 - 3 MIKI PAPER-PAK CO., LTD.
 - 4 ISHIOKA KAKO CO., LTD.
 - 5 Nakoso Film Co., Ltd.
- ◆ Nippon Paper Chemicals Co., Ltd.
 - 6 Gotsu Works
 - 7 Iwakuni Works
 - 8 Higashimatsuyama Works
 - 9 Yufutsu Works
- Nippon Seitai Corporation
 - 10 Asahikawa Mill
 - 11 Maebashi Mill
 - 12 Saitama Mill
 - 13 Niigata Mill
 - 14 Kyoto Mill
 - 15 Kyushu Mill
- ▲ Akita Jujo Chemicals Co., Ltd.
 - 16 Head Office Plant

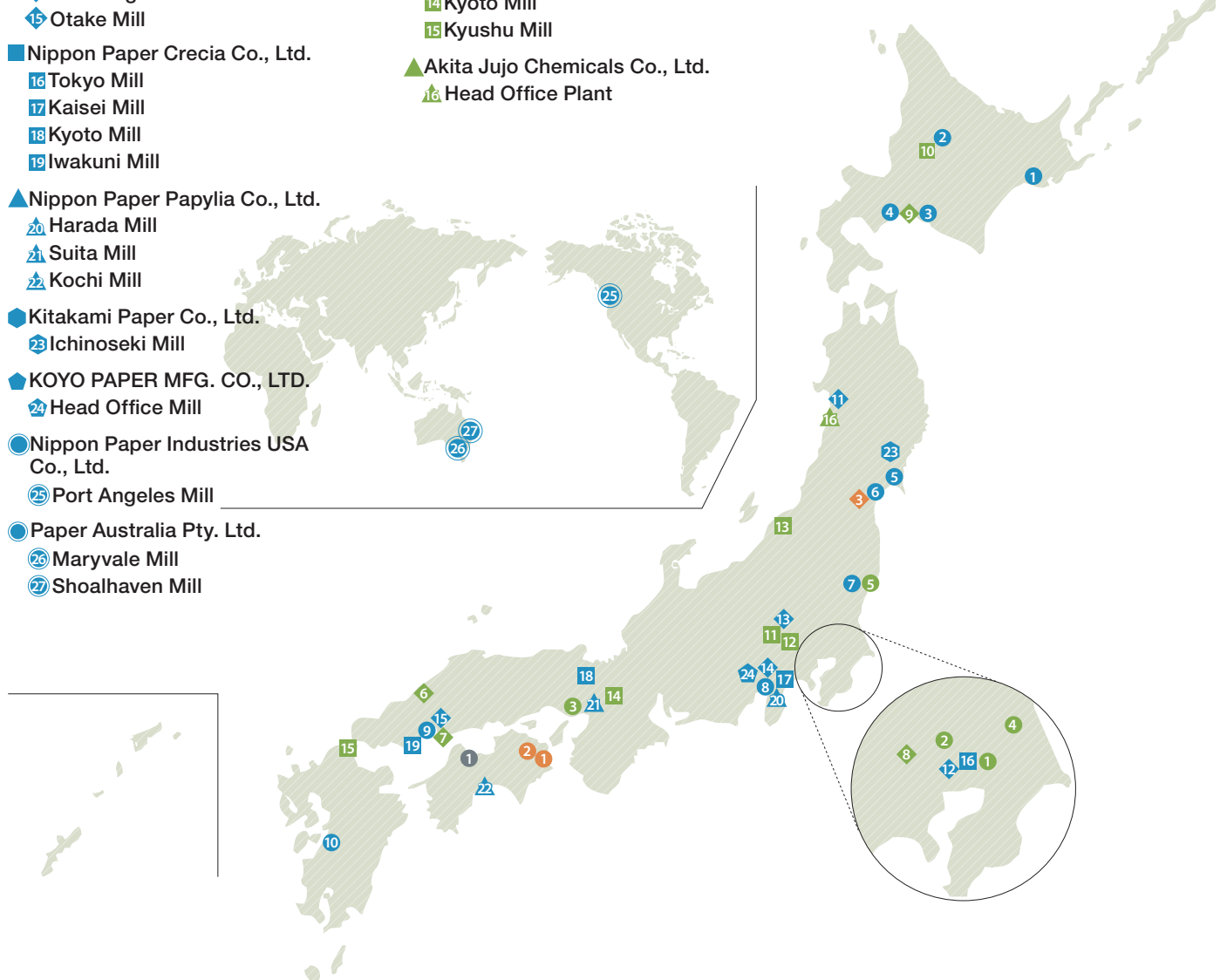
Housing and Construction Materials Division

- PAL WOOD MATERIALS CO., LTD.
 - 1 PALTEC Co., Ltd.
 - 2 N&E CO., LTD.
- ◆ Daishowa Uniboard Co., Ltd.
 - 3 Miyagi Mill

Other Division

- SHIKOKU COCA-COLA BOTTLING CO., LTD.
 - 1 SHIKOKU COCA-COLA PRODUCTS CO., LTD. Komatsu Plant

Location of Production Sites



Management Responsibility



Operating results briefing

Management Approach

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Group Governance

As a holding company responsible for the overall management of the Group, Nippon Paper Group, Inc., oversees and supervises the execution of business operations by Group companies.

Basic Stance

Striving to realize fair and highly transparent management

Nippon Paper Group, Inc., strives for fair and highly transparent management to ensure the trust and meet the expectations of a diverse range of stakeholders. As a pure holding company, Nippon Paper Group, Inc., diligently oversees the activities of Group companies and works to enhance corporate value. The Company recognizes that the fundamental tenet of corporate governance rests in its accountability to stakeholders.

From a management function perspective, we separate ourselves from the execution of business operations while clarifying the organization and its functions. Nippon Paper Group, Inc., determines the management policies and strategies of the Group as a whole and plays a pivotal role in promoting growth strategies. In this context, we direct and guide Group companies while monitoring (through audits and supervision) the execution of their business operations. The CSR Division has been established to ensure utmost transparency in our efforts to fulfill our corporate social responsibilities.

Corporate Governance Structure

A system built around the Board of Directors and corporate auditors.

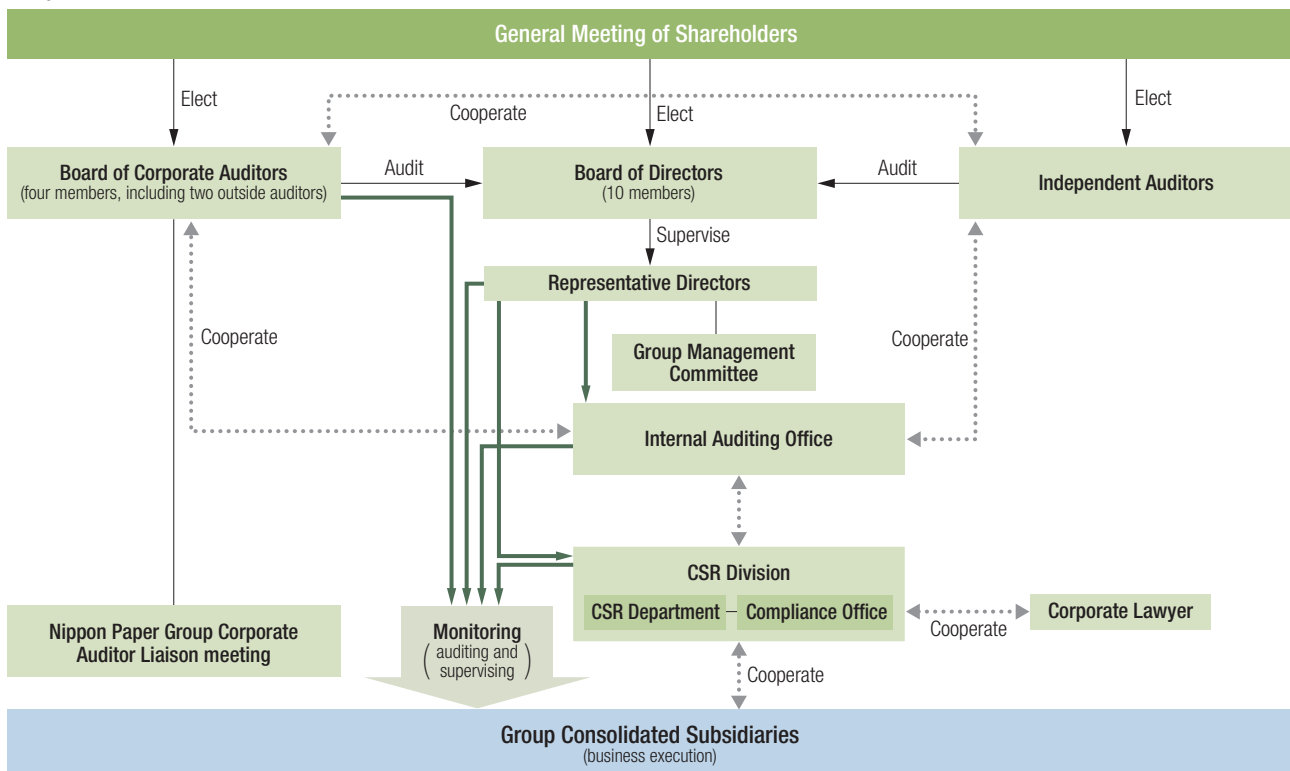
● Board of Directors

The Company's Board of Directors comprised 10 internal directors as of March 31, 2011. It is responsible for determining the basic policies of the Company as well as Group companies, deciding on matters pertaining to laws and regulations, Articles of Incorporation, and other critical management issues, and monitoring the executive aspects of Group companies.

● Group Management Committee

The Group Management Committee is subordinate to the Board of Directors and comprises all directors and standing corporate auditors. It is responsible for deliberating on the basic management policies and strategies of the Company and the overall Group and on essential matters related to the business execution of Group companies.

Corporate Governance Structure (As of April 1, 2011)



● **Board of Corporate Auditors**

The Board of Corporate Auditors monitors the Company's management. Two of the four auditors comprising the board are outside auditors responsible for ensuring and strengthening the board's monitoring and auditing functions from a third-party perspective.

Corporate auditors attend routine meetings including those conducted by the Board of Directors and Group Management Committee to closely monitor the execution of duties by directors. In addition to verifying that all Company operations are conducted in an appropriate manner and are in compliance with statutory and regulatory requirements, corporate auditors offer their opinions and comments to directors and employees.

The Board of Corporate Auditors also coordinates closely with the auditors of Group companies to ensure that Group activities remain consistent with all laws and regulations and are conducted in an appropriate manner. The Nippon Paper Group Corporate Auditor Liaison meeting, which is composed of the standing corporate auditors of the Group's 15 principal companies, holds meetings three times a year to provide a forum for the constructive exchange of information. This encompasses details of the Board of Corporate Auditors' basic policies and priority issues, as well as reports from the auditors of Group companies. Participating members consider and act upon all matters of concern as required.

● **Internal Auditing Office**

Evaluates the internal audit and financial reporting control systems of each Group company

Internal audits are conducted in a fair and independent manner. Particular emphasis is placed on legal compliance and relevance of operations and activities. We evaluate the activities of Group companies and offer advice and recommendations as and when required, and are putting in place a system that will better allow us to achieve our business objectives and management targets. While maintaining the integrity of our assets, we help to enhance corporate value. We are committed to ensuring the sound and continuous development of the Group as a whole.

Internal Control System

Complying with statutory and regulatory requirements.

Nippon Paper Group, Inc., has established a highly effective internal control system in compliance with the Companies Act and its related regulations. It ensures that the execution of duties by the Company's directors is consistent with applicable laws and regulations, as well as its Articles of Incorporation. The Company

is pressing forward with the construction of a system that ensures the propriety of the Company's operations.

WEB The full text of the Basic Policy for Establishment of the Internal Control System can be found on the following website.
<http://www.np-g.com/e/news/news06052602.pdf>

● **Internal control and reporting systems applicable to financial reports**

Nippon Paper Group, Inc., took steps to fully address the internal control reporting system requirements stipulated under the Financial Instruments and Exchange Act of Japan, and to assess the development and ongoing operation of internal control systems with respect to the Group's fiscal 2010 financial reports.

This assessment covered the Group-wide internal control systems of the Company and 25 consolidated subsidiaries. Particular attention was paid to an evaluation of the business objectives of four major operating Group companies as they relate to net sales, accounts receivable and inventory operating processes. This evaluation helped confirm the efficacy of the Group's internal control and financial reporting systems as of the end of fiscal 2010.

Compensation Paid to Directors

Determined on the basis of roles, responsibilities and performance.

Compensation paid to directors is essentially composed of two parts. A fixed or base component of 70% is paid in relation to each director's responsibilities within the Group. The remaining 30% is in principle linked to individual performance over the preceding fiscal year. Directors who concurrently hold the position of director in a direct subsidiary are paid an additional amount in line with similar policies of each company.

In view of their responsibilities, compensation paid to corporate auditors is limited to a fixed amount. This amount is determined through a process of deliberation by the auditors of each company.

The payment of compensation to directors and corporate auditors is also restricted to the total amounts approved at the general meetings of shareholders of each Group company.

Directors' compensation

Officer class	Maximum compensation payable
Director	¥3.6 million per year
Corporate auditor	¥0.9 million per year

CSR Management

As a framework for pursuing sustainable growth for the future to contribute to society through Group-wide business activities, the CSR Division executes corporate social responsibility initiatives and ensures compliance

Basic Stance

Fulfilling our corporate social responsibilities in line with the Group vision.

The Nippon Paper Group has established the overarching vision of becoming a world-class corporate group. This vision is based on the ideals of achieving superior, stable profits, winning the trust of customers, having positive, forward-looking employees, and preserving corporate ethics. While adhering strictly to a policy of compliance, the Group works to achieve the vision. We work to meet the expectations of stakeholders and fulfill our corporate social responsibility from a variety of perspectives.

Placing the utmost emphasis on ongoing dialog with stakeholders, we will adopt the broadest possible view toward the vast array of issues that continue to confront society. On this basis, we engage in activities aimed at securing a sustainable society.

Management Structure

Overseeing corporate social responsibility through a dedicated CSR Division.

As the holding company for the Group, Nippon Paper Group, Inc., established the CSR Division to oversee the CSR activities of the Group as a whole. It is composed of the CSR Department and the Public Relations Office. The CSR Department promotes Group-wide CSR activities and works closely with the various divisions and departments responsible for operations relating to the environment, raw material procurement, product safety as well as occupational safety and health.

The Compliance Office serves as the facilitator and driving force behind Group-wide efforts to ensure comprehensive compliance. Through a variety of forums including Group Compliance Liaison meetings, every effort is made to actively interact with each Group company to enhance overall awareness toward compliance.

The Nippon Paper Group's Action Charter (Formulated on April 1, 2004)

Vision

Nippon Paper Group will strive to become a world-class company through our diverse business activities.

Ideals for Our Group

1. Achieving superior, stable profits for our shareholders
1. Winning the trust of our customers
1. Having positive, forward-looking employees
1. Preserving corporate ethics

Action Charter

1. We shall pursue a sustainable growth for the future to contribute to society through our business activities.
2. We shall abide by the letter and the spirit of laws and regulations, and comply with the highest ethical standards and social codes of conduct, both in Japan and abroad.
3. We shall conduct our business in a fair, transparent and liberal manner.
4. We shall win the trust of customers through the development and provision of socially useful and safe products and services.
5. We shall disclose corporate information positively and fairly to all stakeholders of the Group.
6. We shall actively address environmental issues, and shall endeavor to conserve and enhance the environmental state of our planet.
7. We shall maintain consistency between corporate development and the personal contentment of individual employees, and create a company filled with dream and hope.

Collaborative Initiatives

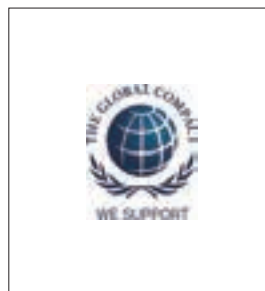
Participating in industry and trade associations and advisory organizations in Japan and overseas

The Nippon Paper Group places harmony between economy, environment and society at the heart of its business activities. We particularly endeavor to build sincere codependent relationships with stakeholders by coordinating with other companies and organizations, and joining a variety of associations with the goals of promoting economic development in Japan and overseas and realizing a sustainable society.

● The United Nations Global Compact

In 1999, United Nations Secretary-General Kofi Annan called for participation in the international initiative Global Compact, which consists of 10 principles covering the four fields of human rights, labor standards, the environment and anti-corruption (see page 102).

Signatories to the compact voluntarily promote the progress and realization of the principles outlined in the Global Compact, aiming at the sustainable growth of society. Nippon Paper Group, Inc. announced its decision to support the aforementioned 10 principles and joined as a signatory in November 2004. In addition to engaging



in CSR management activities that run parallel to the 10 principles, we continue to share information with other companies, international organizations, government agencies, global labor and NGOs. Working hand in hand with a wide range of organizations, we contribute to a number of activities.

 Global Compact Network Japan
<http://www.ungcjin.org/> (Japanese only)

Major Organizations with which the Nippon Paper Group Has an Affiliation (As of April 1, 2011)

	Organization	Overview of the Organization and Its Activities
Global	The United Nations Global Compact	The Nippon Paper Group wholeheartedly supports the 10 principles of the compact, covering human rights, labor standards, the environment and anti-corruption. Every effort is made to voluntarily advance each cause.
	International Council of Forest and Paper Association (ICFPA) *1	ICFPA is made up of 43 forest and paper industry associations from 43 countries and regions. The council serves as a forum that promotes dialog, interaction, and cooperation. The Company's participation in ICFPA is through its membership in the Japan Paper Association.
	Amnesty International	Amnesty International is a global movement whose vision is for every person including those in Japan to enjoy all the rights enshrined in the Universal Declaration of Human Rights and other international human rights laws and standards.
	WWF Japan *2	The World Wide Fund for Nature Japan is a member of the World Wide Fund for Nature, the world's largest nature conservation NGO. It engages in a wide range of activities aimed at protecting the natural environment worldwide.
Japan	Japan Paper Association *3	The Japan Paper Association is a paper and pulp manufacturing industry organization composed of major paper companies whose goal is to promote sound industry growth.
	Keidanren (Japan Business Federation)	An all-encompassing business organization whose mission is to transform Japan's economy into one that is sustainable and driven by the private sector.
	Council for Better Corporate Citizenship (CBCC)	With the full backing of Keidanren, CBCC supports the activities of Japanese companies overseas as good corporate citizens.
	The Association of Machine-made Japanese Paper *4	Established to promote the sound development of Japan's machine-made Japanese paper industry.
	Japan Soft Drink Association *5	The Japan Soft Drink Association is an incorporated entity under the control of Japan's Ministry of Agriculture, Forestry and Fisheries. The association takes steps to develop the cold beverage industry in tune with the public's interest, enhance product quality and safety, and promote a greater awareness toward healthy consumption.
	Committee for Milk Container Environmental Issues *6	The committee is composed of related associations in the dairy, container manufacturing, and other sectors. Focusing on issues relating to the environment, The committee engages in the collection and recycling of milk and other beverage containers as well as educational activities designed to promote environmental awareness.
	Japan Association of Milk Packaging and Machinery *6	The Japan Association of Milk Packaging and Machinery is a special corporation established under the Civil Code by Japan's Ministry of Health, Labour and Welfare. Comprised of packaging container and machinery manufacturers, the association is active in the advancement of milk and other beverage container, packaging, and manufacturing equipment with a particular focus on improving safety and hygiene.
	Wild Bird Society of Japan *2	The Wild Bird Society of Japan is a membership-based public interest corporation. Its purpose is to protect wild animals and their habitats with a particular emphasis on birdlife.

*1 The Company's participation is through the Japan Paper Association, representing Japan as a member of ICFPA.

*2 Group operating company Nippon Paper Industries, is a member.

*3 Nippon Paper Industries, Nippon Daishowa Paperboard, Nippon Paper Papyrus, and Kitakami Paper, are members.

*4 Group operating company Nippon Paper Crecia, is a member.

*5 Group operating company SHIKOKU COCA-COLA BOTTLING Company, is a member.

*6 Group operating company NIPPON PAPER-PAK, is a member.

Compliance

As a committed partner ensuring that employees are fully informed about compliance, the Nippon Paper Group engages in corporate activities in accordance with laws and social norms.

Basic Stance

Promoting compliance in accordance with the Group's Action Charter.

In its Action Charter (see page 18) formulated in 2004, the Nippon Paper Group declared its commitment to abiding by the letter and the spirit of laws and regulations and complying with the highest ethical standards and social codes of conduct both in Japan and abroad. To meet this commitment, the Group diligently upgrades and expands its compliance structure while implementing measures to enhance thoroughgoing compliance awareness, such as through continuous training programs.

Compliance Structure

Positioning the CSR Division at the heart of Group-wide compliance efforts.

The Nippon Paper Group established the CSR Division in June 2008 to play a pivotal role in fulfilling corporate social responsibility. The Company's Compliance Office was repositioned within the newly established CSR Division.

The CSR Division serves as a facilitator and driving force behind efforts to achieve the two major compliance-related goals of imbuing the Group with zero tolerance of misconduct and transforming the corporate structure and culture. The division also spearheads activities aimed at promoting strict compliance throughout the entire Group.

● Promoting Group-wide compliance

The Compliance Office acts as a central contact point for promoting and coordinating compliance activities at each Group company.

Each Group company has appointed a compliance manager. The Compliance Office holds Group Compliance Liaison meetings to provide all compliance managers with details of compliance policies and initiatives. In addition to serving as a forum through which compliance information can be shared among Group companies, these meetings act as an avenue to provide advice on education and training activities. Through these and other means, we are making every effort to promote Group-wide compliance.

Compliance Training

Educating the workforce to raise the awareness of compliance.

In addition to being constituent members of the Group, our employees are consumers and members of society. In this regard, each and every employee must ensure that his or her mindset is consistent with societal norms. By adjusting the Company's actions to align with this premise, we are taking the first steps toward reforming our corporate culture.

Education and training implemented by the CSR Division conveys the importance of compliance while enhancing employee awareness and creating a sustainability culture Group-wide.

Implementing compliance training

Nippon Paper Group, Inc., conducts compliance training on an ongoing basis to further enhance awareness and understanding among employees of the Group (consolidated and production subsidiaries in Japan).

We have invited a consultant from outside the Group to augment our compliance programs and are conducting practical training focusing on compliance and risk management. Training is geared toward enhancing employees' abilities to identify potential compliance issues and risks in the workplace. Our hands-on nature of training programs extend to workshop discussions that are designed to provide employees with the basic skills required to address these risks.

Looking ahead, we will continue to implement compliance training to ensure a heightened sense of awareness and strict adherence throughout the Group.



Compliance training

Group Internal Whistleblower System

Encouraging reporting via a help-line on activity in conflict with compliance.

The Nippon Paper Group established the Help Line System on April 1, 2004. The system allows any employee of the Group to notify directly or consult outside the chain-of-command structure on any action in the workplace that could violate laws, social norms or corporate ethics. The Compliance Office located within the CSR Department serves as a point of contact within the Group. We have also taken steps to establish points of contact outside the Group for use by employees as appropriate.

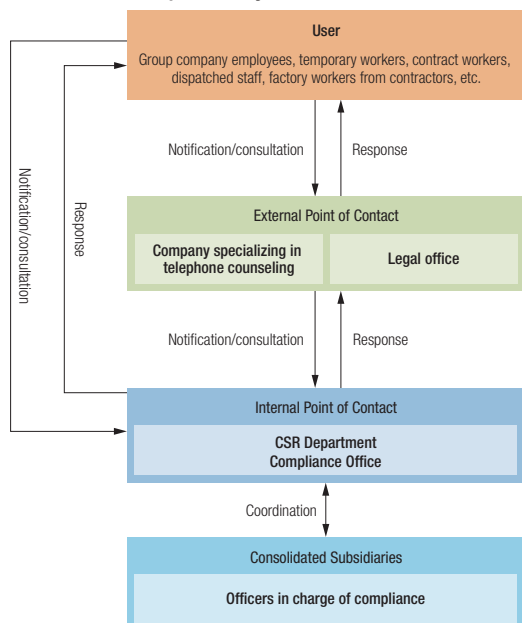
The Help Line System guarantees the privacy of whistleblowers and protects them from any disadvantageous treatment after notification or consultation. The system also ensures that appropriate action is taken to address all issues raised at an early stage. A detailed explanation of the Help Line System is an integral component of the Group's compliance training. This is designed to ensure that the system is used to maximum effect.

Trends in the number of notifications received by the Help Line*

Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
13	16	24	11

* The Help Line is open to members of the Nippon Paper Group (consolidated and production subsidiaries in Japan)

Flow of the Help Line System



Personal Information Protection

Ensuring protection of personal information through systematic rules and enhanced handling procedures.

The Nippon Paper Group has taken steps to clearly identify the structure and rules applicable to the handling of personal information. A manual, distributed to each operating company, forms the basis for appropriately handling the personal information of customers, business partners and employees.

Nippon Paper Industries drew up the Rules on the Handling of Personal Information on April 1, 2006. A copy of these rules and the aforementioned manual are distributed to all directors and employees. Details are also posted on the Group's intranet to further ensure strict adherence. In the lead up to the establishment of the Rules and manual, Nippon Paper Industries, conducted a review of the personal information held by individual departments since fiscal 2005. Details of the date personal information were obtained and its use are recorded and managed in a control ledger. This ledger is reviewed annually to eliminate unnecessary data and to ensure that information is handled properly.

Respect for Intellectual Property

Heightening respect for intellectual property and ensuring compliance with all applicable laws.

The Nippon Paper Group places the utmost importance on intellectual property not only in research and development, but also in all of its business activities. In order to instill an appreciation of the value of intellectual property and to promote strict adherence to all applicable laws and regulations, members of the Intellectual Property Department of Nippon Paper Industries, conduct lectures and intellectual property education programs for the benefit of Group company employees.

Since intellectual property education was first initiated in fiscal 2002, the content of programs has expanded and improved each year. Today, Nippon Paper Group engineers and administrative employees are exposed to a wide variety of material commensurate with their years of service and duties. Programs encompass details of all relevant laws including the Patent and Utility Model Law, the Design Law, the Trademark Law, the Unfair Competition Prevention Law and the Copyright Law. In addition to providing pertinent information on the relationship between the Company and the aforementioned laws, these programs identify areas requiring particular care from a compliance perspective. A total of 551 employees attended the 14 programs implemented in fiscal 2010.

Information Disclosure and Investor Relations; Profit Distribution to Shareholders

The Nippon Paper Group is dedicated to promoting mutual understanding with its shareholders and investors. With a focus on dialog, we are conducting a variety of presentations and events.

Information Disclosure

Addressing the interests of stakeholders and ensuring transparent management through active information disclosure

The Nippon Paper Group recognizes that open and fair disclosure to a broad stakeholder base is a key responsibility of management. In this regard, we work diligently to engage in sound and highly transparent management by disclosing company information in accordance with our Action Charter (see page 18). To guide us in our endeavors, we formulated the Nippon Paper Group Disclosure Policy in October 2005.

Following the guidelines of this basic policy, we comply with the provisions of the Financial Instruments and Exchange Act of Japan and other relevant laws and regulations. We also adhere to the prompt disclosure rules stipulated by securities exchanges, and disclose information in a timely manner, standing on the principles of transparency, fairness and continuity. Furthermore, we disclose information that may not be required under applicable laws, regulations, or prompt disclosure rules, when deemed to be of interest to our stakeholders and other members of society.

WEB Information Disclosure Policy
<http://www.np-g.com/e/ir/policy.html>

The Nippon Paper Information Disclosure Policy (Excerpt)

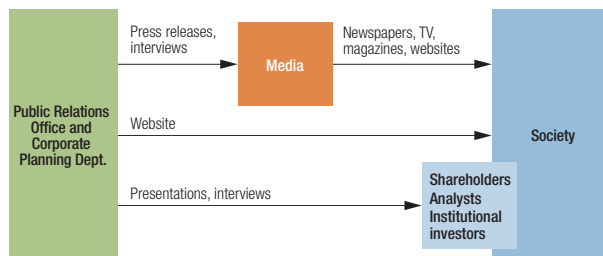
1. Basic Disclosure Stance

The Nippon Paper Group (the Group) pursues a fundamental policy of disclosing corporate information proactively and fairly to all Group stakeholders, and raising the level of management transparency in accordance with its Action Charter and Codes of Conduct.

2. Criteria for Disclosure

- (1) The Group conducts expeditious disclosure based on the principles of transparency, fairness and consistency, in line with the Japanese Corporate Law, Securities and Exchange Law and other relevant laws, as well as the Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security (the Rules on Timely Disclosure) stipulated by securities exchanges.
- (2) Even for information that does not fall under the categories stipulated in the relevant laws and the Rules on Timely Disclosure, the Group carries out rapid and accurate disclosure of information useful to stakeholders and the broader society, to the fullest extent possible, regardless of any advantages or disadvantages that may accrue to the Group as a result of such information disclosure.

Information Disclosure Structure and Framework



IR Activities

Promoting dialogue with shareholders and investors

The Nippon Paper Group expends considerable time and effort in providing to its shareholders and investors a direct explanation of the status of the Group's management and business. At the same time, we take steps to obtain the comments and concerns of shareholders and investors incorporating our findings into ongoing management.

Results of activities in fiscal 2010

Operating results and management briefings	Two times
Meetings with management	48 times
Individual interviews	166 times

● Shareholders' meeting

In an effort to ensure attendance by as many shareholders as possible, Nippon Paper Group, Inc., has held its annual general meeting of shareholders at Tosho Hall in Marunouchi, Tokyo, since the Company's inception in fiscal 2001. Easily accessible, this venue has been chosen to enhance the convenience of shareholders.

For the benefit of overseas investors, Nippon Paper Group, Inc., has contracted the services of specialist companies to prepare an English-language convocation notice. In addition to the exercise of voting rights in writing, the Company has also established a service that allows shareholders to exercise their rights online. Through these and other measures, we are endeavoring to promote the exercise of voting rights by shareholders both in Japan and overseas.

● Operating results and management briefings

Regular operating results and management briefings are held for the benefit of institutional investors and analysts. Each briefing is attended by roughly 150 people, who are provided with operating



Operating results briefing

results details, management thoughts on the immediate and future business environments as well as issues confronting management, and an overseas of medium- to long-term management strategies.

● Meetings with management

In addition to the aforementioned briefings, Nippon Paper Group, Inc., convenes meetings attended by the Company's management.

Not only do these meetings provide a forum for direct dialog, they also help deepen the understanding of institutional investors in the Company's strategies and management stance while providing management with the opportunity to listen to the comments and concerns of the market.

● Individual interviews

With the exception of quiet or closed periods, the Company responds positively to requests for interviews from institutional investors and analysts throughout the year. Cognizant of maintaining fairness in the provision of information, significant care is taken to provide details of the Company's operating results, performance forecasts and management initiatives in a candid and precise manner.

● Tours and other events

In order to promote a deeper understanding of the Nippon Paper Group and its activities, every opportunity is taken to arrange factory and other tours each year. During fiscal 2010, tours of Nippon Paper Industries' Ishinomaki and Yatsushiro mills as well as neighboring company-owned forests attracted considerable praise from participants.



Tour of Nippon Paper Industries' Yatsushiro Mill and neighboring company-owned forest

● IR tools and websites

The Nippon Paper Group uses various websites to disclose IR information. In addition to copies of news releases, the Group's IR websites provide an array of information, including presentations and briefings, as well as summaries of consolidated financial results. Moving forward, the Group will continue to bolster and expand the content of IR information.

WEB Annual Reports
Application form: <http://www.np-g.com/e/appliform/index.html>
PDF version: <http://www.np-g.com/e/ir/annual.html>

Profit Distribution to Shareholders

Nippon Paper Group, Inc., is committed to the continuous distribution of profits to shareholders based on the steady payment of cash dividends.

Nippon Paper Group, Inc., strives to reinforce its management base, improve profitability and secure the sustainable growth of its corporate value, thus fulfilling the expectations of shareholders.

Our basic dividend distribution policy is based on a comprehensive assessment of the Group's performance as well as efforts to boost retained earnings. With this as a guide, we endeavor to provide a stable stream of cash dividend payments whenever possible. Having incurred a substantial extraordinary loss as a result of the Great East Japan Earthquake, the Company declared a reduced March 2011 period-end dividend of ¥20 per share.

Trends in Dividends per Share

(Yen)

	March 2007	March 2008	March 2009	March 2010	March 2011
Interim Dividend	4,000	4,000	4,000	40	40
Period-End Dividend	4,000	4,000	40*	40	20

Note: A 100-to-1 stock split was conducted on January 4, 2009, with trading lots introduced with one lot consisting of 100 shares.

Evaluations by External Research and Ratings Agencies

The Company has received evaluations from the following external agencies.

● Debt ratings

Listed below are the major debt ratings of Nippon Paper Group, Inc.

The status of major debt ratings (As of September 30, 2011)

Ratings Agency	Rating
Rating and Investment Information, Inc. (R&I)	Long-term bonds: A
Japan Credit Rating Agency, Ltd. (JCR)	Long-term bonds: A+

● Evaluation from SRI research/rating agencies

Recently, socially responsible investment (SRI), an approach that evaluates a company from a wide range of social perspectives, has become increasingly familiar both in Japan and abroad. In addition to the profit and financial standing of a company, SRI concerns therefore play an important role in selecting an investment. Nippon Paper Group, Inc., has been included in the following SRI indices.

Major SRI indices that include Nippon Paper Group, Inc. (As of September 30, 2011)

Overseas	FTSE4Good Global Index
Japan	Morningstar SRI Index

Dialog with Stakeholders

In addition to daily communication, we are actively promoting opportunities for dialog.

Basic Stance

Actively promoting dialog

The Nippon Paper Group maintains relationships with a broad spectrum of stakeholders including customers, shareholders, investors, business partners, local communities, administrative agencies and employees in the conduct of its business. The Group places the utmost importance on communication with stakeholders,

incorporating their comments and requests into its decision-making process when carrying out business and CSR management.

In this context, we actively establish contact points and opportunities for direct dialog while providing daily information and promoting the exchange of opinions. By disclosing relevant information and listening carefully to the concerns of stakeholders, we will work diligently to secure sustainable growth and development both for the Group and society as a whole.

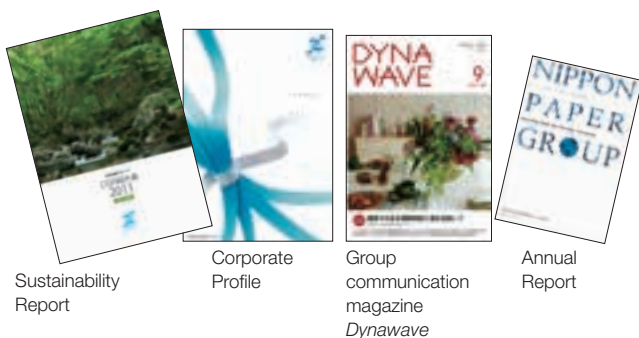
Contact points that allow dialog with stakeholders

Stakeholder	Major point of contact	Means of communication
<p>Employees (executives, permanent employees, part-time employees, employee families) The approximate 14,000 employees (consolidated basis) of the Nippon Paper Group are responsible for business and CSR activities. Working closely with the labor union, the principal mouthpiece for the Group's employees, we make every effort to ensure that our employee evaluation and compensation systems are fair and equitable, and to provide a rewarding and comfortable workplace. In addition, we provide a variety of benefits, including medical examinations covering employees and their dependents in an effort to foster peace of mind and garner the trust of employee families.</p>	Human resource sections	Labor-management councils, labor-management committees, etc.
<p>Customers (consumers, end users, etc.) Paper, the Nippon Paper Group's principal product, is widely used by both companies and individuals. Paper products are for the most part delivered directly to the corporate sector and wholesale trading companies, printing companies and publishers in Japan. In addition, household paper and leisure services are provided to individual customers (consumers). We are putting in place the necessary structures and systems by product and service that best address the needs of customers.</p>	Sales sections Quality control sections Customer relations sections	Individual interviews, inquiry to the customer relations sections, etc.
<p>Society and local residents (local communities, NPOs/NGOs, municipalities, the media, etc.) The Nippon Paper Group maintains the majority of its production bases in Japan. Recognizing that our business activities have a major impact on surrounding communities, we place significant weight on promoting harmonious co-existence with local residents, protecting the natural environment and garnering the trust of society. We are also acutely aware that the activities of NPOs and NGOs, both in and outside Japan, reflect the interests and concerns of society. Through dialog and support, we are working to foster deeper mutual understanding. Moreover, we acknowledge the importance of the media in ensuring accountability to the broader society. In this regard, we are actively engaged in information disclosure.</p>	Mills and works	Environmental explanatory meeting, risk communication, environmental monitoring system, factory and other presentation meetings, etc.
	Responsible sections within each business segment	Interviews, etc.
	Social contribution sections	Social contribution activities, etc.
<p>Business partners (agents, suppliers, subcontractors, etc.) As important partners in the overall conduct of its business activities, the Nippon Paper Group engages in open and fair trading transactions while promoting positive relations with its business partners. In an effort to engender in our customers a strong sense of trust, we work closely with business partners to promote CSR activities throughout the supply chain.</p>	Material procurement sections Human resource sections	Individual interviews, etc.
<p>Shareholders (shareholders, investors, etc.) Shares of Nippon Paper Group, Inc., are listed on the Tokyo, Osaka and Nagoya securities exchanges. Financial institutions and foreign investors held 46% and 18%, respectively of the 116,250,000 shares issued by the Company as of March 31, 2011. Nippon Paper Group, Inc., strives to disclose information in a timely, transparent, fair and continuous manner.</p>	IR sections General affairs sections	General shareholders' meetings, explanatory meetings, annual reports, business reports, IR site, IR information mail, etc.

The Use of Communication Tools

Actively and continuously disclosing information

Striving to inform stakeholders about its wide-ranging activities, the Nippon Paper Group uses a variety of communication tools to disseminate corporate information. Through these means, we are actively working to stimulate dialog.



WEB Website
<http://www.np-g.com/e/csr/>

Environmental and Social Communication Magazine *ShikiOriori*

Nippon Paper Group, Inc., has published the environment and social communication magazine *ShikiOriori* since 2007. In each edition, we pick up one of the many themes that impact the environment and society. Of equal importance, we shine a light on the Group's stance and response toward each theme. A section of the magazine titled *Chotto kininaru kami no hanashi* allows prominent figures from around their world to provide details of an experience they have had with paper.

This magazine also contains a readers' survey to which we receive more than 100 replies with each issue. In formulating and carrying out our CSR activities, we use these comments from readers as a prime reference. Moving forward, we will continue to publish communication magazines that help bring us closer to our stakeholders.

	Date of Issues	Principal Theme	Contributor
Vol. 1	February 2007	Overseas afforestation	Kazuyo Matsui
Vol. 2	April 2007	Global warming	Mitsuru Yaku
Vol. 3	July 2007	Environmentally friendly paper	Saya Takagi
Vol. 4	October 2007	Biodiversity	Makoto Shiina
Vol. 5	February 2008	Japanese forests	Mariko Bando
Vol. 6	June 2008	Bioethanol	Jugatsu Toi
Vol. 7	September 2008	Environmental education	Hiroshi Aramata
Vol. 8	January 2009	Eco-products	Rei Kikukawa
Vol. 9	June 2009	Stance toward afforestation	Akira Miyawaki
Vol. 10	June 2010	Tree thinning	Katsuhiko Hibino
Vol. 11	October 2010	Tree planting	Keiko Takeshita
Vol. 12	February 2011	Protecting Blakiston's fish-owl	Hiroshi Yagyu

Major Communication Tools

Tool	Published By	Description	Main Targeted Readers
Sustainability report	Nippon Paper Group	Detailed explanation of the Group's CSR activities	All stakeholders
Environmental and social communication magazine <i>ShikiOriori</i>	Nippon Paper Group	Easy-to-read explanation of the Group's CSR activities	All stakeholders
Corporate profile	Individual companies	Overview of each company	All stakeholders
Group communication magazine	Nippon Paper Group	Easy-to-read introduction to the Group's activities	Employees and their families, business partners
In-house and mill magazines	Individual companies and mills	Easy-to-read introduction to the activities of each company and mill	Employees and their families
Corporate profile for job applicants	Individual companies	Explanation and overview of each company	Job applicants
Annual report	Nippon Paper Group	Detailed explanation of the Group's operating results and financial standing	Individual investors, institutional investors, securities analysts
Business report	Nippon Paper Group	Easy-to-read explanation of the Group's operating results and financial standing	Shareholders
Internet website	Individual companies	Comprehensive presentation of information relating to the business of each company	All stakeholders
IR information mailings	Nippon Paper Group	IR information	Individual investors, institutional investors, securities analysts

Major Press Releases

Distributing a wide range of corporate information through such media as the Internet

Major press releases in Japan and the related page in the 2011 sustainability report

	The Environment and Society	Earthquake	Management, Investment, New Products, etc.
1H 2010 April	<ul style="list-style-type: none"> ● April 5 Nippon Paper Group, Inc. Nippon Paper Group, Inc., receives second prize in the Environmental and Sustainability Report Awards for its Sustainability Report 2009 ● April 26 Nippon Paper Industries Co., Ltd. Nippon Paper Industries executes and agreement the Kanagawa Mori-no-Chonakai (see page 55) 		<ul style="list-style-type: none"> ● June 22 Nippon Paper Group, Inc. Agreement concerning business collaboration with and acquisition of shares in Lee & Man Paper Manufacturing Limited ● June 28 Nippon Paper Industries Co., Ltd. Nippon Paper Industries announced details of the joint development of a packaging material using cellulose nanofibers (see page 80)
July	<ul style="list-style-type: none"> ● August 3 Nippon Paper Group, Inc. Nippon Paper Group, Inc., launches the School of Friendship for Forests and Paper in Miyagi Prefecture, the first hands-on course on the natural environment to be held in the Northeast region of Japan (see page 95) 		<ul style="list-style-type: none"> ● July 29 Nippon Paper Industries Co., Ltd. Nippon Paper Industries reorganizes the lineup of paper
2H 2010 October	<ul style="list-style-type: none"> ● October 14 Nippon Paper Industries Co., Ltd. Nippon Paper Industries signs an agreement with the Wild Bird Society of Japan to help protect Blakiston's fish owl (see page 45) ● October 15 Nippon Paper Group, Inc. Nippon Paper Group, Inc. participates in the 10th Conference of the Parties (COP) to the Convention on Biological Diversity Exhibition (see page 42) 		<ul style="list-style-type: none"> ● November 16 Nippon Paper Chemicals Co., Ltd. New coater to be installed at Nippon Paper Chemicals (Higashimatsuyama Mill) ● November 18 Nippon Paper Crecia Co., Ltd. Nippon Paper Crecia newly releases the HAGOROMO as the Kleenex® SHIKOU series ● December 6 Nippon Paper Industries Co., Ltd. Nippon Paper Industries releases the FRONTYTOUGH Series of new mechanical paper products offering higher bulkiness (see page 69)
January	<ul style="list-style-type: none"> ● February 28 Nippon Paper Industries Co., Ltd. Nippon Paper Industries develops an environmentally friendly offshore engineering material by using marine sediments and paper sludge ash (see page 44) ● March 4 Nippon Paper Group, Inc. Nippon Paper Group, Inc., participates in cherry tree-planting activities in Shizuoka Prefecture (see page 44) 	<ul style="list-style-type: none"> ● March 12 Nippon Paper Group, Inc. Damage to the Nippon Paper Group's three mainstay mills as a result of the Great East Japan Earthquake (see pages 6-7) 	
1H 2011 April		<ul style="list-style-type: none"> ● April 28 Nippon Paper Group, Inc. Nippon Paper Group announces the introduction of daylight saving time ● May 11 Nippon Paper Industries Co., Ltd. Nippon Paper Industries' Iwanuma Mill and Nakoso Mill fully restored (see pages 6-7) ● June 23 Nippon Paper Group, Inc. Nippon Paper Group supplies power to utilities (see page 9) ● July 19 Nippon Paper Group, Inc. Nippon Paper Group's power-saving response for the summer (see page 9) ● July 27 Nippon Paper Group, Inc. Nippon Paper Group supports its employees' volunteer activities for restoration following the Great East Japan Earthquake (see page 8) 	<ul style="list-style-type: none"> ● June 1 Nippon Paper Group, Inc. Nippon Paper Group, Inc., establishes a facility to produce cuttings of Sunrouge, a high-function tea, in Amagicho, Kagoshima (Tokunoshima)
July	<ul style="list-style-type: none"> ● September 22 Nippon Paper Group, Inc. Nippon Paper Group, Inc., holds the 11th School of Friendship for Forests and paper at Marunuma Kogen (see page 95) 	<ul style="list-style-type: none"> ● August 22 Nippon Paper Group, Inc. Nippon Paper Group to use wood rubble from the Great East Japan Earthquake as fuel at Ishinomaki Mill (see page 8) ● September 16 Nippon Paper Industries Co., Ltd. Nippon Paper Industries to resume operation of Paper Machine 8 at Ishinomaki Mill (see pages 6-7) 	<ul style="list-style-type: none"> ● August 3 Nippon Paper Group, Inc. Announcement concerning acquisition of shares in Lee & Man Paper Manufacturing Limited ● August 3 Nippon Paper Group, Inc. Nippon Paper Group announces plan for paper business revitalization (see page 9) ● September 13 Nippon Paper Industries Co., Ltd. Nippon Paper Industries to integrate printing and writing paper brands



Press Releases
<http://www.np-g.com/e/news/index.html>

Note: Posted in the "Information" section of the Company's website



Information
<http://www.np-g.com/e/info/2011.html>

Environmental Responsibility



Company-owned forests in Japan

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Policy and Management

We are putting in place a Group-wide environmental management system based on our Charter on the Environment and engaging in environmentally friendly corporate activities.

Basic Stance

Endeavoring to reduce the environmental impact of our activities taking into consideration the unique characteristics of our business and wide-ranging social issues

Through the effective use of wood, a renewable resource, the Nippon Paper Group delivers a wide spectrum of products to broader society.

Taking into consideration the substantial amounts of energy and water used in its manufacturing processes, the Nippon Paper Group has positioned efforts to reduce the environmental impact of its business activities as a key corporate social responsibility. As a result, we are committed to increasing the efficiency of our facilities and processes at every stage of the product lifecycle from production to delivery. At the same time, we are promoting highly effective measures aimed at addressing wide-ranging environmental issues including global warming, resource recycling, and environmental pollution.

Charter on the Environment

The Nippon Paper Group Charter on the Environment was formulated through discussions with stakeholders.

The Nippon Paper Group has drawn up its Charter of the Environment and continues to promote environmental conservation activities. In looking to revise the charter in March 2007, we disclosed a draft of proposed amendments to the public so that stakeholders could submit their opinions and requests. The Nippon Paper Group then considered the public's response in reviewing its Charter on the Environment.

Environmental Action Plan (Green Action Plan)

In identifying specific objectives, we are working to raise the effectiveness of our environmental endeavors.

The Nippon Paper Group has incorporated specific objectives, covering each of the six basic policies that make up its Charter on the Environment, into its Environmental Action Plan. In this context, the Group has drawn up the Green Action Plan 2010 covering the period from fiscal 2007 to fiscal 2010. Guided by the Green Action Plan 2010, Nippon Paper Group companies have each established their own specific environmental action plans. Bringing together each Group company's efforts to achieve its own designated objectives, we are enhancing our ability to achieve the Group's objectives as a whole.

At the end of fiscal 2010, the final year of the Green Action Plan, we were unable to achieve our reduction objectives for both per-unit CO₂ emissions from fossil energy consumption as well as units of fossil energy (see page 37). We were, however, able to achieve all other objectives.

Currently, we are in the process of identifying those objectives that will form the basis of our new Green Action Plan for fiscal 2011 and beyond. In drawing up the new plan, we will take into consideration the effects of the Great East Japan Earthquake that occurred on March 11, 2011. We posted details on our website in December 2011.

The Nippon Paper Group Charter on the Environment (Established on March 30, 2001, and revised on March 30, 2007)

Philosophy

The Nippon Paper Group is committed to helping preserve the global environment over the long term and contributing to the development of a recycling-based society by carrying out its corporate activities in recognition of the importance of biodiversity*.

Basic Policy

1. Act to counter global warming
2. Protect and develop forest resources
3. Increase use of recycled resources
4. Comply with environmental statutes and work to minimize our environmental impact
5. Develop environmentally friendly technologies and products
6. Engage in active environmental communication

* Biodiversity typically falls into three different classes: genetic diversity, which refers to the genetic variability within a species; species diversity which covers the variety of species within a community; and ecosystem diversity, which entails the organization of species in an area into distinctive plant and animal communities.

The Nippon Paper Group Environmental Action Plan (Green Action Plan 2010)

This plan established specific Group-wide objectives based on the Group's overarching environmental philosophy and basic policies.

Environmental action plans of each Group company

Each Group operating company including Nippon Paper Industries, and Nippon Daishowa paperboard, establishes its own set of objectives based on the Green Action Plan 2010.

The Nippon Paper Group Environmental Action Plan Fiscal 2010 Results

Basic Policy in the Charter on the Environment	The Environmental Action Plan	Progress under the Green Action Plan 2010	Page No.
1. Act to counter global warming	Reduce per-unit CO ₂ emissions from fossil energy consumption per product by 16% compared to fiscal 1990 levels by fiscal 2010	In addition to energy-saving initiatives undertaken throughout the entire manufacturing process, installed new boilers at 10 mills and promoted higher fuel conversion efficiency. Confident in our ability to meet initially stated objectives, revised upward reduction targets for per-unit CO ₂ emissions and units of fossil energy from 10 to 16% and 13 to 20%, respectively, in April 2008. Impacted by economic fluctuations since 2008, however, we fell short of newly revised targets. Reductions in per-unit CO ₂ emissions from fossil energy consumption per product and units of fossil energy per product were held to 12.9% and 18.1%, respectively.	37
	Reduce units of fossil energy per product by 20% compared to fiscal 1990 levels by fiscal 2010		
	Reduce greenhouse gas emissions	Reduced CO ₂ emissions from fossil fuels by 22.5% compared to fiscal 1990 levels in fiscal 2010 by rebuilding production systems and increasing production efficiency. Maintained a CO ₂ absorption capability of approximately 19 million tons through overseas afforestation and appropriate forest management.	36–41
	Manage company-owned forests in Japan based on sound practice designed to ensure carbon dioxide absorption and sequestration	Maintained a CO ₂ absorption capability of 21 million tons across 90,000 hectares of Company-owned forests through appropriate forest management.	36
2. Protect and develop forest resources	Proceed with the Tree Farm Initiative, an overseas afforestation project that fosters sustainable sources of hardwood chips, to achieve an overseas afforestation area of 200,000 hectares by 2015	Achieved the 2008 afforestation area target of 100,000 hectares in 2006. Target revised upward to 200,000 hectares. Overseas afforestation area stood at 165,000 hectares as of December 31, 2010.	56
	Maintain existing forest certification for all company-owned forests in Japan or overseas	Achieved the 2008 target to acquire forest certification for all Company-owned forests in Japan and overseas in 2007. Currently working to maintain all existing forest certification.	57
	Procure all imported hardwood chips from plantations or certified forests	Achieved the 2008 target ensuring that all hardwood chips are certified or are chips that come from plantations during fiscal 2008. Currently maintaining plantation and certified forest chips as the source for all of the Group's imported hardwood chips.	55
	Develop advanced technologies for boosting forest tree cultivation	Elite tree selection and cross breeding are promoted in overseas plantations to efficiently secure raw materials from limited forest resources. Three elite trees have been selected at a plantation in Western Australia. Promotion of flowering and techniques utilizing DNA analyses are being developed at AMCEL of Brazil to boost cross breeding.	—
3. Increase use of recycled resources	Maintain the recovered paper usage rate at 50% or higher	Engaging in activities aimed at strengthening recovered paper process capabilities while expanding applications. Surpassed the fiscal 2006 target of 50%. Thereafter maintained an RP utilization rate of 50% or higher. Achieved a rate of 52.4% as of the end of fiscal 2010, achieving the established target.	50
	Reduce final waste disposal to maximum 4% of fiscal 1990 levels by fiscal 2010	Despite an upswing in the amount of ash generated due to an increase in the use of non-fossil biomass fuels, promoted the effective application of waste resulting in a reduction in final disposal amounts. Final disposal amount for fiscal 2010 was 7,000 tons, representing 2.3% of the level recorded in fiscal 1990 levels. Target attained.	46
	Increase the ratio of products made from waste to 25% or more of total waste generated, by fiscal 2010	Introduced granulation facilities to promote the making of product from ash. Achieved a 26.5% realization ratio of products made from waste in fiscal 2007 surpassing the target of 25%. Achieved a 29.5% realization ratio of products made from waste in fiscal 2010. Target again attained.	46
4. Comply with environmental statutes and work to minimize our environmental impact	Maintain and strengthen our environmental management systems	Strengthened the environmental management structure spearheaded by the Group Management Committee. Promoting acquisition of ISO 14001 certification. Certification acquired by 19 consolidated subsidiaries as of March 31, 2011.	28, 30
	Define and manage voluntary control targets for preventing air, water, and soil pollution; noise; vibration; and foul odors	Established increasingly stringent voluntary management targets in order to observe emission standards and protocols. By actively promoting reductions in emissions where the Group is yet to achieve management targets, achieved ongoing reductions in emissions.	47–48
	Control chemical substances appropriately by identifying substances whose use is to be prohibited or emissions reduced	Reduced the amount of substances subject to the PRTR Law used and implemented the application of alternative substances. Compared to the amount of 23,000 tons handled in fiscal 2005, achieved a substantial reduction in the amount handled in fiscal 2010 to 14,000 tons.	49
	Accelerate the shift to transport modes, containers, and packing materials with low environmental impacts	Increased the ratio of direct deliveries while promoting modal shift operations. Implemented efforts to reduce the size of products as well as the weight of packaging materials.	39
	Move ahead with green procurement of office equipment, supplies, and other needs	Recommended green purchasing at each Group company.	—
5. Develop environmentally friendly technologies and products	Step up the research and development of environmentally safe, resource-saving products	Developed and marketed products that incorporate environmental concerns at each stage of the product lifecycle from raw material procurement to disposal. Developed a process for the production of bioethanol and trees with high productivity as a part of ongoing technology development activities that utilize forest resources in the energy field.	78–80
	Conduct research and development of technologies for reducing environmental impact at all stages of manufacturing		
	Continue to install and improve resource-saving equipment	Introduced energy-saving equipment on a systematic annual basis and installed waste- and wood biomass-fired boilers resulting in a reduction in the amount of fossil fuel consumed. Implemented measures aimed at curtailing the amount of raw materials used by introducing equipment that require lower volumes of raw materials while producing products of an equivalent quality to conventional products.	38, 78
6. Engage in active environmental communication	Disclose environmental information to stakeholders in a timely manner through sustainability reports and on the website	Published two types of sustainability reports since fiscal 2008: a highlight edition (Japanese only) that aims at enhancing communication, and; a detailed edition that is designed to provide in-depth information disclosure. In an effort to provide a more personal environmental and social tool, published the magazine <i>ShikiOrion</i> (The Splendors of Paper) since 2007.	25
	Engage actively in local environmental communication through dialog with the public and the government	Placed particular emphasis on risk communication as a part of efforts to share risk information with local communities and to foster relationships of mutual trust. Efforts launched by Nippon Paper Industries, currently being implemented by Group companies.	32
	Play an active role and support environmental conservation activities and initiatives	Undertook a wide range of activities, including biodiversity conservation, recycling, tree planting, environmental education and local community beautification.	32, 93

Policy and Management

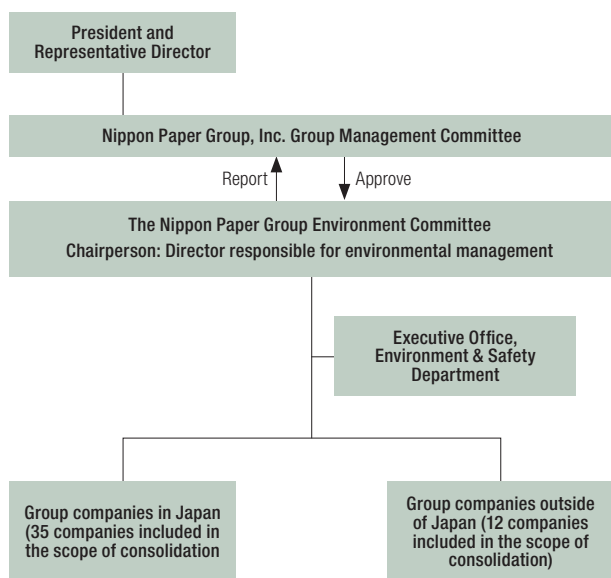
Environmental Management Promotion Structure

Putting in place a Group-wide environmental management structure

The Group Management Committee is responsible for deliberating on and determining the environmental strategies of the Nippon Paper Group. The Environmental Committee, which ranks below the Group Management Committee, draws up the overarching philosophy and basic policies of the Charter on the Environment (see page 28), which are in turn officially approved by the Group Management Committee.

In practicing the philosophy and basic policies of the Charter on the Environment, the Environment Committee draws up an Environmental Action Plan containing specific targets. After obtaining the approval of the Group Management Committee, this plan provides the basis for the targets of Group companies in Japan and overseas. The Environment Committee monitors the status of progress toward achieving established environmental targets by Group companies in accordance with the Environmental Action Plan. Results are then reported to the Group Management Committee.

The Nippon Paper Group's Environment Promotion Structure



● Promoting the acquisition of ISO 14001 certification

The Nippon Paper Group is actively promoting the acquisition of ISO 14001 certification, the international standard for environmental management. As of April 1, 2011, the following Nippon Paper Group works had acquired certification.

All of the production bases of Nippon Paper Industries, Nippon Daishowa Paperboard, Nippon Paper Crecia, Nippon Paper Papylia, and SHIKOKU COCA-COLA BOTTLING Company, direct subsidiaries of Nippon paper Group, Inc., have acquired ISO 14001 certification.

Acquisition of ISO 14001 Certification (as of April 1, 2011)

Company Name	Mills/Manufacturing Companies/Works
Nippon Paper Industries Co., Ltd.	Kushiro Mill, Hokkaido Mill (Asahikawa Works, Yufutsu Works, Shiraoi Works), Ishinomaki Mill, Iwanuma Mill, Nakoso Mill, Fuji Mill, Iwakuni Mill, Yatsushiro Mill, R&D Dept.
Nippon Daishowa Paperboard Co., Ltd.	Akita Mill, Soka Mill, Ashikaga Mill, Yoshinaga Mill, Otake Mill
Nippon Paper Crecia Co., Ltd.	Tokyo Mill, Kaisei Mill, Kyoto Mill, Iwakuni Mill
Nippon Paper Papylia Co., Ltd.	Harada Mill, Suita Mill, Kochi Mill
SHIKOKU COCA-COLA BOTTLING CO., LTD.	Headquarters, SHIKOKU COCA-COLA PRODUCTS CO., LTD., SHIKOKU SAWAYAKA SERVICES CO., LTD. headquarters, SHIKOKU CANTEEN CO., LTD. headquarters, DYNAFLOW CO., LTD. headquarters
KOYO PAPER MFG. CO., LTD.	Headquarters - Mill
Kitakami Paper Co., Ltd.	Headquarters - Ichinoseki Mill
NP Trading Co., Ltd.	Headquarters and works in Japan
NIPPON PAPER-PAK CO., LTD.	Headquarters, Liquid Packaging Center, SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD.
Nippon Paper Chemicals Co., Ltd.	Gotsu Works, Iwakuni Works, Higashimatsuyama Works, Yufutsu Works
Nippon Seitai Corporation	Headquarters, Hokkaido Works, Niigata Works, Maebashi Mill, Saitama Mill, Kansai Works, Kyusyu Works
Daishowa Uniboard Co., Ltd.	Miyagi Mill
Nippon Paper Lumber Co., Ltd.	Insulator Sales Department Iwaki Mill
Nippon Paper Development Co., Ltd.	Headquarters, Landscape Department, Tokyo Department
Sakurai Co., Ltd.	Headquarters
Nippon Paper Ishinomaki Technology Co., Ltd.	All departments (Electric Device Department, Machinery Department, Construction Department)
Nippon Paper Industries USA Co., Ltd.	Port Angeles Mill
Paper Australia Pty. Ltd.	Maryvale, Shoalhaven
South East Fibre Exports	Eden
Nippon Paper Resources Australia *1	Portland Treefarm Project, Bunbury Treefarm Project, Victoria Treefarm Project
DMI *2	Peace River Pulp Division, Cariboo Pulp and Paper Company
AMCEL *2	Tree Farming and Forest Survey Department
Volterra *1	Companywide
WAPRES *2	Companywide

*1 Non-consolidated company

*2 Equity-method affiliate

Strengthening Environmental Compliance (Environmental Audits)

Engaging in activities designed to bolster environmental compliance, including environmental audits

Among a host of endeavors aimed at bolstering environmental compliance, the Nippon Paper Group is paying particular attention to the implementation of environmental audits. The Group is also redoubling its efforts to put in place a framework that ensures all problems come to light.

Bolstering environmental compliance

Promoting activities to prevent problems from occurring

- Building a workplace that places the utmost importance on the environment
- Reinforcing systems to identify laws and regulations
- Implementing measures from both the facility and technology perspectives



Establishing a framework that ensures all problems come to light

- Bolstering environmental audits
- Strengthening the environmental management structure
- Engaging in environmental communication and active information disclosure

● Strengthening the framework for reliably identifying laws to be observed

To accurately respond to wide-ranging and relatively frequent changes in environmental legislation, Nippon Paper Industries, has signed advisory agreements with knowledgeable legal experts.

A new legal search system, as well as advice on new and complex laws, has bolstered the framework for reliably identifying laws to be observed and their content.

● Environmental audits that place particular emphasis on legal compliance

Nippon Paper Industries, has conducted environmental audits that focus primarily on legal compliance since fiscal 2007. These audits are based on the guideline published by Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry in March 2007 and are helpful in verifying the status of compliance. Following a preliminary internal audit undertaken at each mill in accordance with predetermined compliance checklists, Nippon



Documentation audit (Iwakuni Mill, Nippon Paper Industries)



Site verification (Iwakuni Mill, Nippon Paper Industries)

Paper Industries' headquarters Environment & Safety Department conducts an additional audit. In fiscal 2010, a considerable amount of time was taken to confirm compliance with such environmental statutes as Japan's Air Pollution Control Act, the Water Pollution Control Act, and the Waste Disposal Act.

In addition, officers in charge of environmental matters at each Group company take part in the aforementioned environmental audits. This allows these officers to gain an understanding of audit operating procedures, which is then applied in the conduct of internal Group company audits. The implementation status of environmental audits at each Group company is confirmed by an environmental subcommittee made up of the general managers responsible for environmental matters at each Group company. Through these means, we are making every effort to ensure Group-wide legal compliance.

Breaches of Statutory Requirements and the Status of Accidents

No instances of adverse disposition imposed by regulatory authorities

We were not subject to any form of disciplinary action from regulatory authorities (suspension of licenses, orders to suspend the use of facilities or fines) with respect to compliance in fiscal 2010.

Accidental discharge of a chemical solution at Nippon Paper Industries' Yatsushiro Mill

Nippon Paper Industries, reported the accidental discharge of a chemical solution (strong alkali) used in its pulp manufacturing process at its Yatsushiro Mill on November 10, 2010. This incident occurred when chemical pipes were detached for cleaning resulting in the discharge of approximately 150m³ of chemical solution. Exceeding the appropriate standard for pH levels in drainage water, this discharge made local waterways cloudy.

In responding to this incident, the company took comprehensive measures, documenting in an easy-to-understand diagrammatic format all appropriate operating details and procedures. In addition, steps were taken to boost potency neutralization capabilities with respect to alkali waste and to reinforce drainage recovery equipment as countermeasures in case of an accident.

While there were no instances of adverse disposition as a result of this incident, we extend our heartfelt apologies to local residents for considerable concern and inconvenience caused. Moving forward, we are committed to strengthening the management of water quality particularly with respect to effluents discharged outside the mill. We will take every possible step to ensure that this type of the incident is not repeated.

Environmental Communication

Actively promoting environmental communication and reflecting feedback into our environmental activities

● **Risk communication**

The Nippon Paper Group places particular emphasis on sharing risk information in an effort to nurture strong ties of trust with local communities. To this end, the Group engages in risk communication with local residents at each of its mills. We recognize that in creating opportunities to exchange information about the risks associated with chemical substances and disasters, and in incorporating the views of government authorities, we are better placed to raise mutual awareness toward safety measures and to foster a greater sense of cooperation.

When installing large-scale equipment, the Nippon Paper Group also conducts explanatory meetings to provide local residents with a better understanding of any impact on the environment.



Risk communication meeting held at Nippon Paper Industries' Iwanuma Mill

● **Environment-related complaints**

The Nippon Paper Group handled 44 environment-related complaints in fiscal 2010. With each complaint, the relevant mill took steps to determine the cause, and took swift countermeasures. In those instances where an immediate response was not possible, all appropriate measures were taken to act as quickly as possible. Later, consideration was given to each complaint to ensure a permanent solution. With each complaint, the Group takes steps to explain the details of remedial action to be taken and to obtain the necessary acknowledgement.

The Nippon Paper Group has established a complaint and inquiry desk at each of its mills. We have also adopted environmental monitoring systems that are effectively driven by local residents to ensure that their comments are appropriately conveyed.

Environment-related complaints (fiscal 2010)

Item	No. of complaints	Item	No. of complaints
Noise	16	Smoke	2
Offensive odor	15	Vibration	1
Dust and mist dispersal	5	Other	5
Total 44			

Environmental Education and Training

Helping employees increase their knowledge and skills

The Nippon Paper Group provides environmental education mainly at works that have acquired ISO 14001 certification. This education is aligned to the career status of each employee from basic knowledge about the environment to specialist education for operators of environmental facilities including wastewater treatment plants. In addition, the Group encourages employees to attend externally organized training seminars to further their qualifications and skills.

The total number of hours of environmental education and cumulative number of participants were 22,198 and 13,954, respectively, in fiscal 2010.

● **The Nippon Paper Group Eco Photo Award**

The Nippon Paper Group has held the Eco Photo Awards in June as a part of its Environment Month activities. Through the medium of photos, this initiative is another opportunity for employees and their families to focus on the environment.



Fiscal 2011
An entry in the Eco Photo Award
"Unwittingly engaging in eco activities"

● **In-house suggestion system**

Utilizing its existing in-house suggestion system, Nippon Paper Industries, provides financial incentives enticing employees to submit suggestions on how best to improve the environment. To coincide with Global Warming Prevention Month in December 2010, the company called for suggestion on how to reduce CO₂ emissions. A total of 4,455 proposals were received.

Looking ahead, we will continue to call on a broad employee base, utilizing suggestions as we engage in environmentally friendly activities.

External awards for environmental conservation activities

The Nippon Paper Group received the following external awards for its environmental conservation activities in fiscal 2010.

External Awards for Environmental Conservation Activities (Fiscal 2010)

Recipient	Award	Award Organization
Nippon Daishowa Paperboard Co., Ltd. Yoshinaga Mill	Shizuoka Prefecture Governor's award demonstrating excellence in promoting appropriate treatment of industrial waste	Shizuoka Prefecture
Nippon Paper Crecia Co., Ltd. Kaisei Mill	Kanagawa Prefecture Governor's Award for Environmental Conservation	Kanagawa Prefecture
Paper Australia Pty. Ltd.	Environmental Sustainability Award	Victorian Association of Forest Industries

Environmental Accounting

Investments for environmental conservation totaled approximately ¥5.6 billion, while the cost for environmental conservation amounted to around ¥29.2 billion.

The total cost for environmental conservation amounted to approximately ¥34.8 billion in fiscal 2010. This was largely comprised of investments totaling ¥5.6 billion and costs of ¥29.2 billion.

On a year-on-year basis, environmental conservation costs

declined, with a substantial decrease in investments aimed at preventing pollution. The Group is well positioned to pursue environmental management on the strength of its existing facilities. As a result, investments in new facility construction and renewal declined. Turning to environmental liabilities, the Nippon Paper Group recorded a provision for environmental measures totaling ¥0.6 billion on its consolidated balance sheet to cover costs for PCB treatment.

Environmental accounting*

Environmental conservation costs

(Millions of yen)

Categories	Principal Activities	Investment	Cost
(1) Business area cost			
1. Pollution prevention cost	Costs for maintaining, managing and improving air and water pollution prevention facilities	1,828	16,607
2. Global environmental conservation cost	Costs for preventing global warming as well as maintaining and managing Company-owned forests	3,303	743
3. Resources circulation cost	Costs for effectively utilizing wastepaper as well as treating, reducing and recycling industrial waste	435	7,944
(2) Upstream / downstream cost	Costs for recovering pallets, etc.	–	1,285
(3) Administration costs	Costs for ISO 14001 inspection, operation and management; environmental information disclosure; employee environmental education; and workplace cleaning initiatives.	–	419
(4) R&D cost	Costs for R&D relating to environmentally friendly products as well as the reduction of environmental load imposed by paper manufacturing processes.	–	1,438
(5) Social activity costs	Costs for local community natural conservation, tree planting, cleaning and landscaping activities, as well as donations and support for environmental organizations.	–	151
(6) Environmental remediation costs		–	675
Total		5,566	29,262

Results of environmental impact in 2010

Categories	Environmental Impact Indicators		Results	YoY Change
Effects related to resources introduced to business activities	Afforestation projects overseas	Overseas afforestation areas	165,000 hectares	–
	Energy-saving measures	Fuel use (fuel oil equivalent)	–	Down 44,196 kl
Effects related to environmental impact and waste from business activities	Greenhouse gas emission control	CO ₂ emissions from fossil energy	7,1290,000 tons	Down 1,500 tons
		NO _x emissions (NO equivalent)	7,727 tons	Up 271 tons
		SO _x emissions (SO ₂ equivalent)	3,955 tons	Up 725 tons
		Soot and dust emissions	1,228 tons	Up 106 tons
		Chloroform emissions	131 tons	Down 30 tons
	Emissions of water contaminants	Wastewater	942,000,000 tons	Up 5,000,000 tons
		COD/BOD emissions	55,504 tons	Up 1,786 tons
		SS emissions	20,312 tons	Down 656 tons
		AOX emissions	782 tons	Down 27 tons
	Final waste disposal		30,700 tons	Up 7,200 tons
Effects related to environmental impact and waste from business activities	Product recycling	Volume of wastepaper used	3,265,000 tons	Down 77,000 tons
		RP utilization rate	52.40%	–
	Shipping material recycling	Pallet recovery rate	41.60%	–

Economic benefits of environmental conservation

(Millions of yen)

Effect	Amount
Income from Company-owned forests in Japan	592
Reduced expenses from energy saved	2,184
Reduced expenses through the effective use of waste	8,397
Gain on sales from the effective recycling of waste	638
Reduced expenses through the recycling of shipping materials	212
Total	12,023

* Accounting standards are based on Environmental Accounting Guidelines 2005

Material Balance

Reducing the environmental impact of our activities, mainly among the manufacturing processes of our mainstay pulp and paper business

Material Balance

Identifying and reducing the environmental impact of our business activities

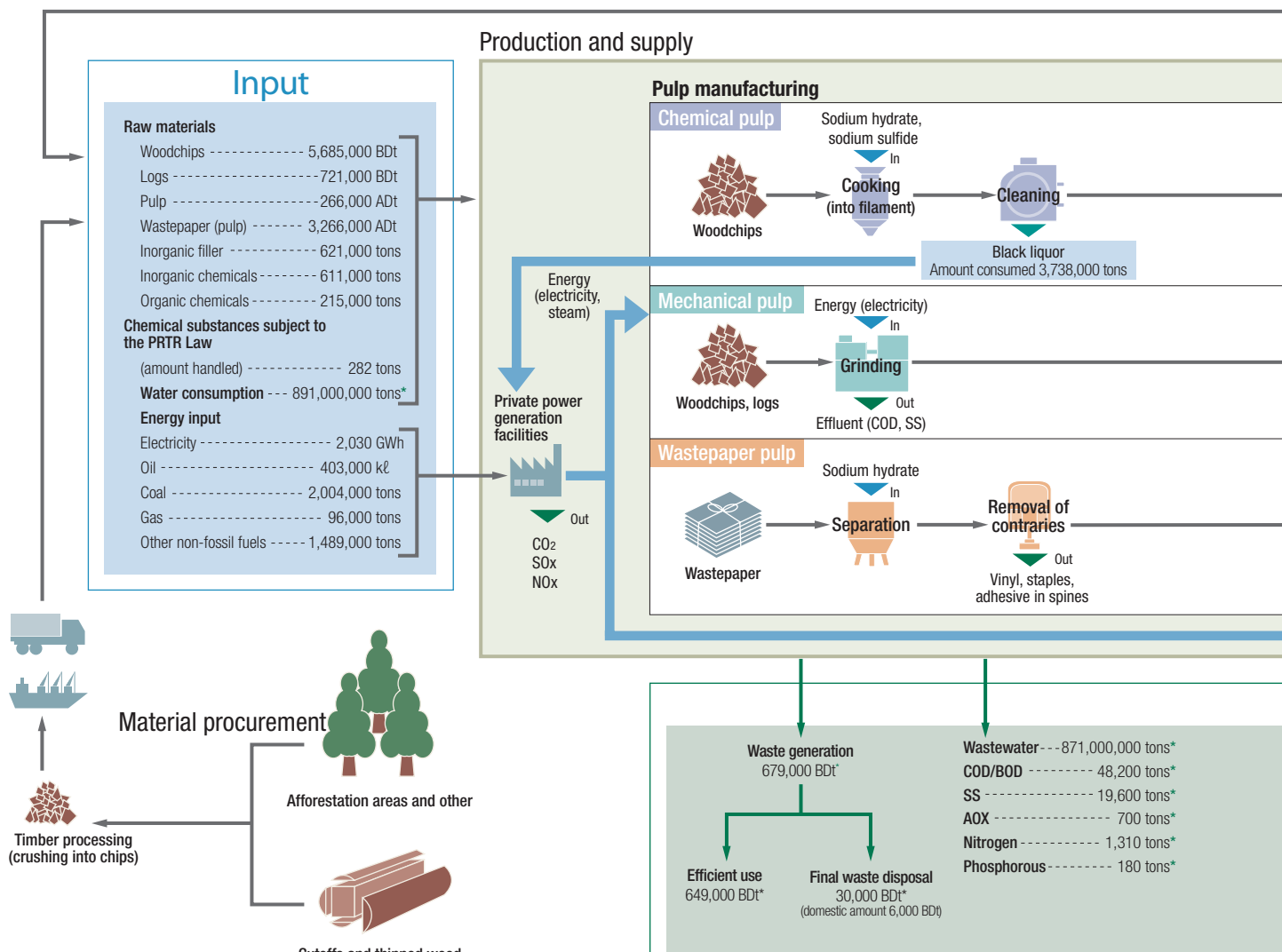
The Nippon Paper Group supplies a wide range of products. Among several business areas, the Pulp and Paper business accounts for the greatest impact on maintaining the proportion of material balance, accounting which is responsible for approximately 93% and 95% of the Group's water consumption and CO₂ emissions, respectively.

Woodchips and recovered paper make up the bulk of raw materials used to make paper. After converting these raw

materials into pulp, paper is essentially made by removing water using a process of evaporation. In the pulp and papermaking processes, steam are used as heat source and electricity are used as power source. Pulp and paper mills equipped with private electric generators having boilers that combust fuel to generate steam and turbines that generate electricity using steam as the power source.

Unfortunate byproducts of the pulp and paper manufacturing process are effluents containing water contaminants and gases containing air pollutants and CO₂. Moreover, the fuels combusted by boilers produce ash waste. With this in mind, the Nippon Paper Group strives to reduce the environmental impact of these pollutants.

Material balance in the Pulp and Paper Division (principal materials)



* Data for Nippon Paper Industries' Iwanuma and Ishinomaki mills is from the previous fiscal year. This is attributable to delays in collecting information following the Great East Japan Earthquake.

Balance of materials for all business (principal materials)

Input

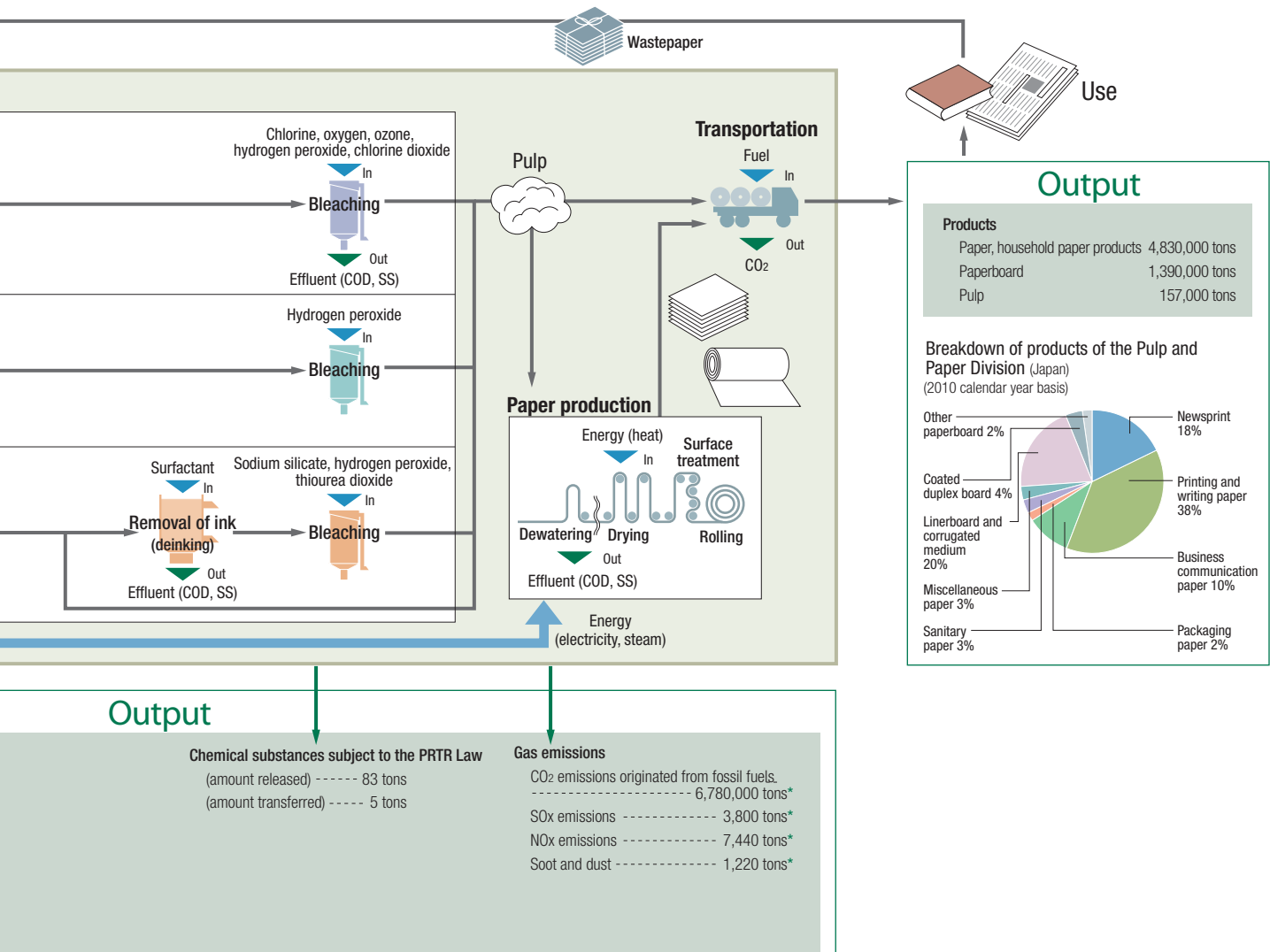
Fossil energy input	Raw materials
Electricity ----- 2,156 GWh	Woodchips ---- 5,888,000 tons
Oil ----- 412,000 kℓ	Logs ----- 721,000 tons
Coal ----- 2,262,000 tons	Pulp ----- 267,000 tons
Gas ----- 106,000 tons	Recovered paper (pulp) ----- 3,266,000 tons
Non-fossil energy input	Inorganic filler --- 621,000 tons
Black liquor ----- 3,812,000 tons	Inorganic chemicals 634,000 tons
Other non-fossil fuels*1 1,499,000 tons	Organic chemicals 215,000 tons
Chemical substances subject to the PRTR Law	Base paper ---- 130,000 tons
(Amount handled) ----- 14,307 tons	Resin ----- 14,000 tons
Water consumption --- 958,000,000 tons*2	Printing ink ----- 1,000 tons
River water ----- 609,000,000 tons*2	Raw material chemicals ----- 15,000 tons
Industrial water ---- 312,000,000 tons*2	Beverage cartons --- 9,000 tons
Well water ----- 38,000,000 tons*2	Saccharide ----- 7,000 tons
Public water supply ----- 0 tons*2	Wood-based construction materials ----- 27,000 tons

Output

CO2 emissions from fossil energy ----- 7,120,000 tons	Nitrogen ----- 1,310 tons*2
SOx emissions ----- 3,960 tons*2	Phosphorous ----- 180 tons*2
NOx emissions ----- 7,730 tons*2	Waste generation ---- 699,000 BDt*2
Soot and dust ----- 1,230 tons*2	Final waste disposal -- 31,000BD tons*2
Chemical substances subject to the PRTR Law	Effective use ----- 668,000 BDt*2
(amount released) ---- 225 tons	Products manufactured
(amount transferred) ---- 77 tons	Paper, household paper ----- 4,830,000 tons
Wastewater --- 942,000,000 tons*2	Paperboard ----- 1,390,000 tons
Public water -- 934,000,000 tons*2	Pulp ----- 243,000 tons
Sewerage ----- 8,000,000 tons*2	Paper container ----- 109,000 tons
COD/BOD ----- 55,500 tons*2	Chemical products -- 126,000 tons
SS ----- 20,300 tons*2	Building materials --- 46,000 tons
AOX ----- 780 tons*2	Beverages ----- 103,000 tons

*1 Biomass fuels, except for black liquor, and waste fuels

*2 Data for Nippon Paper Industries' Iwanuma and Ishinomaki mills is from the previous fiscal year. This is attributable to delays in collecting information following the Great East Japan Earthquake.



Mitigation of Climate Change

Reducing CO₂ emissions at every stage of our business activities

Objectives and Initiatives Regarding Global Warming Prevention

Promoting three core initiatives in an effort to prevent global warming

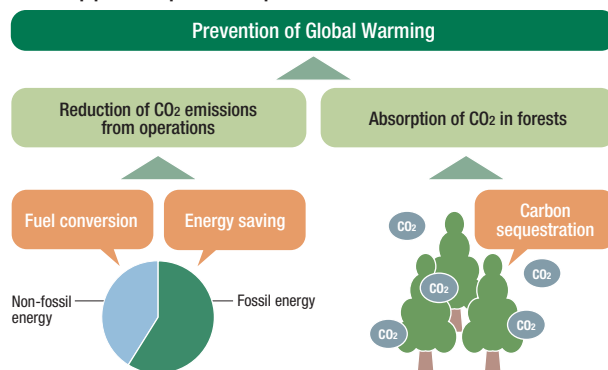
Placing considerable emphasis on the first basic policy of its Charter on the Environment, the Nippon Paper Group formulated an environmental action plan, the Green Action Plan 2010, as a part of efforts to prevent global warming.

The objectives of the Green Action Plan 2010 aimed at preventing global warming (Revised in April 2008)

- Reduce per-unit CO₂ emissions from fossil energy consumption per product by 16% compared to fiscal 1990 levels by fiscal 2010 (10% prior to revision)
- Reduce units of fossil energy per product by 20% compared to fiscal 1990 levels by fiscal 2010 (13% prior to revision)

The Nippon Paper Group is working to achieve the aforementioned objectives by adopting three key initiatives. As a part of efforts to reduce CO₂ emissions across every facet of its business activities, the Group is (1) converting to non-fossil energy by employing boilers that use biomass and waste (see page 38), (2) conserving energy in each of the production and transportation processes (see pages 38 and 39), and (3) managing forests properly to ensure CO₂ absorption/sequestration (see the column at the bottom of this page).

The Nippon Paper Group's Initiatives



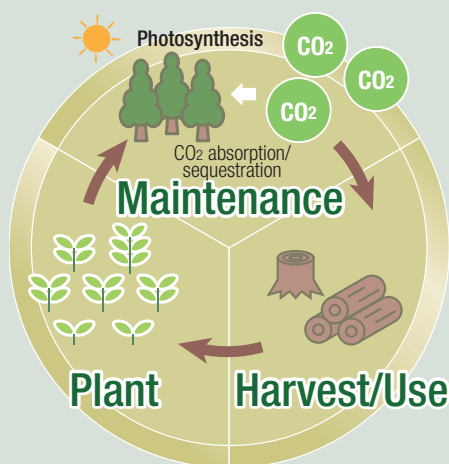
CO₂ absorption by forests in and outside Japan

As trees grow, they absorb CO₂ from the atmosphere. As they are a major repository of carbon, it is widely recognized that the proper protection of forests helps prevent global warming.

Together with its 90,000 hectares held across 30 prefectures in Japan, the Nippon Paper Group manages 165,000 hectares of forests overseas for an aggregate total of 255,000 hectares. Through proper forest management, the Group retains its CO₂ sequestration capabilities. These forests both in and outside Japan keep approximately 40 million tons of CO₂. By building a significant repository for carbon, we are contributing to global warming prevention.

In addition, CO₂ is sequestered in such forest products as paper and construction materials which are widely used throughout society. In this regard, the active recycling of recovered paper helps not only to conserve natural resources, but also to storage CO₂ over the long term.

Through sustainable forest management, the Nippon Paper Group is working diligently to prevent global warming in a variety of ways.



90,000 hectares of Company-owned forests in Japan

165,000 hectares of afforestation area outside Japan

**Total amount of sequestration:
Approximately 40 million tons of CO₂**

Fiscal 2010 Results

The Nippon Paper Group has identified specific global warming prevention objectives under its Green Action Plan 2010 and is accordingly working to reduce CO₂ emissions.

CO₂ emissions and energy consumption

While production volumes in each of the Group's businesses increased slightly over fiscal 2010, both CO₂ emissions and fossil energy consumption remained on a downward trend. This was largely attributable to the installation of boilers that combust biomass and waste up to fiscal 2009 and successful efforts to conserve energy across production processes.

CO₂ emissions across all businesses amounted to 7.12 million tons, down 22.5% compared to fiscal 1990 levels (Graph 1). Fossil energy input contracted 27.4% compared to 1990 levels (Graph 2).

Progress under the Green Action Plan 2010

On a year-on-year basis, the Group made greater progress in its reduction efforts over fiscal 2010. With respect to reductions in unit CO₂ emissions from fossil energy and units of fossil energy, however, at 12.9% (Graph 3) and 18.1% (Graph 4) compared to fiscal 1990 levels, we were unable to achieve our established objectives.

This was mainly caused by the drop in production volumes as a result of fluctuations in economic conditions since 2008. Generally speaking, a drop in production volumes in the manufacturing industry leads to inefficiency resulting in the deterioration of units of output, a key measure of production efficiency. The impact of a drop in production is made worse in the paper manufacturing industry by the decline in black liquor emitted during the manufacturing process, which is used as a carbon neutral non-fossil fuel.

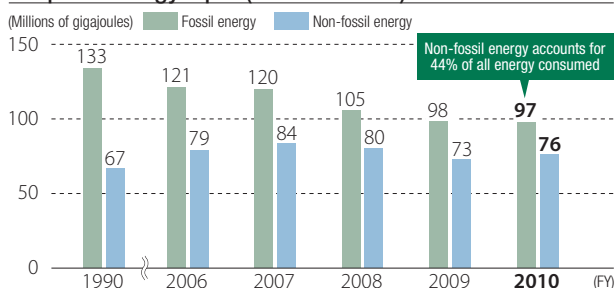
Since establishing the aim of preventing global warming in 2008, the drop in production volumes has led to a 20% decline in the amount of black liquor compared to projections identified at the beginning of the period. With the subsequent increase in fossil fuels consumed, the Nippon Paper Group has been unable to achieve its objectives.

Despite difficulties in securing a major recovery in production, we will continue to implement measures aimed at using non-fossil fuels and conserving energy in an effort to reduce CO₂ emissions in real terms.

Graph 1. CO₂ emissions from fossil energy (all businesses)



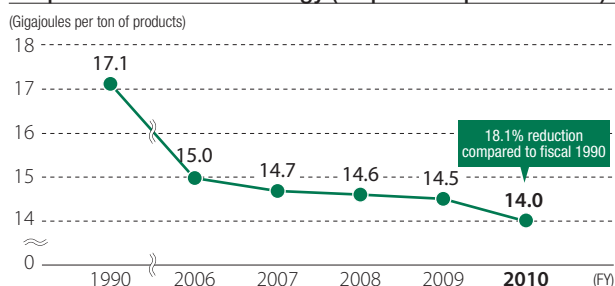
Graph 2. Energy input (all businesses)



Graph 3. Unit CO₂ emissions from fossil energy (Pulp and Paper Business)



Graph 4. Units of fossil energy (Pulp and Paper Business)



Mitigation of Climate Change

Reducing the Use of Fossil Fuels

Actively using biomass and waste fuels

The Nippon Paper Group is working to curtail fossil fuel consumption in an effort to prevent global warming, a major factor in climate change issues. As one of several measures, we have systematically installed highly efficient boilers that use biomass, waste and other non-fossil fuels since fiscal 2004.

The Nippon Paper Group installed 10 boilers in Japan that can combust such carbon neutral non-fossil fuels (see the diagram below) as biomass and refuse including construction waste materials as well as used tires and RPF*. Through these means, we are reducing the amount of fossil fuels consumed.

By actively using these fuels, we have raised the ratio of non-fossil fuels to all energy consumed from 33% in fiscal 1990 to 44% in fiscal 2010.

Fuel from biomass and waste



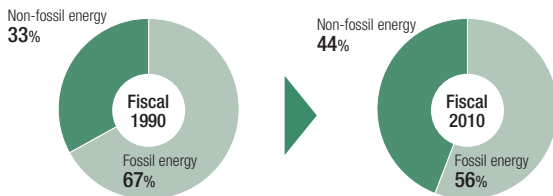
Construction waste materials

RPF

Used tires

* **Refuse paper and plastic fuel:** Fuel derived from paper that is unusable as recovered paper and waste plastic.

Non-fossil fuel usage ratio (calories)

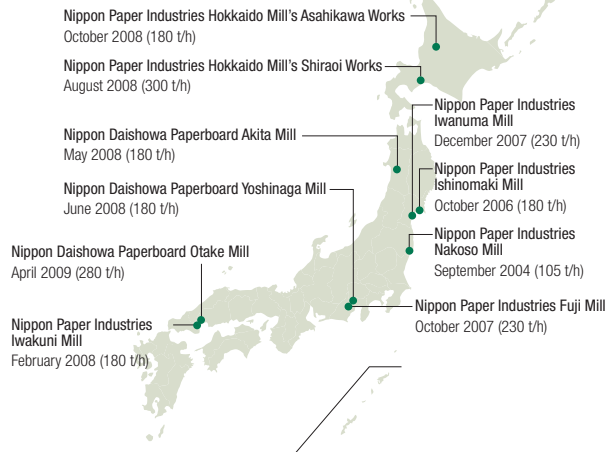


* **Fiscal 2010:** Calculations based on Nippon Keidanren's Follow-up to the Keidanren Voluntary Action Plan on the Environment

* **Non-fossil energy**
Includes biomass and waste energy

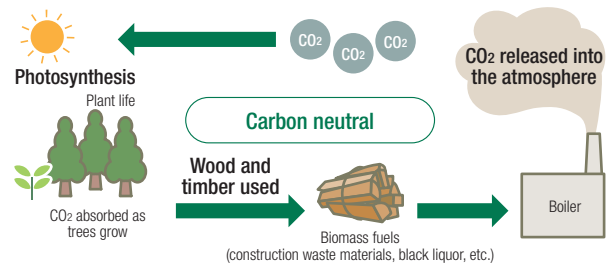
Status of boiler installation (Fiscal 2004 to fiscal 2009)

Figures in parentheses represent the amount of evaporation.



The carbon neutral concept

Plants absorb CO₂ from the atmosphere as they grow. The CO₂ released when burning plants is therefore deemed as gas that originated in the atmosphere. By replanting the amount of vegetation used, there is by association no increase in CO₂ in the atmosphere. Taking the aforementioned into consideration, the carbon neutral concept is therefore based on the principle that CO₂ generated by burning plant-based biomass for energy is fully offset by the amount of CO₂ absorbed as plants grow.



Shifting to Fuels that Have a Lower Impact on the Environment

An LNG boiler that has a lower environmental impact installed

Natural gas is distinguished by its low levels CO₂ and nitrogen oxide (NO_x) emission during combustion. Accordingly, the environmental impact natural gas imposes on the environment is less than other fossil fuels.

While heavy oil was used to fuel boilers at the Kochi Mill of Nippon Paper Papyrus, a liquefied natural gas (LNG) boiler was installed in September 2010. Compared to heavy oil boilers, LNG boilers emit 20% less CO₂. In this manner, we are working to address climate change issues.



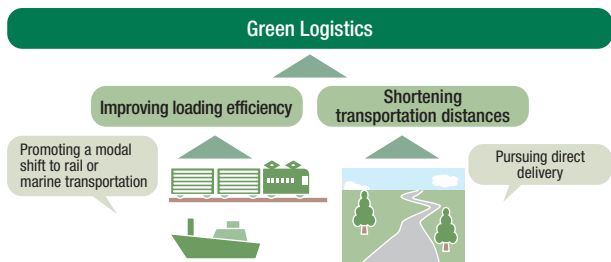
The LNG satellite facility installed at the Kochi Mill of Nippon Paper Papyrus

Logistics-Related Initiatives

The Nippon Paper Group is working with the logistics industry, as well as with customers to promote green logistics.

The Nippon Paper Group is actively engaging in green logistics in an effort to further reduce the environmental impact of its business activities. The Group focuses mainly on the two core initiatives of improving its loading efficiency to secure an industry-leading modal shift rate and shortening transportation distances. Through these means, the Group is endeavoring to reduce CO₂ emissions.

The Nippon Paper Group's logistics-related initiatives



● Promoting a modal shift in transportation to secure high loading efficiency

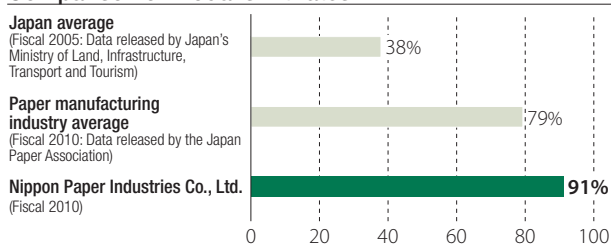
The Nippon Paper Group is promoting a modal shift in transportation. This modal shift entails the increased use of rail and marine transportation. By increasing load efficiency, particularly over long distances, we are reducing the environmental impact of our activities.

Nippon Paper Industries, achieved a modal shift rate* of 91% in fiscal 2010. This far surpassed the domestic and industry averages.

* Modal shift rate

The percentage of rail or marine (including ferries) transport in miscellaneous cargo transported over 500 kilometers.

Comparison of modal shift rates



● Reducing CO₂ emissions across the supply chain, including distribution

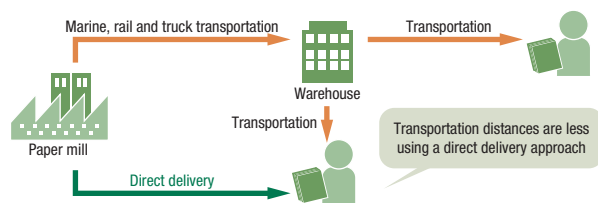
Paper manufactured at mills is generally delivered to storage facilities near the point of consumption and later loaded into trucks for transportation to customers. Paper companies are for the most part responsible for delivery to warehouses while transportation companies are responsible for distribution thereafter.

Nippon Paper Industries, delivers its products direct from the mill to customers, bypassing storage facilities. In this manner, the company is working to reduce transportation distances.

While CO₂ emissions relating to transportation from Nippon Paper Industries, increase, this approach helps reduce total CO₂ emissions across the entire supply chain. At the same time, we are better positioned to cut back CO₂ emissions relating to warehouse loading operations.

Looking ahead, we will work closely with the logistics industry and customers to secure increased transportation efficiency. In this manner, we will reduce CO₂ emissions across the entire supply chain.

Reducing the total distance products are transported by promoting delivery direct from paper mills



Acquiring green management certification

Under the Green Management Certification System, the Foundation for Promoting Personal Mobility and Ecological Transportation, working with Japan's Ministry of Land, Infrastructure, Transport and Tourism and the Japan Trucking Association, has published a manual to support truck operators' voluntary efforts to protect the environment and to promote increased awareness toward green management.

The Nippon Paper Group has received Green Management Certification at 17 works of nine Group companies, including NIPPON PAPER LOGISTICS CO., LTD., Kyokushin Transport Co., Ltd., Nanko Logistics Support Co., Ltd., Hotoku Co., Ltd., NP Unyu Kanto Co., Ltd., NP Unyu Fuji Co., Ltd., NP Unyu Kansai Co., Ltd., NP Unyu Iwakuni Co., Ltd. and New Transport Co., Ltd.



Green Management Certification Mark

Mitigation of Climate Change

Office Initiatives

Actively involved in energy-saving initiatives in the office as well as at home

● Initiatives at the head office building

In addition to switching off all lighting during lunch breaks, the Nippon Paper Group has continued to implement energy-saving initiatives at its offices.

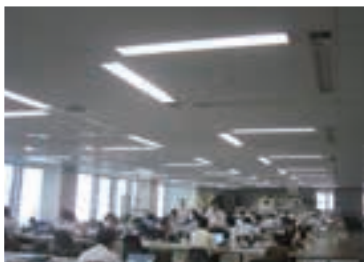
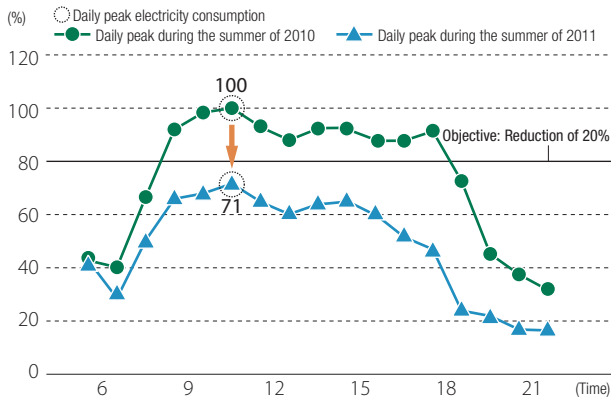
Confronted by tight electric power supply and demand conditions following the Great East Japan Earthquake, we took steps to reduce peak electricity consumption by 20% at the head office building during the summer of 2011.

Energy-saving initiatives at the head office building

- Lighting: Increased the distance between fluorescent lamps; switched off all lights during lunch breaks
- Air conditioning: Set air conditioning temperatures at 28°C; shortened hours of operation
- Shift in electricity: Implemented daylight saving time consumption hours
- Other: Reduced the number of elevators in service; set office automation devices to power saving mode, etc.

Reduction in peak electricity consumption at the head office building

(Rate of reduction compared to peak electricity consumption during the summer of 2010)



Achieved a 50% reduction by increasing the distance between fluorescent lights; made full use of natural light through the opening and closing of blinds

● 100 employees participate in the “diagnosing the eco-home” initiative

Complementing activities at the Nippon Paper Group’s Works, employees are supporting the Group’s environmental contribution activities by practicing energy conservation in the home.

In 2011, 100 of the Group’s head office employees participated in “diagnosing the eco-home*,” a support project initiated by Japan’s Ministry of the Environment. Diagnostic officers of the Ministry assessed the status of energy consumption and CO₂ emissions at home of individual employees. Each participating employee received an individual diagnosis and menu of measures to ensure more effective energy-savings.

* An employee home support project initiated by Japan’s Ministry of the Environment to reduce greenhouse gas emissions across the supply chain in fiscal 2011.



An employee (left) listening intently to advice from a diagnostic officer (right) of Japan’s Ministry of the Environment

● Nurturing green curtains

Among a host of measures aimed at conserving energy over the summer, the Nippon Paper Group continues to grow “green curtains” at each of its works. Climbing plants that cascade down over external walls act as a shield against the harsh summer sunlight and rising room temperatures.

Nippon Paper Crecia, has grown green curtains over the past three years. Among the many species of plant life used, green curtains are made up of bitter melon, Japanese morning glory, dishcloth gourd and Malabar spinach.

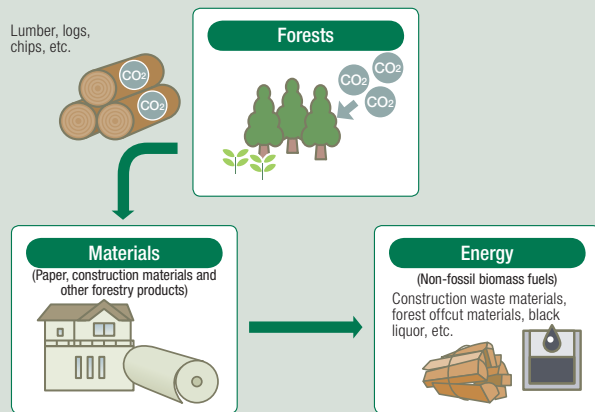


Green curtain at Nippon Paper Crecia’s Kyoto Mill

Preventing global warming through the effective use of trees

Trees absorb and sequester CO₂ from the atmosphere as they grow. In addition to their storage function, trees continue to sequester carbon even after they are harvested as materials in the manufacture of products. Following use as construction and other materials, tree byproducts (construction waste materials, etc.) can be employed as biomass fuels that do not increase CO₂ in the atmosphere (see the Carbon Neutral Concept on page 38). In addition to the sustainable forest management endeavor, the Nippon Paper Group strives diligently to improve the efficiency in utilizing the resources by cascade use of tree resources. The cascade use is to make full use of its available tree resources through both low- and high-quality application.

Prevent global warming through the cascade use of trees



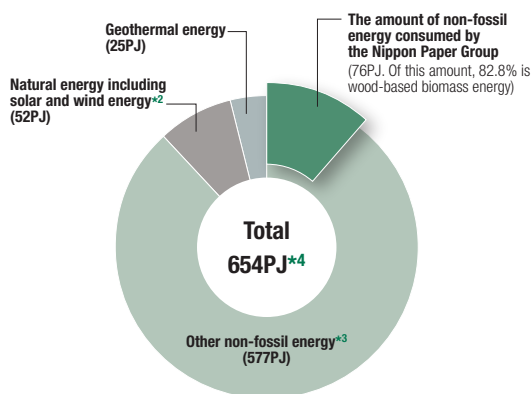
One of the largest corporate user of biomass energy in Japan

The Nippon Paper Group is an active user of such non-fossil energy as wood-based biomass and waste fuels. The ratio of non-fossil energy to total energy consumed by the Group is 44%.

In addition, the amount consumed accounts for up to 11.6%* of non-fossil energy used in Japan. In specific terms, wood-based biomass fuels, including black liquor and construction waste materials, make up 82.8% of this total. As such, the Nippon Paper Group is Japan's largest corporate user of biomass energy.

The quantity of non-fossil energy (excluding nuclear and water power) supplied in Japan

(Fiscal 2009*1)



*1 Source:

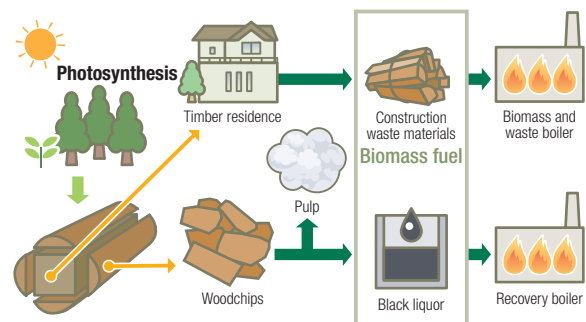
In-house data prepared from energy supply results by the Resources Energy Agency

*2 Excluding private power generating facilities with a capacity of less than 1,000 kilowatts

*3 Other non-fossil energy is equivalent to the unused portion of energy based on the Resources and Energy Agency data identified in note *1, including waste power generation, direct-use black liquor, and waste energy recovery.

*4 Unit: PJ (Petajoule: 10 to the 15th power Joules)

Biomass energy utilization



Black liquor

Black liquor, a byproduct of the pulp manufacturing process, is a wood-based biomass fuel that is unique to the paper manufacturing industry. Black liquor is used as a fuel in recovery boilers. Each year, the Nippon Paper Group's use of black liquor at 12 of its mills is equivalent to 1.3 million kilowatts of crude oil.



Construction and other waste material

Behind black liquor, construction and other waste materials are the second most used wood-based biomass fuel. Since 2004, the Nippon Paper Group has installed boilers that are capable of combusting the aforementioned fuels at eight of its mills. Each year, the Nippon Paper Group utilizes wood-based biomass fuels to an equivalent of 330,000 kilowatts of crude oil.

Biodiversity Conservation

The Nippon Paper Group promotes biodiversity conservation in the conduct of its mainstay business activities, as well as a variety of pursuits that harness its proprietary resources and technologies

Basic Stance

The Nippon Paper Group is pursuing activities that promote biological diversity conservation and the sustainable use of its components.

The lifestyle that humankind enjoys is grounded in the benefits provided by the diversity of all living things (ecosystem services) that inhabit the earth. Currently, however, it is the activities of humankind that threaten this biodiversity. As a part of efforts to address this issue, the Aichi Biodiversity Targets and Nagoya Protocol were adopted at the 10th meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity held in Nagoya, Aichi Prefecture, in October 2010.

The business activities of the Nippon Paper Group, which directly entail the cultivation and utilization of forests, therefore have an inherently significant and wide-ranging impact on biodiversity. With this in mind, we recognize that the sustainable use of forests and our ability to ensure abundant forest areas for the future are fundamental to our existence and development as a going concern.

As a corporate entity whose existence and development depends on the use of trees, the very bounty of forests, we recognize that any loss and depletion in forest areas will eventually lead to our demise. The Nippon Paper Group therefore maintains a deep respect for and appreciation of this bounty. At the same time, we are committed to the objectives of the Convention on Biological Diversity, namely biological diversity conservation and the sustainable use of its components.

Overview of Biodiversity Conservation Activities

Engaging in activities on the basis of two core axes

The basic philosophy of the Nippon Paper Group Charter on the Environment (see page 28) states that the Nippon Paper Group is committed to helping preserve the global environment over the long term and contributing to the development of a recycling-based society by carrying out its corporate activities in recognition of the importance of biodiversity. In addition, we have endorsed the Declaration of Biodiversity by Nippon Keidanren and participate as a declaration promotion partner.

In practicing the philosophy of our Charter on the Environment, we engage in initiatives involving our main businesses. In specific terms, this entails promoting forest management that takes into consideration biodiversity and undertaking supply chain activities including the sustainable procurement of wood raw materials. Running parallel with this axis, we leverage the Group's resources and technologies. This involves protecting scarce plant species utilizing proprietary technologies and nurturing forests for the future at Company-owned forests.

Overview of biodiversity conservation activities

Initiatives involving our main businesses

- Forest management that takes into consideration biodiversity
- Sustainable wood raw material procurement (supply chain activities)
- Environmental load reduction through our manufacturing activities



Activities that leverage the Group's resources and technologies

- Conservation work that harnesses proprietary technologies
- Activities that utilize Company-owned forests

Enhancing Group-wide Awareness of the Importance of Biodiversity

Raising employee awareness

Nippon Paper Group, Inc., works actively to instill in its employees a deeper understanding of the importance of biodiversity



In-house workshop on biodiversity

conservation. In fiscal 2010, we held workshops on biodiversity and included special features in our Group corporate communications magazine.

Participating in the COP 10 Interactive Fair for Biodiversity

Running in conjunction with the COP 10 Convention on Biological Diversity, the Nippon Paper Group participated in the Interactive Fair for Biodiversity, an outdoor exhibition. As a part of its participation, the Group took steps to introduce its biodiversity activities.

The fair attracted approximately 120,000 visitors, many of whom called on the Group's booth.



The Interactive Fair for Biodiversity

Initiatives Implemented in the Conduct of Our Core Business Activities

Nurturing abundant forests for the future

● Forest management that takes into consideration biodiversity

Nippon Paper Industries, owns around 90,000 hectares of forest land in Japan. Together with its approximate 165,000 hectares of overseas plantation area, the company manages a total of about 255,000 hectares of forests. Managing this forest land in a sustainable manner while taking into consideration biodiversity conservation is one of several core corporate social responsibilities.

Proper planning and management are important factors in the sustainable management of forests. A considerable amount of time is required to cultivate trees to their maturity. In putting together a viable sustainable forest management plan, it is therefore important to consider a wide range of factors including the areas allocated to afforestation and harvesting, the rate of growth, the surrounding environment and the impact on society. Another factor critical to any plan is landscape concerns encompassing efforts to protect waterside forests (see page 56). Taking full advantage of its experience as a forest management specialist nurtured over many years, the Nippon Paper Group is promoting proper planning and management.

Moreover, Nippon Paper Industries, has designated approximately 20%, or 18,000 hectares, of forest areas owned in Japan as “environmental forest areas.” In that area, the logging of trees for the purpose of lumber production is prohibited and environmental functions of forest (forest ecosystem services) are conserved. Outside of Japan, approximately 173,000 hectares, or 57%, of the 310,000 hectares of property held by Amapa Florestal e Celulose S.A. (AMCEL) is protected as a preservation area. Every effort is being made to incorporate biodiversity concerns by clearly identifying preservation areas.



The Company-owned Sugenuma Forest (Mount Nikko Shirane), which is designated as an environmental forest area

Biodiversity and the forest certification system

Forest certification is an evaluation system under which independent third-party institutions certify that companies are properly maintaining and managing forests for the purpose of sustainably using timber resources. Measuring biodiversity conservation is a key component of the evaluation process.

Nippon Paper Industries, employs forest certification systems to benchmark its sustainable forest management. As confirmation that the company engages in forest management that takes into consideration biodiversity, all of its forests both in and outside Japan have acquired certification.

Moving forward, Nippon Paper Industries, will work to maintain this third-party confirmation and certification while practicing forest management that incorporates biodiversity concerns.

● Raw material procurement that takes into consideration biodiversity

While taking into consideration biodiversity in the conduct of its mainstay activities, the Nippon Paper Group also incorporates biodiversity conservation concerns into its supply chain management focusing mainly on the procurements of raw materials.

Procuring raw materials from sustainably managed forests was identified under the Group’s Philosophy and Basic Policy Concerning Raw Materials Procurement formulated in October 2005. In August 2006, the Group put in place an action plan for implementing this philosophy and basic policy.

Note: Sustainable raw material procurement activities in the context of the entire supply chain are explained in more detail on pages 54–57.

● Reducing the environmental impact of production activities

Nature’s ecosystems are closely linked to a company’s business activities. In this regard, efforts to reduce the environmental impact of production activities by, for example, returning to nature the water discharged from mills in as clean a state as possible and preventing global warming by curtailing greenhouse gas emissions are vital to securing biological diversity.

While recognizing its impact on the environment, the Nippon Paper Group will continue to engage in environmentally friendly production activities and reduce its environmental load.

Biodiversity Conservation

Initiatives that Harness Company-Owned Resources and Technologies

Contributing to the protection of a variety of plant species

● Utilizing proprietary technologies (1) — protecting and nurturing endangered species

Nippon Paper Industries, contributes to the protection of endangered plant species through its proprietary technique for cultivating cuttings in containers. After successfully propagating an endangered plant species indigenous to the Ogasawara Islands in 2005, the company went on to nurture plants of the Ryukyu Islands on the verge of extinction. Nippon Paper Industries, has received branches from 26 endangered plant species from the National Museum of Nature and Science's Tsukuba Botanical Gardens. The company has successfully propagated and returned to the garden 24 of the 26 species.

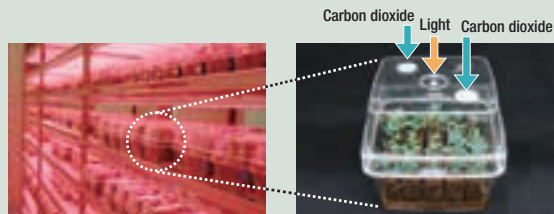
● Utilizing proprietary technologies (2) — protecting cherry tree species

Nippon Paper Industries, has continued to preserve the variety of precious cherry trees owned by the National Institute of Genetics* located in Mishima, Shizuoka Prefecture, since 2006. The research institute owns the precious gene resources to over 260 species of cherry trees collected from all around Japan by the late Dr. Yo Takenaka, who conducted research into the genetic origins of Someiyoshino (*Prunus yedoensis*). For its part, Nippon Paper Industries, uses its technique for cultivating cuttings in containers

The technique for cultivating cuttings in containers refers to:

A technology that encourages plants to take root using a cultivating room characterized by an environment that promotes photosynthesis. This method allows the propagating of plants that failed to take root by cutting.

(1) Place the container in a cultivating room with an elevated carbon dioxide concentration and light with suitable wavelengths to boost the plants' photosynthetic activities.



(2) Even plant species that normally fail to take root by cutting are able to take root.



to pass on to future generations these precious resources. Plans are in place to return a total of 100 types of cherry tree plantlets during 2011.

* The Research Organization of Information and Systems National Institute of Genetics

● Utilizing proprietary technologies (3) — restoring tidal flat environments

The paper sludge ash* from paper mills is highly absorbent and consolidates in reaction to water. Focusing on these properties, Nippon Paper Industries, developed a new material by mixing and granulating paper sludge ash from its Yatsushiro Mill with dredged marine sediments, which feature high moisture content.

Currently, this new material is being used as a tidal flat reclamation material in verification tests for ecosystem terrace revetment in a project undertaken by a research group from the Center for Marine Environment Studies of Kumamoto University led by Professor Kiyoshi Takikawa and Fukuoka Construction K.K. The project aims to recover tidal flats and shoreline. Tests have identified the presence of a large number of Japanese littleneck and other marine creatures confirming that this material helps restore biodiversity.

* Paper sludge is generated during the paper milling process from tiny fibers and other waste materials that are not made into paper. This sludge is combusted to collect heat as biomass energy. The remaining ash is referred to as paper sludge ash.

● Utilizing Company-owned forests — Mori-to-Kami-no-Nakayoshi-Gakko (School of Friendship for Forest and Paper)

Nippon Paper Industries, launched Mori-to-Kami-no-Nakayoshi-Gakko (School of Friendship for Forest and Paper), an eco education program, at the company's own forests with a total area of nearly 90,000 hectares in 2006 (see page 95).

● Utilizing Company-owned forests — "Nurturing Forests" for the future

As a part of efforts to pass on abundant forests to the future, the Nippon Paper Group is engaged in a "Nurturing Forests" initiative under the guidance of Dr. Akira Miyawaki, Professor Emeritus of Yokohama National University and the world's leading authority on forest ecology. This initiative calls on the general public and employees to participate in tree-planting activities.

In addition to contributing to biodiversity conservation through the regeneration of indigenous forests, this initiative also aims to help prevent global warming and sediment disaster. Furthermore, we are planting trees for future use in an attempt to realize the concept of "forestation harmony with the economy" advocated



Tree planting at Malnuma Kogen

by Dr. Miyawaki. The first tree-planting was held in May 2010 at the Company-owned Sugenuma Forest in the Malnuma Kogen Resort. Some 700 children and adults participated in the planting of 10,000 trees covering 25 species.

Establishing a reserve for the protection of Blakiston's fish owl in conjunction with the Wild Bird Society of Japan

Nippon Paper Industries, entered into an agreement with the Wild Bird Society of Japan to protect birdlife, including Blakiston's fish owl, in October 2010. As a part of this agreement, approximately 126 hectares of forestland owned by the company in the Nemuro region of Hokkaido was identified as a sanctuary for Blakiston's fish owl.

This sanctuary, which has to date been managed as an environmental forest area, is home to three confirmed braces of Blakiston's fish owl. Following an inspection, the Wild Bird Society of Japan commented that the area was fundamentally in a sound state.

Looking ahead, we will draw on the knowledge of the society through joint surveys and monitoring. Utilizing their knowledge, we will continue to engage in forest management that balances economic and environmental concerns.



Blakiston's fish owl
(Photo provided by: The Kushiro Nature Conservation Office of Japan's Ministry of the Environment)

Blakiston's fish owl

Standing 70 to 80cm high and weighing 3 to 4.5 kg, Blakiston's fish owl is the world's largest owl, with a wingspan of 180cm. From a population of over 1,000 across the Hokkaido region, their numbers in the wild have dwindled due to river-related construction and development. Today, Blakiston's fish owls are found exclusively in the eastern parts of Hokkaido. Confirmed numbers have diminished to around 140, making up 50 braces.

Blakiston's fish owl was identified as a protected species in 1971, and placed on the red list of critically endangered species by Japan's Ministry of the Environment.



Agreement signing ceremony



Onsite survey at the sanctuary



Monitoring birdlife habitats

High expectations toward Nippon Paper Industries efforts to protect Blakiston's fish owl

After executing an agreement to provide a protected environment for Blakiston's fish owl, subsequent birdlife studies brought to light a host of interesting features. An initial feature of considerable surprise was the presence of large trees with diameters of around one meter, a rarity for the Nemuro region. Another feature was the presence of abundant and diverse birdlife, including black woodpecker, an endangered species, as well as Japanese robin and red-flanked bluetail, birds that prefer a deeply wooded environment.

These studies were also an opportunity to meet with local staff charged with the responsibility of managing forests owned by the company. I was in wonder at their knowledge of the wooded area, pointing out the variety of tree species, from huge Mongolian oaks to large katsura, as well as areas that were yet to be developed. It is clear that staff have a deep affinity with these forests.

I have had the chance to study a number of forests owned by a variety of companies. Among these forests, those remaining softwood and hardwood areas that are particularly well managed serve as an excellent sanctuary for birdlife. Not only is its broad expanse impressive, but its natural state is also ideal. With access restricted, this designated area allows birdlife to develop in a quality environment. On the other hand, restrictions turn those areas into a black box, which makes it difficult to ascertain exactly what rare birdlife lives in the area.

I am extremely grateful to Nippon Paper Industries, for opening the lids of these black boxes and providing access. I would never advocate the complete prohibition of logging due to the presence of Blakiston's fish owl. Rather, I would look to work closely with local staff, who are professionals in forest management, to determine the most appropriate method for providing a sound birdlife environment. The ideal is to uncover an optimal solution that balances the interests of all concerned.



Tatsuyuki Tomioka
General Manager of the Sanctuary Office
The Wild Bird Society of Japan

Reducing Waste Generation and Final Disposal

Minimizing final waste disposal through recycling and related measures

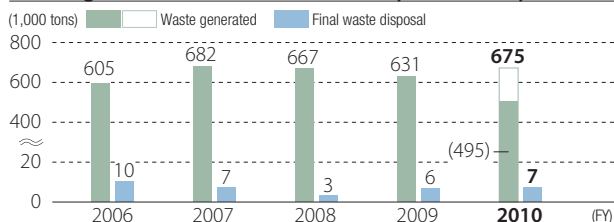
Reducing Final Waste Disposal

Successfully held final waste disposal in Japan to 2.3% of levels recorded in fiscal 1990

The amount of waste generated by the Nippon Paper Group in Japan totaled 675,000 tons in fiscal 2010. Of this total, approximately 80% is incinerated ash (paper sludge and coal ash). The residual amount is comprised of sludge, wood waste and waste plastic. The bulk of the energy used by the Group is generated using in-house power systems. The ash produced as a result of this power generation makes up the vast majority of waste. The Nippon Paper Group is endeavoring to reduce final waste disposal wherever possible by bolstering its sorting activities and promoting the effective use of waste.

Under the Green Action Plan 2010 (see page 29), all Group companies in Japan worked diligently to reduce final waste disposal in line with the established objective of reducing final waste disposal to a maximum 4% of fiscal 1990 levels by fiscal 2010. Compared to the 310,000 tons of final waste disposal in fiscal 1990, the Nippon Paper Group reported 7,000 tons of final waste disposal in fiscal 2010. At 2.3%, we successfully achieved our stated goal.

Waste generated and final waste disposal in Japan



* The □ portion represents data for Nippon Paper Industries' Iwanuma and Ishinomaki mills in fiscal 2009. Figures from the previous fiscal year have been used for fiscal 2010 data due to delays in collecting information following the Great East Japan Earthquake.

Activities Aimed at Effectively Using Waste

Working to develop wide ranging applications for waste

The Nippon Paper Group is endeavoring to effectively use waste as a part of efforts to reduce the amount of final waste disposal.

Under its Green Action Plan 2010, the Group identified the objective of increasing the ratio of products made from waste to 25% or more of total waste generated by fiscal 2010. Accordingly, we have taken steps to develop wide ranging applications for waste.

Thanks to these endeavors, we achieved our stated objective, securing a ratio of products made from waste of 29.5%. In the future, the Nippon Paper Group will continue its application development activities in an effort to promote the cyclical use of resources.

Total waste generated and the ratio of products made from waste



Applications of recycled waste

Waste	Major Recycling Applications
Cinder	Raw material for cement, roadbeds, etc.
Inorganic sludge	Base material for greening, raw material for cement, etc.
Organic sludge	Heat recovery fuel, energy recovery, etc.
Waste oil	Recycled oil, energy recovery, etc.
Waste acid and alkali	Neutralizer for water treatment, etc.
Waste plastic	Energy recovery, raw material for reproduction, etc.
Wastepaper/broke	Energy recovery, wastepaper for pulp use, etc.
Wood waste	Fuel chips, raw material for pallets, etc.
Scrap metal	Raw material for metal, etc.
Waste construction material	Reproduced crushed stones, energy recovery, etc.
Non-industrial wastes	Energy recovery, etc.

Promoting Proper Waste Management

Promoting management that complies with related legislation

Nippon Paper Group, Inc., undertakes to manage waste properly in close collaboration with Group companies. Environmental audits strictly evaluate the details of agreements concluded with waste disposal contractors as well as manifest and other management from an operational perspective. Steps are also taken to ensure that notifications and waste storage facilities are adequately management in accordance with statutory and regulatory requirements.



Waste placement area (Fuji Mill, Nippon Paper Industries)

Initiatives to Prevent Environmental Pollution

Reducing the environmental impact of our activities to promote harmonious coexistence with local communities

Preventing Air Pollution

Consistently reducing emissions of NOx, SOx, soot and dust

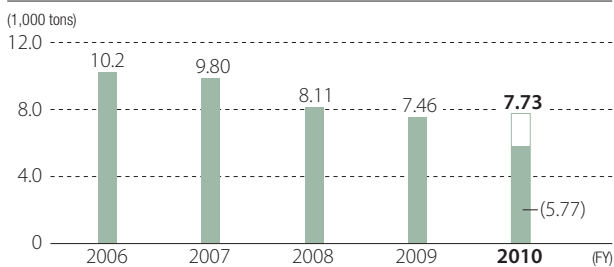
The Nippon Paper Group has installed boilers and turbines in an effort to generate power internally at its paper mills. Included in the combustion gases emitted by boilers are nitrogen oxide (NOx) and sulfur oxide (SOx), as well as soot and dust.

Using desulfurization and denitrification equipment, dust collectors and other equipment, every effort is made to remove these contaminated substances to levels below legal requirements. The Group is working to lower levels even further.

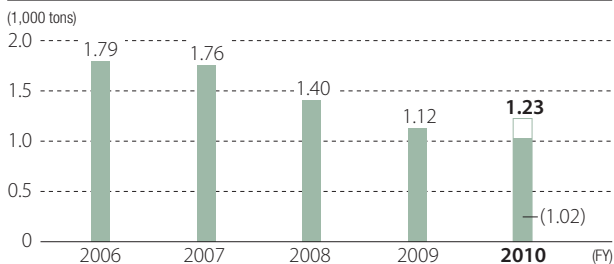
SOx emissions*



NOx emissions*



Soot and dust emissions*



* The □ portion represents data for Nippon Paper Industries' Iwanuma and Ishinomaki mills in fiscal 2009. Figures from the previous fiscal year have been used for fiscal 2010 data due to delays in collecting information following the Great East Japan Earthquake.

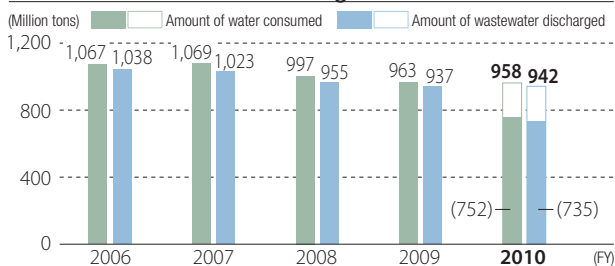
Preventing Water Pollution

Purifying wastewater through the use of microorganisms

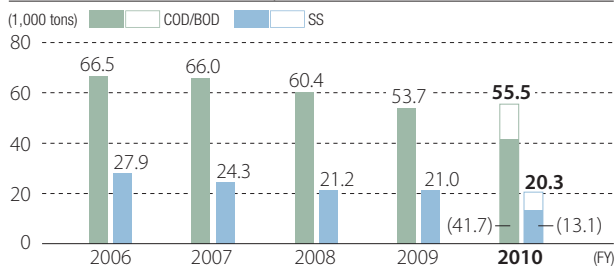
In papermaking, pulp is highly diluted with water to make pulp slurry and then formed as a wet thin sheet. Water is removed from the sheet by pressing and drying to make paper. As a result, water is an extremely important element in the paper manufacturing process. The wastewater discharged as a result of this process contains minute pulp fibers that could not be used to make paper, filler and soluble materials of wood origin.

The Nippon Paper Group's pulp and paper mills consistently measure the degree of pollution with such indices as COD/BOD, SS and AOX, and treat wastewater before it is discharged. In addition to ensuring that contaminated substances are held below levels prescribed under the law, we are also implementing wide-ranging measures to reduce water pollution even further.

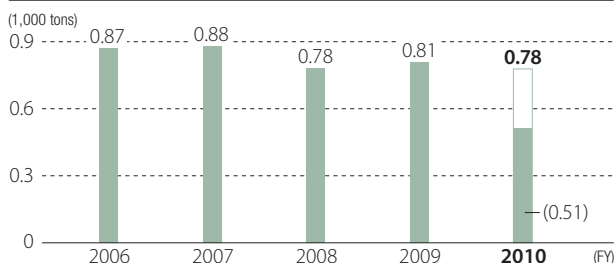
Amount of water consumed / Amount of wastewater discharged*



Emissions of COD / BOD, SS*



Emission of AOX*



* The □ portions represent data for Nippon Paper Industries' Iwanuma and Ishinomaki mills in fiscal 2009. Figures from the previous fiscal year have been used for fiscal 2010 data due to delays in collecting information following the Great East Japan Earthquake.

Initiatives to Prevent Environmental Pollution

Preventing Noise, Vibration, and Foul Odors

Putting in place measures to reduce the impact on areas in close proximity to mills

● Preventing noise and vibration

Since pulp and paper mills produce large amounts of products, production equipment is substantial. As long as these machines have motors and pumps, they are a potential source of noise and vibration. In fiscal 2010, the Group received 16 complaints about noise and one regarding vibrations. Irrespective of the existence of complaints, each mill takes steps to minimize the level of noise by implementing such measures as the installation of sound insulation facilities whenever an issue is determined to have arisen.



Before (left) and after (right) sound insulation measures have been implemented (Fuji Mill, Nippon Paper Industries)

● Preventing foul odors

When making kraft pulp, such odors as hydrogen sulfide, methyl mercaptan, methyl sulfide, and methyl disulfide can be generated. The Nippon Paper Group received 15 complaints relating to offensive odors during fiscal 2010. In addition to installing equipment that seals off odors, we regularly measure odor levels and conduct patrols to ensure that issues do not arise. Through these means, we are endeavoring to minimize the impact on surrounding areas of foul odors.

Preventing Soil Pollution

There are no instances of soil contamination at Group companies.

The raw materials and chemicals used by pulp and paper mills contain little or no heavy metals, trichloroethylene or other soil contaminants. By its very nature, the paper industry witnesses very few incidents of serious soil contamination. There were no instances of soil contamination at Group companies during fiscal 2010.

Controlling Chemical Substances

Maintaining proper chemical substance handling management while promoting efforts to limit its use

● PCB management

Given their excellent insulating properties, PCBs have been used for such electric devices as transformers. The Nippon Paper Group owns devices that contain PCBs at its works. Those devices that are not in use are stored in accordance with statutory requirements.

PCB waste is disposed of under contract in accordance with the detoxification plan put forward by the Japan Environmental Safety Corporation (JESCO).

The status of PCB-containing devices held

(Units)

	Transformers / capacitors	Reactors	Stabilizers
Number of units held	389	0	3,926

* Figures for units confirmed as held as of March 31, 2011

● Minimizing emissions of volatile organic compounds (VOCs)

The Nippon Paper Group is working diligently to reduce emissions of VOCs, widely regarded as a cause of airborne particulate matter and photochemical oxidants.

By implementing such measures as the replacement of chemicals used, the actual amount of VOCs released into the atmosphere by Nippon Paper Industries, in fiscal 2010 was 34.9 tons.

Emission of volatile organic compounds*

(Nippon Paper Industries Co., Ltd.)



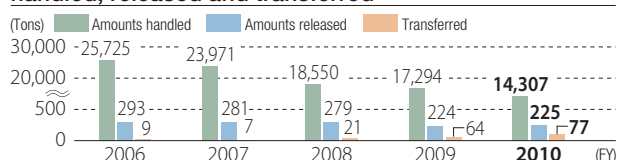
* Amounts of less than one ton handled have also been recorded.

● Responding to the PRTR Law

The Pollutant Release and Transfer Register (PRTR) is an open and public mechanism that makes it clear how the wide variety of hazardous chemical substances are handled, released and transferred at works and other facilities. The Nippon Paper Group has continued to promote the reduction of chemical substances subject to the PRTR Law at its works in Japan. While the amounts of chemical substances released and transferred were 225 tons and 77 tons, respectively, in fiscal 2010 the Group will move forward with ongoing efforts to further reduce chemical substances subject to the PRTR Law by limiting their use through replacement and other measures.

Nippon Paper Industries, has held risk communication meetings at its mills since fiscal 2007. Steps are taken at each meeting to explain to local residents the management and use of chemical substances subject to the PRTR Law.

Amounts of substances subject to the PRTR Law handled, released and transferred



Amounts of Substances Subject to the PRTR Law Handled, Released and Transferred*1 (Fiscal 2010)

Cabinet Order No.	CAS No.	Chemical Substance	Unit	Amount Handled (Amount Generated)	Amount Removed	Amount Transferred
2	79-06-1	Acrylamide	t	1,002	0	0
4		Acrylic acid and water-soluble salt	t	657	0	0
9	107-13-1	Acrylonitrile	t	1,023	0	0
16	78-67-1	2,2'-azobisisobutyronitrile	t	1	0	0
30		n-alkylbenzenesulfonic acid and its salts (alkyl C=10-14)	t	47	1	0
37	80-05-7	4,4'-isopropylidenediphenol	t	113	0	0
53	100-41-4	Ethylbenzene	t	1	0	0
57	110-80-5	Ethylene glycol monoethyl ether	t	22	13	2
60	60-00-4	Ethylenediaminetetraacetate	t	4	1	0
80	1330-20-7	Xylene	t	26	5	0
84	107-22-2	Glyoxal	t	7	0	0
85	111-30-8	Glutaraldehyde	t	2	0	0
98	79-11-8	Chloroacetic acid	t	1,649	0	0
104	75-45-6	chlorodifluoromethane	t	2	0	2
127	67-66-3	Chloroform*2	t	353	166	30
149	56-23-5	tetrachloromethane	t	29	0	29
154	108-91-8	Cyclohexylamine	t	4	1	0
210	10222-01-2	2,2-dibromo-2-cyanoacetamide	t	13	1	0
213	127-19-5	N,N-dimethylacetamide	t	47	0	0
240	100-42-5	Styrene	t	3,204	7	0
243		Dioxins*2	g-TEQ	6	0	6
245	62-56-6	Thiourea	t	6	0	0
274	25103-58-6	tert.dodecanthiol	t	42	0	0
275	151-21-3	Sodium dodecyl sulfate	t	2	0	0
296	95-63-6	1,2,4-trimethylbenzene	t	17	3	0
297	108-67-8	1,3,5-trimethylbenzene	t	23	20	3
300	108-88-3	Toluene	t	2,222	1	3
302	91-20-3	Naphthalene	t	496	0	0
309		Nickel compounds	t	5	0	5
333	302-01-2	Hydrazine	t	2	0	0
351	106-99-0	1,3-butadiene	t	2,240	3	0
395		Water-soluble salts of peroxodisulfuric acid	t	158	3	0
405		Boron compounds	t	11	1	0
407		Poly (oxyethylene) alkyl ether (alkyl C=12-15)	t	9	0	0
410	9016-45-9	Poly (oxyethylene) nonylphenyl ether	t	8	0	1
411	50-00-0	Formaldehyde	t	223	0	2
414	108-31-6	Maleic anhydride	t	24	0	0
415	79-41-4	Methacrylic acid	t	353	0	0
418	2867-47-2	2-(dimethylamino) ethyl methacrylate	t	144	0	0
420	80-62-6	Methyl methacrylate	t	77	0	0
438	1321-94-4	Methylnaphthalene	t	32	0	0
455	110-91-8	Morpholine	t	3	0	0
Total			t	14,307	225	77

*1 Dioxins, nickel compounds, 1,3-butadiene and formaldehyde are designated type 1 chemical substances.

*2 Dioxins and chloroform are unintentionally generated.

Promotion of Recovered Paper Use

Contributing to the development of a recycling-based society by promoting increased use of recovered paper

Basic Stance

Actively promoting the recycling of recovered paper

The paper manufacturing industry has from an early stage promoted waste paper recycling in efforts to use resources effectively. With a waste paper collection rate of 78.2% and a recovered paper (RP) utilization rate (the percentage of recovered paper in the raw materials used for making paper) of 62.5%, Japan's recycling performance is by global standards extremely high.

While the Group continues to procure woodchips from sustainable sources including plantation timber and certified forests, there are limitations to the quantity of supply. Accordingly, recovered paper remains an important source. The Nippon Paper Group is contributing to the development of a recycling-based society by actively promoting the use of recovered paper.

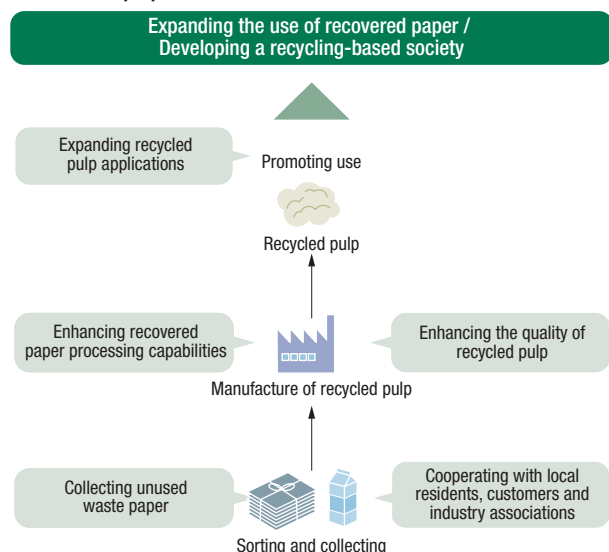
Expanding the Use of Recovered Paper

Promoting waste paper collection and efforts to enhance technologies

Only with the cooperation of the multitude of individuals who use paper, can we hope to collect waste paper, the very foundation of recovered paper use. On this basis, the Nippon Paper Group coordinates closely with customers and industrial associations in its efforts to collect waste paper.

In order to better promote the use of recovered paper, we have worked diligently to improve our recovered paper processing capabilities while utilizing both unused confidential documents and low quality paper. At the same time, we have taken steps to improve the quality of pulp made from recovered paper and to expand the number and types of products made from recycled pulp.

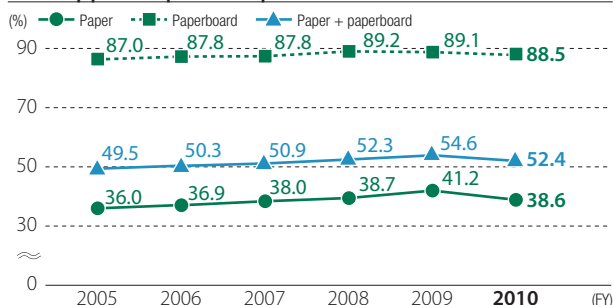
Theme and flow for promoting the recycling of recovered paper



RP utilization rate in fiscal 2010

Under its Green Action Plan 2010, the Nippon Paper Group identified the objective of securing an RP utilization rate of 50% or more. Working toward this objective, we have continued to promote the use of recovered paper. In fiscal 2010, the Nippon Paper Group reported an RP utilization rate of 52.4% thereby achieving its objective.

The Nippon Paper Group's RP utilization rate*



* RP utilization rate = recovered paper / (recovered paper + other pulp)

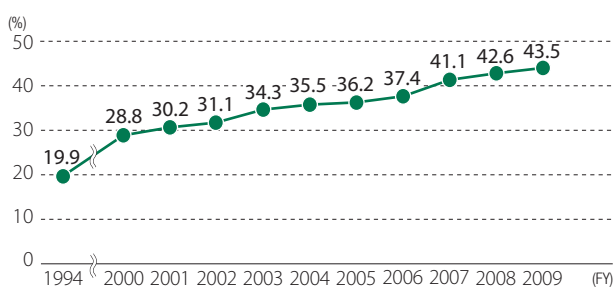
Promoting the Recycling of Beverage Cartons

Raising collection rates in cooperation with industry associations

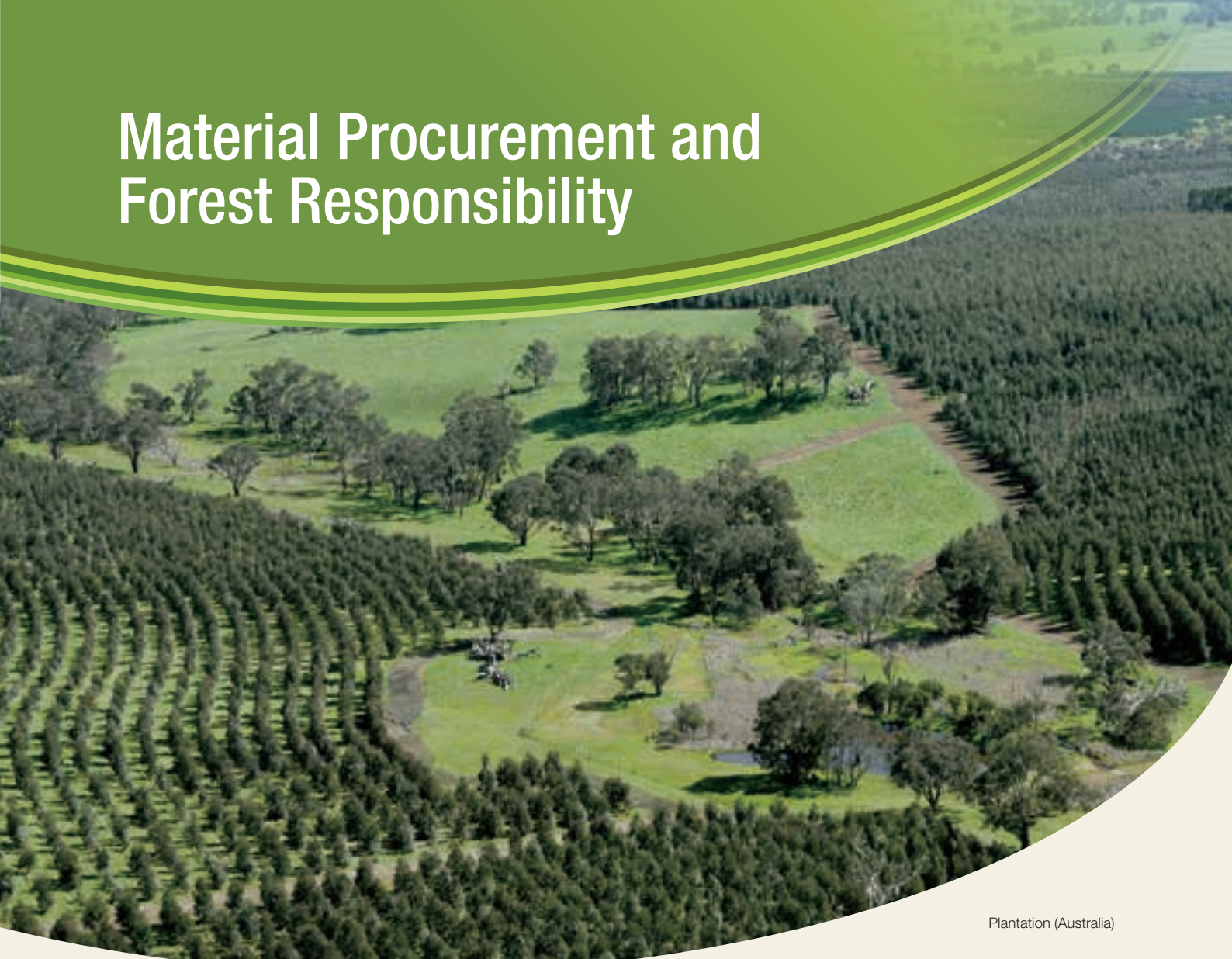
In promoting higher RP utilization rates, the Nippon Paper Group coordinates with industry associations to expand the volume of waste paper collected. As a part of these endeavors, the Group is focusing on promoting the collection of beverage cartons which are typically used as milk containers. These cartons yield quality recycled pulp.

NIPPON PAPER-PAK, a member of the Committee for Milk Container Environmental Issues, for example, is promoting activities consistent with the committee's goal of achieving a beverage carton collection rate of at least 50% by 2015. Through a variety of education initiatives including recycling workshops and onsite classes as well as the placement of milk carton collection boxes at nationwide schools and public facilities, we achieved a paper beverage carton collection rate of 43.5% in fiscal 2009.

Beverage carton collection rate



Material Procurement and Forest Responsibility



Plantation (Australia)

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Policy and Management

Practicing raw materials procurement that takes into consideration environmental and social concerns based on our philosophy and basic policy

Basic Stance

Pursuing stable procurement based on sustainable wood resources

Woodchips, which are the main raw materials for pulp and paper, are derived from forests that are deeply intertwined with the global environment and ecosystems. Procurement entails the support not only of suppliers in and outside of Japan, but also the communities and government authorities of local production areas. Taking into consideration the impact on society, the Nippon Paper Group recognizes the importance of working closely with suppliers to establish a sustainable supply chain that incorporates production area forest ecosystem, local community, occupational safety and health as well as other concerns.

Accordingly, we are endeavoring to build a structure and framework that will allow us to sustainably procure renewable wood resources.

Philosophy and Basic Policy

Putting in place a philosophy and basic policy that reflects the opinions of stakeholders

The Nippon Paper Group established its Philosophy and Basic Policies Concerning Raw Materials Procurement in fiscal 2005. In formulating this philosophy and basic policies, a draft proposal was released to the public so as to solicit the opinions of stakeholders in Japan and overseas. The Group took great pains to consider the close to 2,000 comments received, and incorporated several suggestions into revisions made to the draft.

Framework for Promoting Raw Materials Procurement Management

Putting in place a Group-wide oversight structure

The Nippon Paper Group established the Raw Materials Subcommittee, chaired by the director in charge of raw materials, at Nippon Paper Group, Inc. This subcommittee deliberates on a wide variety of issues concerning raw material procurement including the Group's overarching procurement policy.

Philosophy and Basic Policy Concerning Raw Materials Procurement

Philosophy

We are committed to establishing a reliable raw materials procurement system through global supply chain management in consideration of the environment and society.

Basic Policy

1. Environmentally friendly raw materials procurement

- (1) We procure woodchips, lumber and pulp from forests under sustainable forest management.*
- (2) We use and deal with no illegally logged lumber and we support the eradication of illegal logging.
- (3) We make active use of recycled materials to help build a recycling-oriented society.
- (4) We make appropriate procurement of chemical substances in compliance with relevant laws and regulations.
- (5) We build traceability systems to ensure the above policies are practiced throughout the supply chain.

2. Socially aware raw materials procurement

- (1) We pursue fair deals with suppliers on equal terms.
- (2) We ensure that the entire supply chain has appropriate human rights and labor practices.

3. Promotion of dialogues with stakeholders

- (1) We engage in dialogues with stakeholders to improve the quality of our raw materials procurement in constant consideration of the environment and society.
- (2) We proactively disclose information so that our initiatives are better known.

* Sustainable forest management:

Forestry management that not only considers economic rationality, but also environmental and social sustainability.

The Nippon Paper Group defines sustainable forest management as follows:

- 1) Biodiversity is conserved.
- 2) The productivity and soundness of the green ecosystem is maintained.
- 3) Soil and water resources are conserved.
- 4) Diverse social needs are satisfied.

Current Status of Raw Materials Procurement

In addition to actively promoting the use of recovered paper, we are procuring wood resources from sustainably managed forests

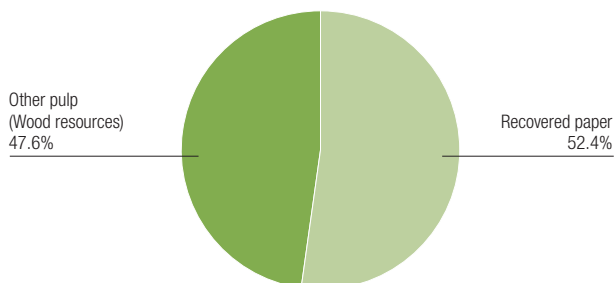
Current Status of Paper Raw Materials Procurement

Manufacturing and supplying pulp and paper products made mainly from recovered paper and wood resources

The Nippon Paper Group is primarily engaged in the manufacture of paper products. Approximately 52.4% of the raw materials used to make paper products are composed of recovered paper. The remaining 47.6% consists of such wood resources as woodchip which are used to produce pulp.

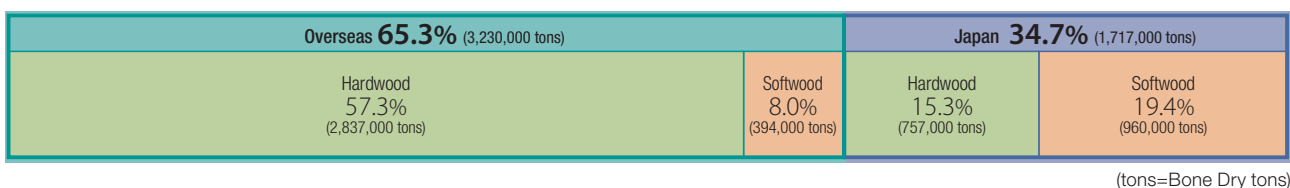
Nippon Paper Industries, is responsible for procuring wood raw materials for the Group. Around two-thirds of the wood resources required are procured from overseas and one-third sourced from Japan. Overseas raw materials, and in particular hardwood and softwood, are imported mainly from Australia and the Oceania region. This area accounts for 50.4% and 81.1% of overseas imports of hardwood and softwood, respectively.

RP utilization rate* with respect to paper products (Fiscal 2010)

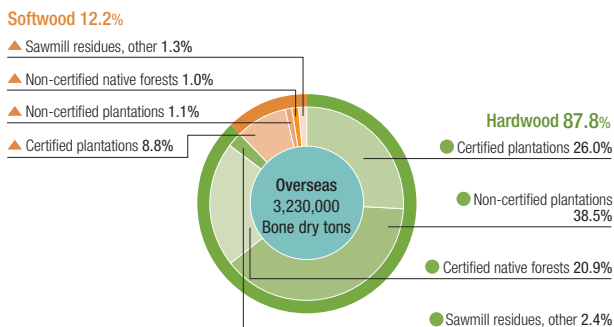


* RP utilization rate = recovered paper / (recovered paper + other pulp)

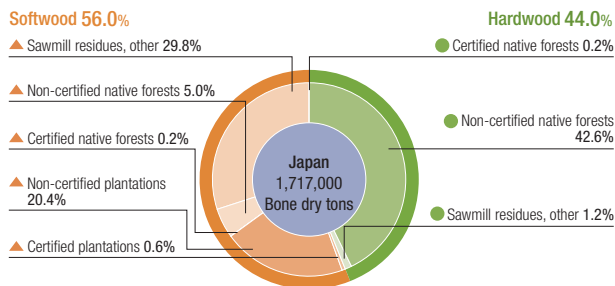
Breakdown of wood raw materials procurement (Fiscal 2010) (Nippon Paper Industries Co., Ltd.)



Breakdown of wood raw materials procured overseas



Breakdown of wood raw materials procured from Japan



Countries of production and species of woodchips the Group procured from overseas (Fiscal 2010)

Hardwood			
Country	1,000 dry tons	Percentage	Species
Australia	1,430	50.4%	Eucalyptus
Chile	487	17.2%	Eucalyptus
South Africa	633	22.3%	Eucalyptus, Acacia
Brazil	278	9.8%	Eucalyptus, Acacia
Asia	9	0.3%	Acacia
Total	2,837	100.0%	

Softwood			
Country	1,000 dry tons	Percentage	Species
Australia/ New Zealand	319	81.1%	Radiata pine
U.S.A.	61	15.6%	Douglas fir
Russia	13	3.3%	Russian spruce / fir
Total	394	100.0%	

Sustainable Procurement of Raw Materials

Strengthening supply chain management based on the Action Plan for Wood-based Raw Material Procurement

Basic Stance

Focusing on legal compliance and transparency in the procurement of raw materials

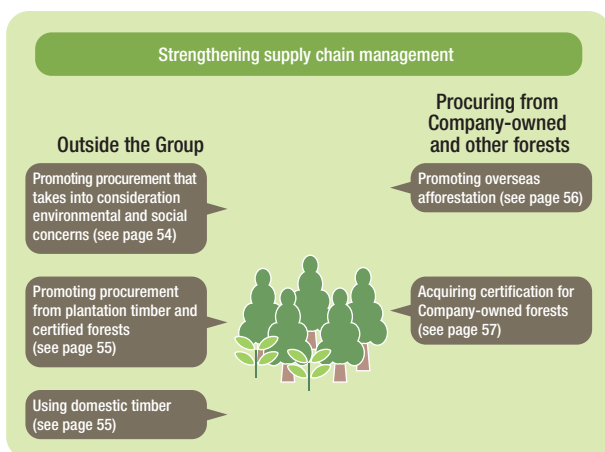
The Nippon Paper Group is a strong advocate of sustainable raw materials procurement that takes into consideration environmental and social concerns. In addition to legal compliance, the Group believes in sourcing from sustainable forests. Based on this understanding, we work to clearly identify the origin of timber while maintaining full accountability.

When purchasing from external sources, we make every effort to enhance our supply chain management capabilities, taking into consideration society's needs and the environment. At the same time, we strive to develop a system that is conducive to reliable procurement and employ third-party forest certification programs to benchmark the adequacy of raw materials procurement.

In the context of our procurement efforts from Company-owned forests, we pursue overseas afforestation projects while increasing plantation timber procurement. Moreover, we practice sustainable forest management by acquiring certification of Company-owned forests.

Sustainable wood resources procurement

- Sourcing from sustainable forests (sustainability)
- Clearly identifying the origin of timber (traceability)
- Maintaining full accountability (accountability)



Promoting Procurement that Takes into Consideration Environmental and Social Concerns

Strictly prohibiting the purchase from illegal logging while promoting procurement that takes into consideration society's needs and the environment

The Nippon Paper Group has put in place an Action Plan for Wood-based Raw Material Procurement. Based on the Group's Philosophy and Basic Policy Concerning Raw Materials Procurement, this action plan provides a roadmap that incorporates checks on the legality of woodchips, allowing the Group to practice CSR procurement. This action plan also helps enhance traceability with respect to woodchips procured from overseas while placing considerable emphasis on trade association certification of the legality of woodchips produced in Japan.

WEB Action Plan
 URL: <http://www.np-g.com/e/csr/ActionPlan.html>

● Confirming legality and enhancing traceability

In procuring wood from overseas suppliers, document verifications are performed on a vessel-by-vessel basis to ensure that the area where the wood was harvested and the supplier of the wood are in compliance with relevant laws, and that no illegally harvested wood is included.

In addition, suppliers are surveyed and requested to attend hearings. Every effort is made to enhance traceability while confirming compliance with statutory requirements regarding forest management, the species of woodchips and existence or otherwise of forest certification. Through these means, the Nippon Paper Group strives to confirm woodchip legality and sustainability.

● Confirming the legality of domestically produced woodchips

In 2006, the Law on Promoting Green Purchasing identified guidelines for confirming the legality of woodchips. In specific terms, the law outlined methods for confirming legality including the submission of individual harvesting and other documents. At the same time, the law provided details of the framework and management of methods for obtaining trade association certification.

Nippon Paper Lumber, has acquired this trade association certification. By collecting shipments of domestically produced timber and woodchips through this company, Nippon Paper Industries, is receiving supplies of legally confirmed materials.

● Concern for human rights, labor and the local community

Utilizing a process of surveys and hearings, Nippon Paper Industries, works to confirm its suppliers' policies and systems toward human rights and labor. This process allows the company to confirm the existence or otherwise of any human rights or labor relations issues.

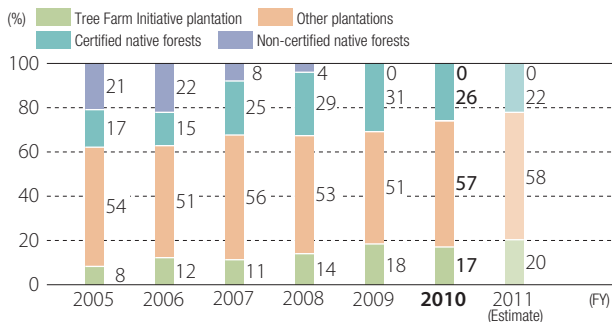
At the same time, a large number of suppliers is working closely with local communities through wide-ranging activities including donations to schools and facilities for the elderly.

Promoting Procurement from Plantation Timber and Certified Forests

Procuring all imported hardwood chips from plantation timber and certified forests

Among its wide-ranging initiatives aimed at promoting sustainable raw materials procurement, the Nippon Paper Group previously identified the objective of procuring all of the imported hardwood chips used in its pulp and paper mills in Japan from plantations or certified forests by 2008. After meeting this goal during fiscal 2008 according to plan, we have continued to maintain the objective of procuring all imported hardwood chips from plantations or certified forests since fiscal 2009.

Imported hardwood chips by type (Nippon Paper Industries Co., Ltd.)



● Chain-of-Custody (CoC) certification* of imported hardwood chips

The Nippon Paper Group has acquired CoC certification, a forest certification systems that guarantees the legality and sustainability of timber products produced and distributed from certified forests. CoC certification was included as a method for verifying the legality and sustainability of timber following revisions to the Law on Promoting Green Purchasing in 2006.

While the Group had continued to meet its objective of procuring all imported hardwood chips from plantations or certified forests by 2008, currently, the vast majority of suppliers of imported hardwood are CoC certified. In fiscal 2010, 91% of all of the Group's imported hardwood came from suppliers who had acquired CoC certification.

* CoC certification

A system covering all operators engaged in the production, processing and distribution of timber materials. In addition to certifying that products (certified woodchips) are managed, based on the standards set out in the forest certification system in all processes including production, processing and distribution, CoC certification confirms that a risk assessment of all non-certified woodchips has been undertaken. Products display a certification mark in the event that all operators have acquired CoC certification across all processes.

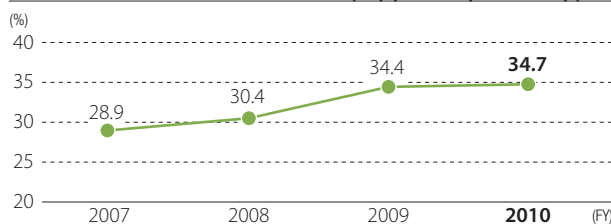
Using Domestic Timber

Actively utilizing domestically produced timber while contributing to the prevention of forest deterioration

After World War II, Japanese cypress and Japanese cedar trees were aggressively planted in Japan, requiring thinning and other maintenance to ensure healthy growth. However, many plantations have not been adequately maintained due to stagnant lumber prices, raising concerns about forest deterioration. In order to address these concerns, it is important both to rejuvenate Japan's forest industry through the use of domestic timber, and to create a virtuous afforestation, cultivation and logging cycle. In this context, the Japanese government announced its Forest and Forestry Revitalization Plan in December 2009. Under this plan, the government has identified the goal of lifting the nation's wood self-sufficiency rate from its current level of 24% to more than 50% over the next decade.

For its part, the Nippon Paper Group identified the target of raising its domestic timber utilization rate to 30% by fiscal 2010. At 34.7% in the target fiscal year, the Group successfully achieved its objective.

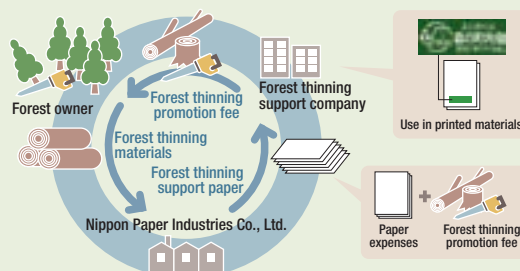
Domestic timber utilization rate (Nippon Paper Group)



Participating in Morino Chonai-Kai

The Nippon Paper Group participates in the Morino Chonai-Kai launched by the environmental NPO Office Chonai-Kai to support the cultivation of forests. Under this initiative, the Group's mills use chipped thinning materials to manufacture forest-thinning-support paper. As of September 2011, the Group was a participant in the Shizuoka Prefecture Fujino Kuni Morino Chonai-Kai, the Kanagawa Prefecture Kanagawa Morino Chonai-Kai and the Kansai Morino Chonai-Kai.

The Morino Chonai-Kai Forest Thinning Support Mechanism



Sustainable Procurement of Raw Materials

Promoting Overseas Afforestation

Nurturing renewable wood resources under the guidance of the Tree Farm Initiative

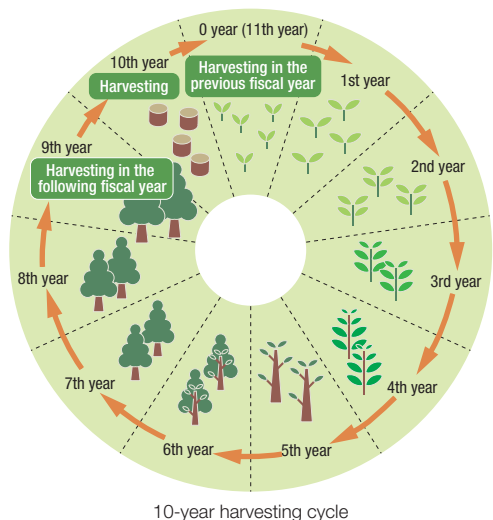
Guided by its Charter on the Environment (see page 28), the Nippon Paper Group is protecting and nurturing forests in and outside Japan while taking into consideration biodiversity concerns. We are also pushing through this policy even within the confines of the Tree Farm Initiative and efforts to promote overseas afforestation.

The Tree Farm Initiative achieves sustainable raw materials procurement by growing as many trees as are harvested each year. The Group launched this initiative in Chile in 1992 with the aim of creating 100,000 hectares of afforestation area by 2008. The initiative was then expanded to Australia and South Africa, with the established goal achieved two years in advance.

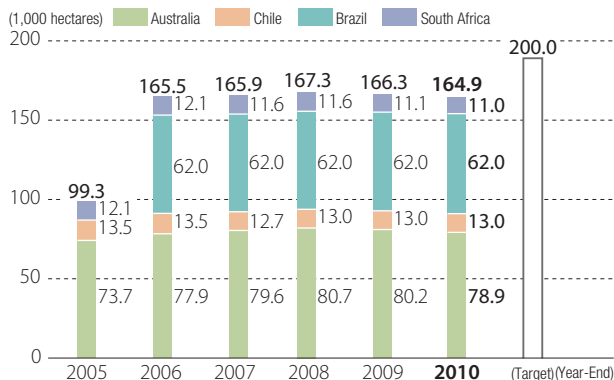
More recently, against the revised objective of 200,000 hectares, the Nippon Paper Group had created 165,000 hectares of afforestation as of the December 31, 2010.

The afforestation cycle

Trees are systematically planted in accordance with annual plans and harvested for use after significant growth. After harvesting, steps are taken to regenerate forests through replanting as well as coppicing, which entails the growth of shoots that sprout from stumps into new trees. In repeatedly implementing this cycle, we gain the benefit of access to a permanent source of forests. Moving forward, we are also cultivating hardwood chip resources through recycling-based forest management.



Area of overseas afforestation by country



Afforestation projects that help the local ecology

The Nippon Paper Group conducts afforestation projects on grasslands, reclaimed farms and pastures and on plantation timber harvested areas. We select species focusing mainly on *Eucalyptus globulus* by country according to individual climatic conditions and materials available for making paper. Eucalyptus trees are known for their quick growth. In order to maintain a balance between the planting of fast-growing, highly profitable trees and the need to the biodiversity of each region, we implement appropriate measures and ensure that our trees are not planted along rivers and water courses where the potential effects on the ecology are large. For example, over half of the property held by Brazil-based AMCEL is protected as a conservation area. In addition to soil erosion countermeasures and the monitoring of water quality, every effort is being made through joint surveys with universities and research institutes to protect the natural vegetation and wildlife.



Tree planting that preserves riparian forests. The blue area indicates riparian forests.

Acquiring Certification for Company-owned Forests

Acquired certification of all Company-owned forests in and outside of Japan

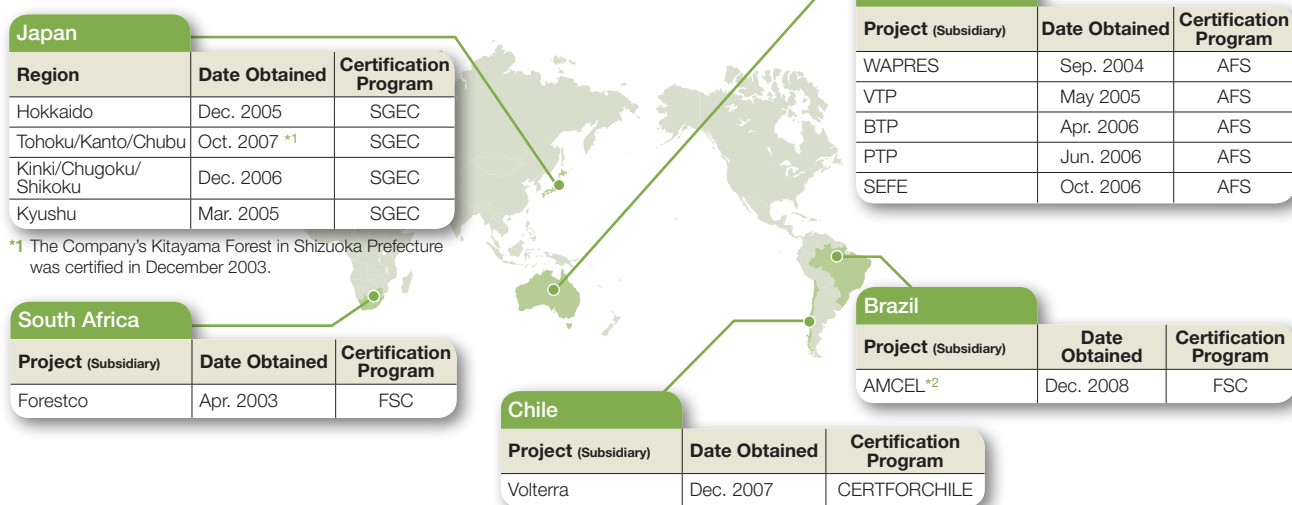
The Nippon Paper Group employs third-party forest certification programs to benchmark sustainable raw material procurement.

Responsible for procuring wood raw materials for the Group, and guided by the Group's Green Action Plan 2010 (see page 29), Nippon Paper Industries, identified the goal of acquiring

certification for all Company-owned forests both in Japan and overseas by 2008. Working toward this goal, all Company-owned forests in Japan were certified by fiscal 2007. After acquiring FSC forest certification for AMCEL in Brazil in December 2008, Nippon Paper Industries, completed its objective of obtaining certification of all Company-owned forests both in Japan and overseas.

Looking ahead, we intend to maintain this certification status while continuing to engage in forest management that takes into consideration society's needs and the environment.

Certification of Company-owned forests in Japan and overseas



*2 AMCEL has obtained FSC certification for a total of 210,000 hectares including all areas currently undergoing eucalyptus afforestation. Plans are in place to commence certification application procedures for a further 100,000 hectares following completion of preliminary procedures with the state government.

Overview of major forest certification programs

Forest certification programs entail third-party confirmation that forests are being managed in a sustainable manner. Programs are designed to certify the performance of forest products, promote their selective purchase and support sound and continuous forest management.

Certification Program Name [Characteristics]	Details and Features
Performance Certification	Evaluation of the quality and status of forests
FSC (Forest Stewardship Council) [A global forest certification program]	FSC is a non-profit international members-based organization that employs 10 principles to certify responsible forest management. FSC has adopted the CoC certification system.
PEFC (Programme for the Endorsement of Forest Certification) [A program that promotes mutual recognition of the forest certification programs of individual countries]	PEFC bases its sustainability benchmark on a broad consensus expressed in intergovernmental processes and guidelines. It provides a mutual recognition system that endorses the interchangeability and compatibility of the responsible forest management systems of individual countries. Launched across various countries in Europe, the program encompasses the forest certification programs of 34 countries around the world. In similar fashion to FSC, PEFC has adopted the CoC certification system. Examples of certifications mutually recognised by PEFC. SFI (Sustainable Forest Initiative): North America (U.S.A./Canada) CSA (CSA International): Canada FFCS (Finnish Forest Certification Council): Finland AFS (Australian Forestry Standard): Australia CERTFORCHILE: Chile
SGEC (Sustainable Green Ecosystem Council) [A forest certification program established in Japan]	SGEC certifies forest management in terms of both an abundant natural environment and continuous lumber production. SGEC engages in an evaluation based on seven criteria and 35 benchmarks while taking into consideration Japan's natural environment as well as its social customs and culture. SGEC has adopted the CoC certification system.

Protection and Cultivation of Domestic Company-owned Forests

Maintaining a focus on forest management that takes into consideration the characteristics of each region in an effort to promote sound afforestation

Initiatives Concerning Domestic Company-owned Forests

Practicing appropriate forest management at Company-owned forests over an area approaching 90,000 hectares

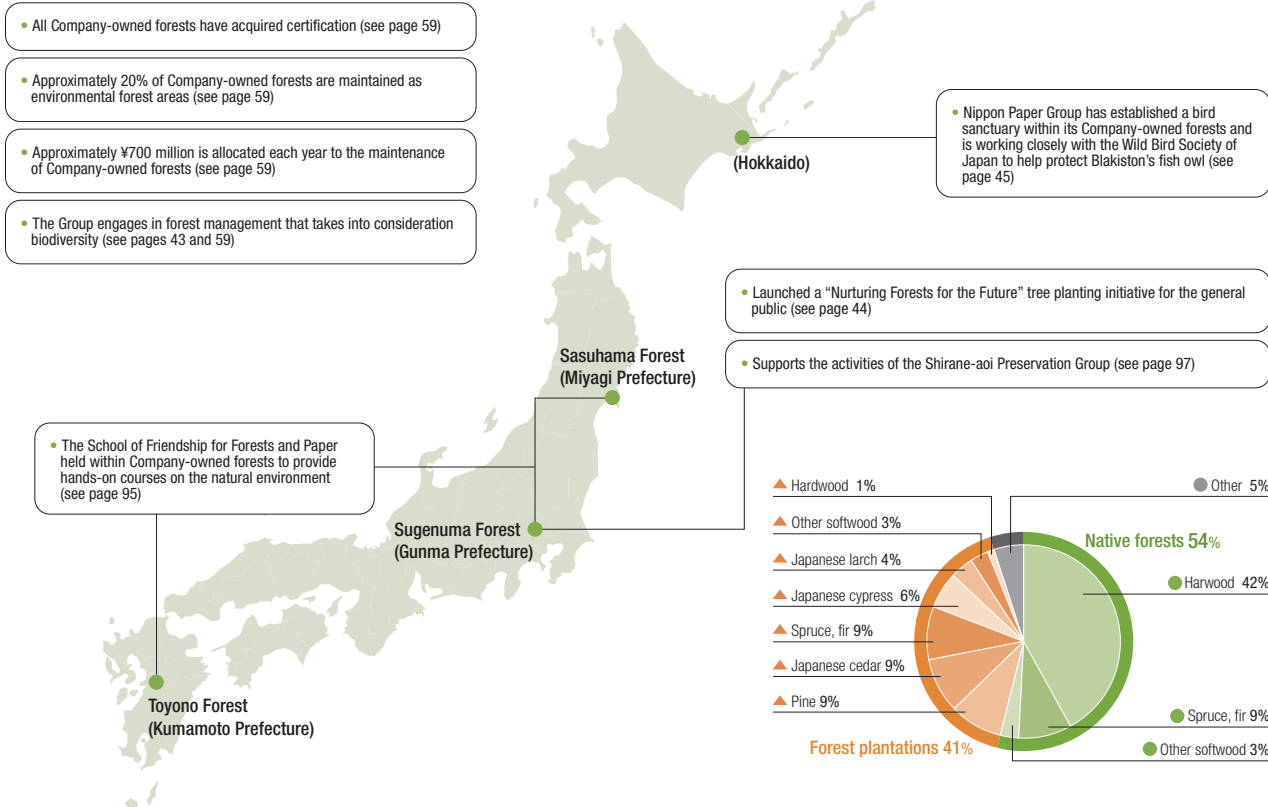
Nippon Paper Industries, owns approximately 90,000 hectares of forest land in Japan. Accordingly, the company is the second largest owner of forests in the private sector.

As a corporate group whose existence is closely tied to the

health and conservation of forests, managing forest resources in an appropriate manner is of vital importance to the Nippon Paper Group. In recognizing the multifaceted role that forests play within society, we are working to maintain forest management integrity.

With Company-owned forests spread across 400 nationwide locations from Hokkaido in the north to Kyushu in the south, we are practicing sustainable forest management that takes into consideration the characteristics of each region.

Distribution of Company-owned forests in Japan and composition by species (Nippon Paper Industries Co., Ltd.)



Distribution of Company-owned forests by prefecture

Distribution of Company-owned Forests by Prefecture								
Prefecture	Number of Company-owned Forests	Area (hectares)	Prefecture	Number of Company-owned Forests	Area (hectares)	Prefecture	Number of Company-owned Forests	Area (hectares)
Hokkaido	53	43,531	Shizuoka	54	2,677	Shimane	17	2,851
Aomori	7	294	Gifu	2	233	Yamaguchi	26	1,457
Akita	12	693	Kyoto	16	279	Tokushima	2	244
Iwate	29	6,541	Mie	1	3	Ehime	1	319
Miyagi	16	1,675	Nara	2	795	Kochi	1	146
Yamagata	10	498	Hyogo	4	286	Fukuoka	2	53
Niigata	1	350	Wakayama	2	230	Oita	10	702
Fukushima	14	1,074	Okayama	1	58	Kumamoto	58	5,737
Gunma	1	4,915	Hiroshima	9	721	Miyazaki	25	9,235
Yamanashi	8	1,615	Tottori	1	168	Kagoshima	15	2,563
Total							400	89,942

Note: As of March 31, 2011

● Certification acquired for all Company-owned forests in Japan

Nippon Paper Industries, has acquired forest certification from the Sustainable Green Ecosystem Council (SGEC) for all Company-owned forests in Japan.

SGEC is a forest certification system unique to Japan (see page 57). It guarantees the sustainable management of forests by preserving the wide-ranging functions of forests including watershed forest protection and biodiversity conservation while taking into account Japanese climate and conditions. It also evaluates the level of continuous forest management. The forests owned by Nippon Paper Industries, have received SGEC certification acknowledging the company's efforts to engage in forest management that takes into consideration biodiversity and the natural environment of each region. Moving forward, the company will take all necessary measures to maintain this certification.

● Establishing environmental forest areas

Nippon Paper Industries, makes a clear distinction between commercial forest and environmental forest areas, and engages in forest management appropriate to the specific characteristics of each area. Approximately 80% of all Company-owned forests are designated as commercial forest areas. In addition to production of lumber, these areas are managed in a manner that fully recognizes the surrounding environment and the attributes of each area. Harvesting for the purpose of lumber production is not undertaken within environmental forest areas. Every effort is made within environmental forest areas to maintain those functions inherent in forests including the protection of ecosystems and conservation of waterways.

Environmental forest areas account for approximately 20% (18,000 hectares) of Company-owned forests in Japan. Within this area, certain forests including Akan and Nikko have been designated as national parks, providing a sanctuary to large numbers of plants and animals.



Environmental forest area (Hokkaido)

● Maintaining Company-owned forests in Japan

Nippon Paper Industries, allocates approximately ¥700 million each year to the maintenance and management of Company-owned forests in Japan. This entails such wide-ranging activities as weeding, pruning and thinning. As a company that continues to benefit and grow through the appropriate application of forests and forest products, Nippon Paper Industries, is committed to balanced, sustainable forest management. This commitment to creating an environment that allows forests to fulfill their multifaceted functions is despite the drop in domestic timber prices which has brought in to question the economic viability of forest-based activities.

● Forest management that takes into consideration biodiversity

Nippon Paper Industries, places considerable emphasis on

the conservation of biodiversity. In this context, the company undertakes various activities including the acquisition of forest certification and the establishment of environmental forest areas. At the same time, equal weight is given to protecting riparian forests and surrounding landscapes.

Moreover, onsite personnel carry their own red data books listing scarce wildlife throughout each region. Through this and other means, every effort is made to help preserve biodiversity.

Biodiversity data for Company-owned forests in Japan

(As of March 31, 2011)

(1,000 hectares)

IUCN Categories	Commercial Forest Area	Environmental Forest Area	Total	Percentage Share	Ratio of Environmental Forest Area to Total Area
I Strict nature reserve / wilderness area	0	0	0	0%	—
II National park	0.6	4.5	5.1	6%	88%
III Natural monument	0	0	0	0%	—
IV Habitat / species management area	0	0	0	0%	—
V Protected landscape / seascape	2.5	0.7	3.2	4%	22%
VI Managed resources protected area	0	0	0	0%	—
Not applicable	68.6	13.1	81.7	91%	16%
Total	71.7	18.3	90.0	100%	20%

WEB The Japan Committee for IUCN website
URL: <http://www.iucn.jp/english.html>

International Year of Forests Initiatives

Initiated by the United Nations, the International Year of Forests 2011 seeks to raise awareness on the importance of sustainable management, conservation and sustainable development of all types of forests. Many countries around the world, including Japan, are engaging in a wide range of activities in this pivotal year.

With its deep connection to forests, the Nippon Paper Group is actively engaged in activities that support the International Year of Forests. The Group continues to promote a variety of measures aimed at protecting forests. These include environmental education activities including the School of Friendship for Forests and paper conducted



using Company-owned forests and the establishment of a sanctuary for the protection of Blakiston's fish owl (see page 45). In linking these efforts with the International year of Forests, the Group is endeavoring to raise awareness toward the importance of forests.

Contributing to Local Communities at Overseas Afforestation Areas

Fostering positive ties with local communities built on harmonious coexistence and mutual prosperity

Basic Stance

Developing an afforestation business that contributes to the local community

Recognizing the importance of mutual growth and development, the Nippon Paper Group strives to build positive ties with the local communities in close proximity to its forest areas. We pay particular attention to the concerns of local residents while taking into consideration the cultures and traditions of each region as well as the natural environment and ecosystems. We work diligently to contribute to society through a variety of endeavors. Considerable effort is placed on promoting education activities and creating of employment opportunities.

Overview and Location of Afforestation Areas

We manage 165,000 hectares of forest land in four countries.

The Nippon Paper Group manages 165,000 hectares of forest land in the four countries of Australia, South Africa, Chile and Brazil.

● Australia

Australia is a country rich in forest resources. With a highly developed lumber industry, it is the world's premier exporter of woodchips used in the manufacture of paper. The Nippon Paper Group began importing natural hardwood chips from Australia at the start of the 1970s. Today, approximately 50% of its woodchips are imported from Australia (see page 53). At the same time, the Group actively participates in discussions regarding the protection and

use of native forests. We are committed to promoting afforestation activities that expand afforestation resources in Australia.

● South Africa

The history of afforestation in South Africa, one of the world's leading countries in this field, began in the late 17th century with the planting of conifers (pines). Since 1975, the Nippon Paper Group has imported woodchips from South Africa.

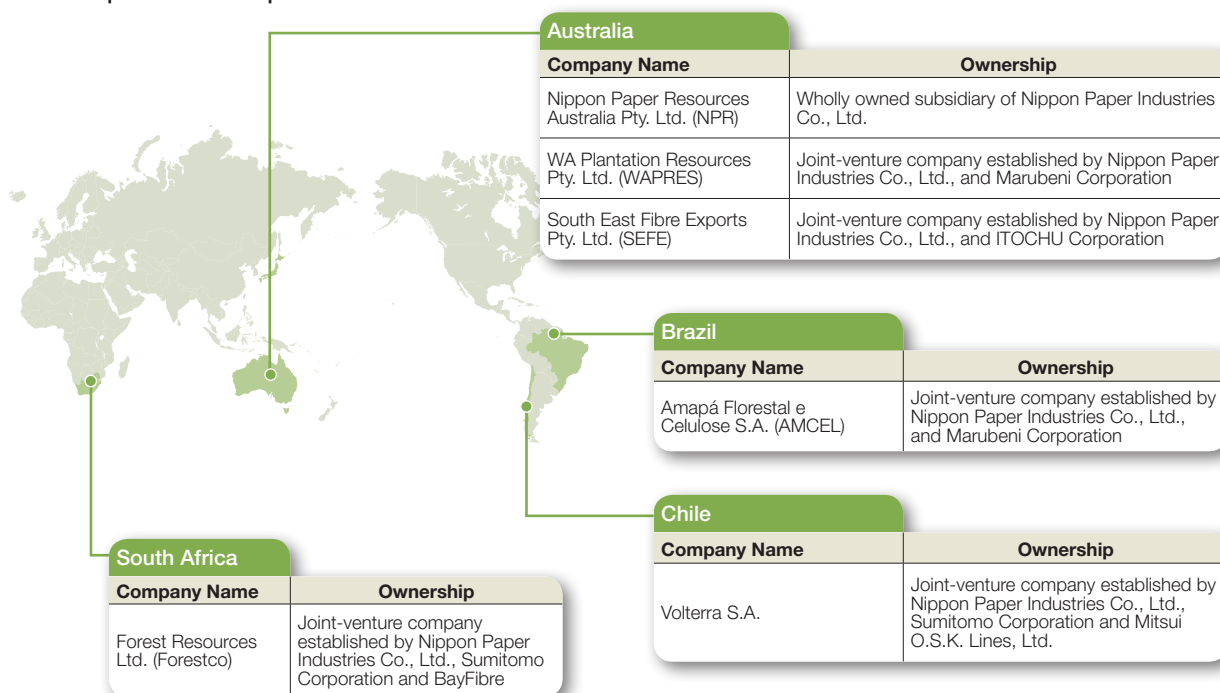
● Chile

The afforestation of radiata pines and eucalyptus has been actively undertaken in Chile since the mid-20th century. At 2,260,000 hectares, afforestation areas account for 3% of the nation's total land area (at the end of 2007). The forest products from the area are exported to countries around the world and play a vital role in supporting Chile's economy. Afforestation in Chile comprised the Nippon Paper Group's first project under the Tree Farm Initiatives (see page 56).

● Brazil

With its vast land area, Brazil is recognized worldwide for its rich forest resources and highly developed lumber industry. As a nation that continues to enjoy firm economic growth, significant progress is being made in the development of infrastructure essential to afforestation management. The Nippon Paper Group purchased AMCEL, a company engaged in such wide-ranging activities as the production and export of woodchips, and is managing substantial forest land.

Overview of plantation companies



Taking into Consideration the Needs of Local Residents and Regional Cultures

Placing the highest priority on communication while contributing to society

While placing the highest priority on communication with society, the Nippon Paper Group maintains the utmost respect for regional cultures and tradition as a part of efforts to promote harmonious coexistence.

Case Study Establishing a framework for communicating with the local community (Volterra S.A., Chile)

Volterra S.A. appoints a designated officer to serve as a point of contact for the local community and to ensure that inquiries are handled in a consistent manner. Complementing this initiative, the company also publishes and distributes a manual to assist employees when communicating with stakeholders. Through these means, every effort is made to ensure that the requests and concerns of the local community are appropriately conveyed to management.

Many indigenous people reside in the areas where Volterra S.A. operates. Leaders of indigenous communities



Visiting the home of a leader of the indigenous community

are invited to conduct lectures and seminars to provide management, employees and subcontractors with a better understanding of local cultures, customs and traditions.

Case Study Respect for indigenous people (Nippon Paper Resources Australia Pty. Ltd. (NPR), Australia)

Australia is blessed with the traditions and culture of its indigenous people (aborigines) nurtured over time. Great care is taken to confirm the existence of historic remains and artifacts in accordance with AFS criteria (see page 57) prior to afforestation. In addition to confirming AFS and RFA* compliance when harvesting state owned or private native forests, compliance needs are determined with local residents as and when required.

* **Regional Forest Agreement (RFA)**
A forest agreement that aims to balance environmental protection concerns with use of the natural environment. This legal framework was put in place following a democratic process of dialog between the federal and state governments as well as local stakeholders (industries including the forestry and tourism sectors, scientists and environmental groups) based on scientific evidence extending over two years.

Case Study Preparing for bush fires (Nippon Paper Resources Australia Pty. Ltd. (NPR), Australia)

Responding appropriately to the frequent bush fires that plague Australia each year is an important social issue. In addition to promoting initiatives aimed at preventing bush fires, the Nippon Paper Group also provides donations in support of bush fire victims.

NPR donated a number of its water storage tanks previously used for herbicide application to a local fire-fighting brigade in July 2009. This initiative has greatly contributed to the efforts of this fire brigade.



Water storage tanks donated by NPR



Letter of appreciation from the local fire brigade

Case Study Supporting local medical services (WA Plantation Resources Pty. Ltd. (WAPRES) and South East Fibre Exports Pty. Ltd. (SEFE), Australia)

Two WAPRES employees offer their services free of charge as pilots to help bring needed medical services to patients in remote locations. In countries with the vast expanse of



Patients and employee pilots

Australia, traveling to receive medical attention can often prove problematic. In this regard, we are assisting in the movement of patients.

Operating in the Bega Valley Shire, SEFE donated two incubators for prematurely born infants to the Bega Hospital in July 2010. In addition, the company along with the local forest industries, is an active participant in the local campaign against cancer in support of local medical services.



At the Bega Hospital

Contributing to Local Communities at Overseas Afforestation Areas

Taking into Consideration the Natural Environment and Ecosystem Conservation

Helping to conserve the ecosystem through biodiversity and water quality research

The Nippon Paper Group has acquired forest certification at all of its afforestation areas and practices forest management that takes into consideration the environment. Among a host of endeavors, the Group conducts research on biodiversity and water quality with the aim of protecting the ecosystem.

In addition, we engage in environmental and related education activities for the benefit of young children and students in an effort to promote harmonious coexistence with the region.

Case Study Conducting biodiversity research (AMCEL, Brazil)

Approximately 173,000 hectares, or 57%, of the 310,000 hectares of property held by AMCEL is protected as a conservation area. The company is working diligently to maintain the ecosystem of plants and animals that inhabit the area.

AMCEL has also installed equipment to monitor water levels and quality throughout its afforestation areas in order to protect water quality and aquatic organisms. In addition to semiannual inspections that assess water quality, the company conducts biodiversity research each year.

Cooperating with the Department of Biological Sciences at the Federal University of Para, AMCEL conducted a survey for mammals in the company's afforestation and surrounding areas in fiscal 2010. The study confirmed the presence of such large animals as leopards and pumas, mid-sized animals including mountain cats and small animals such as bats and armadillos. By capturing animals and maintaining photograph records, AMCEL is helping to track animal numbers and populations. Plans are in place to conduct a vegetation survey of the savanna in fiscal 2011.



Biodiversity research

Mammals identified by the survey

Case Study Adopting agroforestry techniques (Nippon Paper Resources Australia Pty. Ltd. (NPR), Australia)

NPR has adopted agroforestry techniques in its efforts to cultivate trees and other agricultural products together with livestock on the same land.

NPR began sheep farming in its afforestation areas at the end of 2005 (approximately 400 head of sheep as of August 31, 2011). We started to sell wool and livestock in 2006.

Sheep grazing can help to reduce the amount of herbicides and the risk of forest fires. Sheep excrement is also an excellent fertilizer helping to cut back the use of chemical substitutes. Collectively, sheep grazing has contributed to NPR's efforts to engage in sustainable afforestation activities.



Sheep grazing on forest land

Case Study Initiatives aimed at protecting the ecosystem (Volterra S.A., Chile)

Volterra undertook a survey on the status of its protected forest reserves, which make up approximately 26% of the forests owned by the company, in 2006. Based on this survey, three locations were designated as natural forests of high protective value. Accordingly, Volterra put in place and continues to manage relevant protection programs. Complementing these endeavors, and as a part of the company's education activities, Volterra publishes a pamphlet on the protection of flora and fauna as well as watershed forests for the benefit of employees and subcontractors.

In waterways adjoining the company's afforestation areas, Volterra conducts inspections on the quality of water as well as a count of microorganisms. A program has been put in place to allow local children and students to participate in water quality inspection activities.



Water quality survey

Toward Regional Economic Development

Providing stable employment opportunities while participating in activities that help stimulate regional industry and the local economy

The Nippon Paper Group is contributing to regional economic growth by providing substantial employment opportunities through its wide-ranging businesses.

In addition to providing seedlings that serve as a source of regional income, the Group conducts education programs in an effort to deliver employment support.

Case Study Providing employment opportunities (South East Fibre Exports Pty. Ltd. (SEFE), Australia)

As the preeminent company in the Bega Valley Shire of the state of New South Wales, SEFE provides significant employment opportunities for the local community. The company employs 80 staff with a workforce of approximately 400 engaged in activities directly related to state-owned forests, harvesting and haulage contractors, and timber mills. In addition to this, 300 workers are involved in subcontracting activities in the retail and construction sectors. The company creates employment opportunities outside the woodchip industry by installing pellet pilot plants and encouraging operators in the wind power generation.

Case Study Supporting the economic independence of local residents (Forest Resources Ltd. (Forestco), South Africa)

Promoting economic development in rural areas is an important issue in South Africa, as its government recognizes. In this context, the forest industry is expected to play an important role in generating activity. Forestco, as a member of the industry, is providing job opportunities for the local community and trying to give the contract work with priority to local forestry contractors seeking to promote economic independence. Through these means, the company is actively contributing to the economic growth and development of the region.



Local subcontractors

Case Study Participating in a program that donates trees to farmers (Volterra S.A., Chile)

Volterra is an active participant in a program initiated by an alliance between Corporación Chilena de la Madera (CORMA) and the corporate sector. Under this program, five million seedlings of pine and eucalyptus are being donated to farmers over a five-year period. In addition to the licensing of technology, the goal of the program is to provide rural areas with a source of income and to restore 5,000 hectares of land exhausted by soil erosion. The company has donated eucalyptus seedlings each year since 2005 and provided 16,000 seedlings in 2011.

Case Study Engaging in employment support activities (AMCEL, Brazil)

AMCEL is conducting employment as well as job education and training in conjunction with local industry, commerce and vocational schools at the request of the Amapá provincial government, Amapá City, the country and regional community. Each year the company is a major



Practical training in lumber processing at the Escola da Madera (lumber school)

sponsor of such education programs as the Escola da Madera (lumber school)*1 and Youth Project*2, which are open to young people and those who are economically disadvantaged. These programs have been held annually in the city of Santana (where AMCEL's head office is located), Porto Grande (where AMCEL has an operational office) and Tartarugalzinho (where



Job training under the Youth Project

AMCEL has a seedling nursery since 1998. In the ensuing period over 2,000 people have participated in the programs.

*1 Escola da Madera (lumber school)

A school designed to teach techniques in processing wood materials including furniture making

*2 Youth Project

This project is designed to teach participants a trade as mechanics, hair dressers and related positions

Stable Procurement of Recovered Paper

Balancing Group-wide supply and demand through uniform management at the Group's head office

Initiatives Aimed at Stable Recovered Paper Procurement

Promoting stable procurement and increased use of recovered paper by accurately grasping supply and demand trends

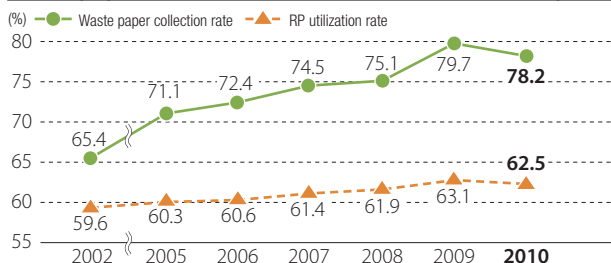
The collection of recovered paper has taken on greater importance with each passing year. This is attributable not only to government initiatives aimed at reducing the volume of waste, but also to measures designed to promote the recycling of resources. Recovered paper is an essential resource accounting for more than 60% of the raw materials used by Japan's paper industry.

Against this backdrop, the Nippon Paper Group has continued to adopt a stable procurement stance nurtured over many years in conjunction with the recovered paper industry. In this manner, the Group has promoted the stable procurement of recovered paper, recognized it as the starting point for recovered paper recycling.

● The current status of recovered paper

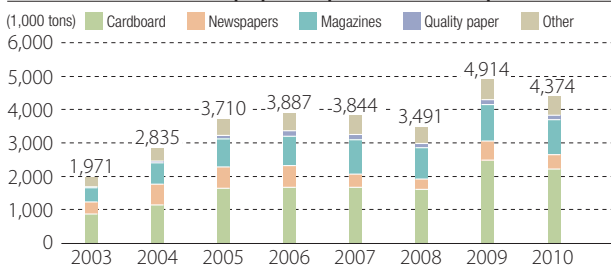
After recording historic highs in 2009, Japan's waste paper collection and RP utilization rates contracted slightly to 78.2% and 62.5%, respectively, in 2010. In recent years, demand for recovered paper and particularly recovered paper for use in paperboard has grown in China. This has in turn impacted the price of recovered paper in Japan.

Waste paper collection and RP utilization rates in Japan



Source: Paper Recycling Promotion Center

Volume of recovered paper exported from Japan



* January to December annual totals

● Balancing supply and demand at all mills through uniform head office management

The Nippon Paper Group's consumption of recovered paper reached 3,120,000 tons in 2010. On an annual basis, this accounted for approximately 18% of the total consumed by Japan's paper industry as a whole. Taking the aforementioned into consideration, securing sufficient volumes of recovered paper is therefore vital to ensuring the stable supply of pulp and paper products. Recovered paper, on the other hand, is a material that occurs in a variety of formats including used newspapers, magazines and cardboard boxes. It is not a material specifically designed for production and therefore its supply cannot be easily managed. Based on the aforementioned, the ability to balance supply and demand of recovered paper with a high degree of accuracy, and to efficiently collect required volumes, are critical to maintaining stable recovered paper utilization.

The Nippon Paper Group identifies the status of supply and demand focusing on the amount of recovered paper required for production at each of its mills at five nationwide locations. Trends are then managed on a uniform basis by the head office of Nippon Paper Industries. In this manner, steps are taken to ensure a stable and balanced supply to each mill, taking into consideration the Group as a whole.

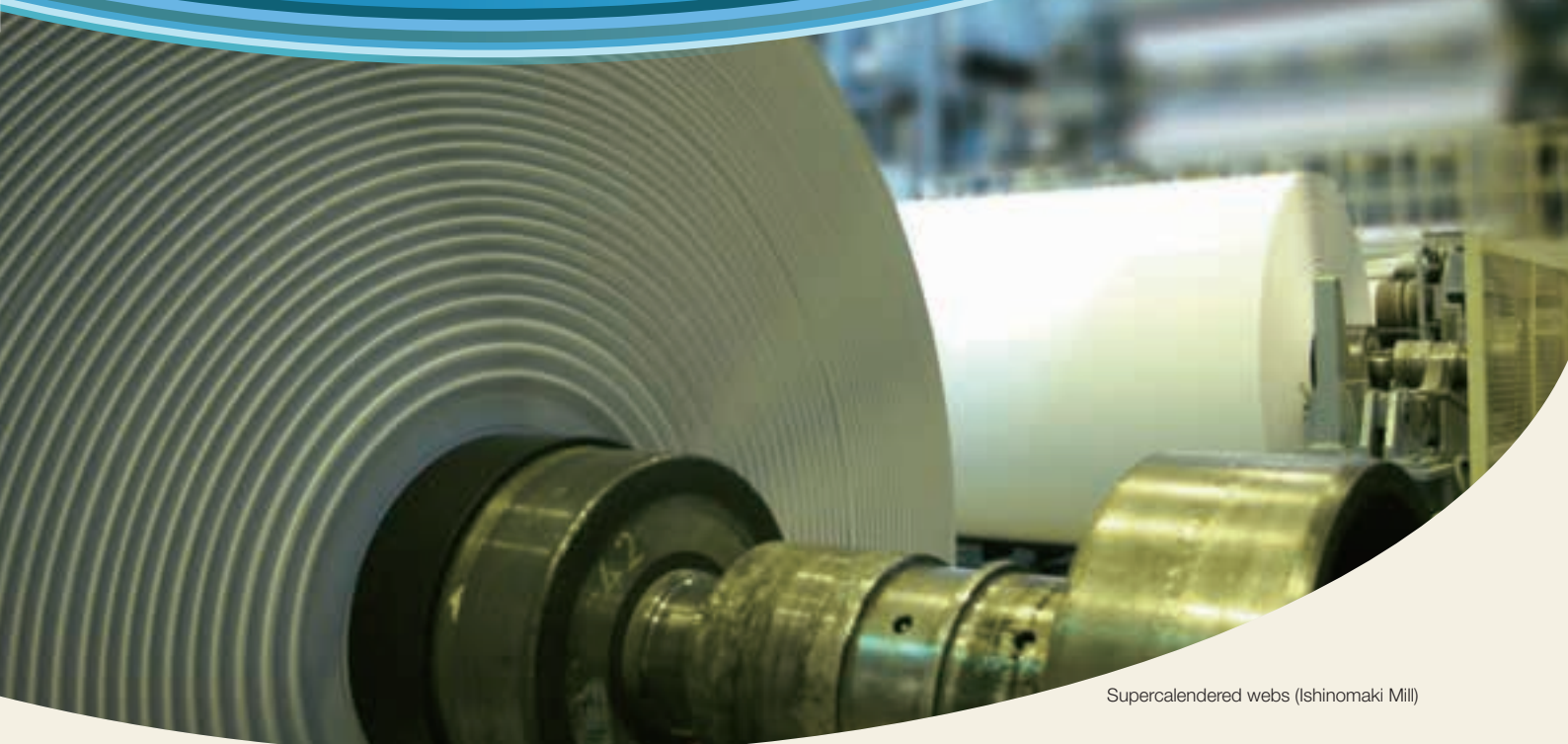
● Maintaining high stock capacity to support stable supply

Maintaining sufficient storage space to accommodate fluctuations in the amount of waste paper generated is essential to the stable procurement of large volumes of recovered paper. Working to address fluctuations in the amount of waste paper generated, the Nippon Paper Group maintains storage space equivalent to around 80% of its monthly consumption.



Recovered paper stockyard (Yatsushiro Mill, Nippon Paper Industries)

Customer Responsibility



Supercalendered webs (Ishinomaki Mill)

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Policy and Management

In addition to the stable supply of products that are essential to society including paper, we continue to pursue levels of quality and safety that meet the expectations of customers.

Basic Stance

Providing products and services that benefit society

The Nippon Paper Group's business activities are grounded in the supply of paper. In this manner, we have continued to develop and grow in tune with society. Extending our horizons beyond paper and paper products, we also engage in a broad spectrum of activities including the manufacture and sale of chemicals, timber and construction materials. Our customer base is equally wide ranging encompassing both the corporate sector and individuals.

The Nippon Paper Group recognizes that the stable supply of paper and related products is a source not only for winning the trust of customers, but also for fulfilling our responsibility to society, securing a steady stream of earnings and returning profits to our many stakeholders.

Our goals are to deliver high-quality, safe products and services that also take into consideration environmental concerns. Our products and services are accordingly designed to meet customer needs, and in turn to instill a strong sense of confidence and satisfaction.

Philosophy and Basic Policy

Winning the trust of our customers

The Nippon Paper Group has positioned "winning the trust of our customers" at the heart of its Corporate Vision (see page 18).

Philosophy and Basic Policy on Product Safety

(established on October 1, 2004)

Philosophy

We pledge to work to improve safety at every stage of the life cycle of our products, from design to manufacture, supply, and disposal, and to provide products and services that the public can trust.

Basic Policy

1. To provide safe products and services in response to the continued trust of our customers.
2. To respect related laws and standards in order to guarantee the safety of our products and services.
3. To provide customers with precise information on the safety, features, and correct usage of our products.
4. To set up a product and service safety management structure and ensure that all Group employees have a thorough awareness of the importance of product safety.

As a part of efforts to achieve this goal, we formulated the Philosophy and Basic Policy on Product Safety in October 2004, and are endeavoring to win the trust of customers through the development and provision of socially useful and safe products and services, a key component of our underlying Action Charter (see page 18).

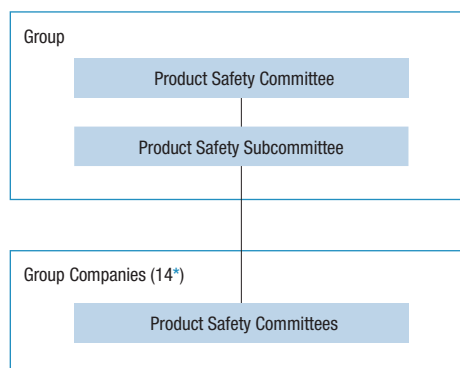
Product Safety Management System

Putting in place a Group product safety management system

The Nippon Paper Group Product Safety Committee, chaired by the General Manager of Nippon Paper Group, Inc.'s Technology, Research and Development Division and the division itself, oversees all activities concerning product safety. The committee, which is made up of the general managers of related divisions within Nippon Paper Group, Inc. and the general managers responsible for product safety at each Group company, deliberates on and determines important matters concerning product safety policies and activities.

Reporting directly to the Product Safety Committee, the Product Safety Subcommittee monitors and manages the status of activities at each Group company. Drawing on information and the exchange of opinions among Group companies, the subcommittee also deliberates on the optimal response to matter of concern. The results of these deliberations are then submitted to the Product Safety Committee. Each Group company establishes its own product safety committee and engages in appropriate product safety activities.

Product Safety Management System



* Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., SHIKOKU COCA-COLA BOTTLING CO., LTD., NIPPON PAPER-PAK CO., LTD., Nippon Paper Chemicals Co., Ltd., Nippon Paper Lumber Co., Ltd., KOYO PAPER MFG. CO., LTD., Kitakami Paper Co., Ltd., Nippon Seitai Corporation, NP Trading Co., Ltd., Nippon Paper Development Co., Ltd., Akita Jujo Chemicals Co., Ltd.

● Acquiring quality management system certification

Each Group company actively promotes efforts aimed at acquiring ISO 9001 certification, the international standard for quality management. Group companies that had acquired certification as of March 31, 2011 are presented as follows.

Acquisition of ISO 9001 certification (As of March 31, 2011)

Company Name	Mill/ Manufacturing Companies/Works
Nippon Paper Industries Co., Ltd.	Nakoso Mill
Nippon Daishowa Paperboard Co., Ltd.	Akita Mill, Soka Mill, Ashikaga Mill, Yoshinaga Mill, Otake Mill
Nippon Paper Crecia Co., Ltd.	Tokyo Mill
Nippon Paper Papyrus Co., Ltd.	Harada Mill, Suita Mill, Kochi Mill
NIPPON PAPER-PAK CO., LTD.	SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD.
Nippon Paper Chemicals Co., Ltd.	Gotsu Works*1, Iwakuni Works, Higashimatsuyama Works, Yufutsu Works
FLOWRIC CO., LTD.	Headquarters, Concrete research Center, Nagoya Mill
Nippon Seitai Corporation	Hokkaido Works, Maebashi Mill, Saitama Mill
Nippon Paper Development Co., Ltd.	Landscape Department
SHIKOKU COCA-COLA BOTTLING CO., LTD.	SHIKOKU COCA-COLA PRODUCTS CO., LTD., Komatsu No. 2 Mill, SHIKOKU CUSTOMER SERVICE CO., LTD.
NIPPON PAPER UNITEC CO., LTD.	Four business sites at headquarters
Kokusaki Kiko Co., Ltd.	All departments
NANKO UNYU CO., LTD.	
Nippon Paper Ishinomaki Technology Co., Ltd.	All departments (Electric Component Department, Machinery Department, Construction Department)
N&E Co., Ltd.	
Graphic Arts Communication	Headquarters, Mill, Marketing Division
Paper Australia Pty. Ltd.	Maryvale, Shoalhaven
DMI*2	Peace River Pulp Division, Cariboo Pulp and Paper Company

*1 Nippon Paper Chemicals' Gotsu Works has gained certification for specific product types.

*2 Equity-method affiliate

● Responding to instances of defective products

In instances where a problem with one of the Group's products has come to light, the Quality Assurance Department of the relevant Group company will take the lead in coordinating with the appropriate mill and related head office departments to promptly and accurately address each issue. In the event that a problem is perceived or determined as warranting urgent and serious attention, each Group company takes the appropriate action in accordance with its Product Safety Crisis Management Manual.

Verification and Audit of Deinked Pulp Content

Implementing appropriate operating processes while undergoing inspections by third-party institutions

In January 2008, the Nippon Paper Group notified the public that it had been manufacturing certain recycled paper products with lower-than-standard deinked pulp content while at the same time misrepresenting that content. In the ensuing period, the Group took ongoing steps to thoroughly investigate the causes of these issues and to formulate and implement recurrence prevention measures. Moreover, during dialog with stakeholders in 2009, we were encouraged to continue our endeavors regarding accountability including full disclosure.

In order to promote continuous improvement, Nippon Paper Industries, is currently undergoing third-party audits of its operating procedures from both the procedural performance (validity and compliance) perspective and the systems (management and review) perspective.

SGS Japan Inc., a third-party inspection and certification organization, conducted performance audits of the Group's operating processes from the receipt of orders through production to shipment between 2008 and 2010. For the period in question, SGS Japan confirmed that the Group's content ratio management system continued to operate without problem. Plans are in place for this organization to conduct similar audits in 2011.

The standards and criteria of the ISO 14001 environmental management system have been incorporated into production procedures at each of the Group's mills. Within the confines of this system, steps are being taken to manage and review production procedures.

In addition, the Nippon Paper Group undergoes inspections by customers based on the verification system formulated by the Japan Paper Association. Customers check that the production processes and deinked pulp contents at mills conform to regulations. Moving forward, the Group will continue to implement prevention measures and to pursue their ongoing improvement while accurately grasping the needs of society.



An audit by SGS Japan

Activities of Nippon Paper Industries Co., Ltd.

Strengthening its quality management system in an effort to deliver products and services that fully satisfy customers

Business and Product Features and Basic Stance

Placing particular emphasis on the stable supply and environmentally friendly products supply

Nippon Paper Industries, manufactures paper, which is sold mainly to corporate customers, including newspaper, publishing and printing companies. The company's product range covers a wide spectrum of uses such as newspaper printing, publication paper, business communication paper and packaging paper. In 2010, Nippon Paper Industries' total production volume accounted for approximately 26% of all paper manufactured in Japan. On a par with the previous year, the company has a stable production track record. Nippon Paper Industries recognizes that one of its most important responsibilities is to ensure the stable supply of high-quality, reliable products. In this manner, the company is better placed to win the trust of its customers.

Amid growing interest toward environmentally friendly products, Nippon Paper Industries deeply regrets its misrepresentation of deinked pulp content. Moving forward, the company is redoubling its efforts toward the manufacture and sale of products that take into consideration environmental concerns.

Product Management System

Promoting efforts to strengthen companywide quality systems focusing on quality, speed and service

● Quality management system

Nippon Paper Industries, maintains a nationwide manufacturing network of eight mills (as of April 2011). Each mill has put in place its own quality management system. The Quality Assurance Department oversees the quality of all products. Due to the wide range of products, companywide quality meetings are held regularly by item. The company's head office, mills and laboratories work in unison to promote quality enhancement measures.

● Responding to instances of defective products

The Quality Assurance Department takes the lead in responding to customer inquiries and instances of defective products. In the event that a major incident occurs as a result of one of the company's products, the Quality Assurance Department acts swiftly to resolve any and all issues in collaboration with relevant departments. Nippon Paper Industries, has put in place a system to ensure that information relating to accidents and the appropriate company response is relayed immediately to the responsible director and the president. This information is also channeled by the Quality Assurance Department to each mills and relevant in-house department.

Responding to Customers

Calling for and responding to the opinions and requirements of customers through sales and marketing activities as well as regular customer visits

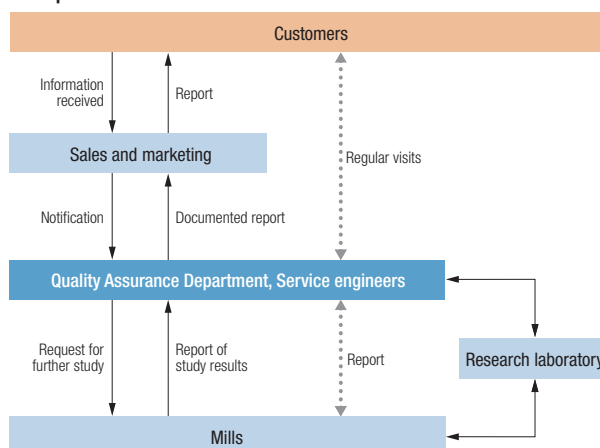
Nippon Paper Industries, supplies newsprint, printing and publication paper and business communication paper largely to corporate customers. Sales representatives call on customers to solicit their opinions and needs. At the same time, the company has introduced a service engineer system in an effort to close the gap between customers and the production frontline. Under this system, personnel engaged in the production of paper regularly call on customers. In witnessing firsthand the printing process through such initiatives as "Quality Patrols," service engineers are better positioned to accurately and promptly address the quality improvement needs of customers. Furthermore, face-to-face dialog instills a greater sense of awareness toward quality and customer satisfaction.

The information obtained through this system is fed back to and shared with other departments.



Regular visit at a printing factory by a service engineer

Framework for addressing customer inquiries, complaints and claims



Product Safety Initiatives

Promoting product safety initiatives in strict compliance with statutory and regulatory requirements

Guided by the Product Safety Committee, Nippon Paper Industries' mills and research laboratory ensure that chemical substances are used and managed in accordance with ISO 14001. At the same time, steps are taken to comply with all statutory and regulatory requirements including the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture and the PRTR Law. Turning to base materials used in the production of food containers, the company conforms to the Food Sanitation Act as well as industry standards.

The Stable Supply of Products

Putting in place an industry-wide paper supply system to ensure the uninterrupted issue of newsprint in emergency situations

Demand is particularly high for the stable supply of paper used in such highly public information media as newspapers. As a result, the paper industry prepares emergency manuals by region for use when an extraordinary incident occurs. In the event of a disruption to communication and transportation systems as a result of a major disaster, paper companies follow this manual to ensure the smooth supply of newsprint.



Shipping products from a warehouse

Product Development that Reflects Society's Needs

Providing products leveraging inherent strengths

● PEFC and FSC® certified paper

Nippon Paper Industries, acquired Chain-of-Custody (CoC) certification (see page 55) under the Programme for the Endorsement of Forest Certification Schemes (PEFC), an internationally recognized forest certification system (see page 57). At the same time, Nippon Paper Industries, was the first Japanese company to establish a comprehensive PEFC-certified paper

production system from chip procurement through manufacture to sale in 2007. The company first obtained PEFC-CoC certification for the import of woodchips by the Raw Material & Purchasing Division in December 2004. At the end of March 2007, Nippon Paper Industries, acquired certification at its headquarters as well as its Ishinomaki and Iwakuni mills. The Shiraoui Works of Hokkaido Mill and the Fuji Mill were certified in October 2007 with the Yatsushiro Mill certified in March 2010.

The Suzukawa Office of Fuji Mill, the Yatsushiro Mill, the Nakoso Mill and the Yufutsu Works of Hokkaido Mill acquired CoC certification from the Forest Stewardship Council (FSC®), an international organization engaged in the certification of forests similar to PEFC, in January 2003, April 2007, December 2007 and October 2009, respectively.

Status of CoC certification acquisition

PEFC		FSC	
Office	Acquisition Date	Office	Acquisition Date
Headquarters	December 2004	Headquarters	January 2003
Ishinomaki	March 2007	Fuji (Suzukawa)	January 2003
Iwakuni	March 2007	Yatsushiro*	April 2007
Shiraoui Works of Hokkaido Mill	October 2007	Nakoso	December 2007
Fuji	October 2007	Yufutsu Works of Hokkaido Mill	October 2009
Yatsushiro	March 2010		

* FSC CoC certification currently suspended

● New products that use high-bulk technologies

Taking full advantage of its proprietary high-bulk technologies, Nippon Paper Industries, develops new products that meet the needs of its customers. The company released new mechanical paper products in the FRONTYTOUGH Series that reduced weight compared to any other conventional products, realized by achieving the highest bulkiness in the Japanese paper industry while maintaining the same thickness and printing reproducibility as that of conventional products. The robust paper, with thickness and outstanding softness is of three types: FRONTYTOUGH 70 with 70% ISO brightness, FRONTYTOUGH 75 with 75% ISO brightness and FRONTYTOUGH 80 with 80% ISO brightness.

Given their thicknesses, and a highly textured printing finish, these new products can be used for the pages of comics, books and magazines, as well as special-feature pages, to provide an accent.

Activities of Nippon Daishowa Paperboard Co., Ltd.

Providing reliable transportation and packaging materials for food, beverage, electrical and electronic device, pharmaceutical and other wide-ranging applications

Business and Product Features and Basic Stance

In addition to its mainstay cardboard base paper, the company provides a vast array of safe and high-quality paper products.

Nippon Daishowa Paperboard, maintains a nationwide manufacturing network of five mills in Japan. The company channels its energies toward the paperboard business. Every effort is made to engage in efficient and fast-paced management while bolstering the company's competitive prowess on the world stage. In addition to its mainstay paperboard business, which includes cardboard base paper, a product that boasts a high recovered paper usage ratio, helping to conserve natural resources, and coated duplex board, Nippon Daishowa Paperboard, also pursues business opportunities across a variety of fields, including coated, business communication paper and pulp. On a 2010 calendar year basis, the company held a 13.9% share of the paperboard market in Japan.

Nippon Daishowa Paperboard, strives to provide high-quality, safe and environmentally friendly products and services in an effort to meet the needs of customers and to earn their trust. In addition to this stable supply, the company works diligently to provide accurate and open information. This includes descriptive, quality labeling.

Major Products

Product Category	Details
Cardboard base paper	Cardboard base paper, which includes linerboard and corrugating medium, is a product that entails the active use of recovered paper. Through the application of cutting-edge technologies that deliver such environmental benefits as increased energy efficiency, products are manufactured in a manner that reduces environmental impact. After processing, products are used in wide-ranging fields, including the transportation and packaging of groceries, beverages and electric and electronic devices. In addition, and in the context of recent efforts to reduce greenhouse gas emissions, demand for lightweight, high-intensity base paper has steadily grown. Nippon Daishowa Paperboard, is working to address this demand by delivering products that meet diverse needs, including superior safety, bonding, working, printing, water resistance and repellency.
Coated duplex board	Coated duplex board is a paper product comprising several laminated layers. Products vary according to combination of raw materials used for each layer. Taking full advantage of the latest technologies, Nippon Daishowa Paperboard, offers an abundant product lineup that is used in the publishing, food, confectionary, pharmaceutical, daily necessity and other wide-ranging fields. In 2010, the company commenced sales of both sides coated duplex board rebirth 70 (PEFC), a product that uses both recycled pulp and certified forest pulp and is compliant with the Law on Promoting Green Purchasing.
Gypsum board base paper	Gypsum board is used as a water-resistant construction material most commonly applied to walls and ceilings. It is made by pouring gypsum between two sheets of base paper. The gypsum board base paper manufactured by Nippon Daishowa Paperboard, offers outstanding adhesive, water absorbability, dimensional stability and other properties. Due to its consistent high quality, this product is attracting wide acclaim from customers. Boasting a broad spectrum of material and texture features, the company's gypsum board base paper lineup offers considerable flexibility according to each application and design.

Product Safety Management System

Providing safe products and services that comply with all relevant statutory and regulatory requirements as well as industry standards

Nippon Daishowa Paperboard, participates in the Nippon Paper Group Product Safety Committee. In addition to incorporating Group information and policies into its activities, the company supplies products and services that comply with all relevant statutory and regulatory requirements, as well as industry standards, while disclosing accurate product information. From a product safety perspective, Nippon Daishowa Paperboard, is placing particular emphasis on strengthening mechanisms that guarantee and certify deinked pulp content ratios, product compliance with the Law on Promoting Green Purchasing and lumber from tree thinning. Another area of priority encompasses efforts to promote safety surveys of paper and paperboard used in food packaging. The company follows a predetermined product deinked pulp and non-wood fiber pulp content ratio verification process based on the deinked pulp content ratio verification system established by the Japan Paper Association. Nippon Daishowa Paperboard, has also put in place guidelines for onsite customer inspections to verify deinked pulp content ratios as well as an implementation framework.

Calls for increasingly stringent, international level safety and

Product Category	Details
Color board, chipboard	Color board is commonly used for general-purpose packaging and writing materials. Chipboard is used as a general-purpose packaging, mat board, interlining and other material and has a wide variety of product packaging uses including pharmaceutical and confectionary boxes.
Specialty paperboard	SIKRA PAK, a highly water-resistant paperboard, was developed as a flagship product in the company's specialty paperboard product range. Recovered container board is the principal raw material for SIKRA PAK, and as such it can be recycled as a paper product after use. SIKRA PAK has a variety of applications and can be used in sheet pallettes, returnable containers, marine product packaging, election campaign boards and concrete panels. As an alternative to such mainstream materials as wood and foam polystyrene, SIKRA PAK is also attracting wide acclaim for its environmentally friendly, lightweight and recycling properties.
Core paperboard	Core paperboard is used in a variety of rolled containers for storing and transporting paper, cloth, film, drawings, certificates of merit and related items. Harnessing technologies developed over a lengthy period, the company's core paperboard products are manufactured with an emphasis on strength and precision for long-term, reliable use.
Paper	Nippon Daishowa Paperboard, manufactures a variety of products for printing, book, office, drawing and packaging use. Brands include the high-quality paper Nichirin A, high-quality lightweight-coated paper COSMO ACE and NEW COSMO BULKY, book paper Kohaku, rough cream Kohaku and new chiffon cream, machine-glazed paper Hakuto, Shirogane.

hygiene standards for paper and paperboard products used in food containers and packaging are becoming more pronounced with the growing interest in food safety in recent years. The paper industry formulated its own voluntary standards for paper and paperboard intended to come into contact with food in 2006. Nippon Daishowa Paperboard, closely follows these voluntary standards in its efforts to strengthen the company's safety and hygiene activities, particularly with respect to the manufacture of paper and paperboard for applications relating to food and the policies outlined regarding production and details of prohibited chemical substances. Moreover, the company takes steps to identify any pharmaceutical ingredients used in the manufacturing process and to conduct safety surveys.

Product Safety Initiatives

Attending to each issue through a variety of measures, including close-knit technological cooperation, while providing comprehensive and pertinent information

● Providing pertinent product information

The intended application is an essential factor in selecting the base paper for use in paper processed products. Amid the implementation of increasingly stringent safety and hygiene requirements, particularly with respect to the use of paper and paperboard in the packaging of food products, customers are also placing greater emphasis on curtailing costs while reducing greenhouse gas emissions. At the same time, calls for more robust base paper with a lower base weight have become especially strong for use in cardboard boxes that serve a multitude of purposes, including transportation. In an effort to address these needs, Nippon Daishowa Paperboard, is both evaluating and manufacturing new base papers. In addition to providing information regarding processing and utilization methods to customers, the company is also offering cooperation and support from a technological perspective, which includes invitations to view first-hand processing procedures.

Over and above the aforementioned, requests for additional cooperation in addressing issues that arise during the processing stage have become more and more prominent. As a part of efforts to help improve customers' operations and costs, Nippon Daishowa Paperboard, is providing pertinent paper and paperboard information while helping to ascertain the causes of issues.

The company's products are not only used in the food sector, but also in other wide-ranging fields. Statutory requirements relating to the use of chemical substances in products differ depending on the application. In this context, regulations are continuously under review. At the same time, there is a growing number of companies that put in place voluntary standards with respect to acceptable chemical substances in each field. The need to assess and confirm compliance is becoming increasingly vital with each passing year. Nippon Daishowa Paperboard, has appointed a designated officer to oversee the company's efforts in accurately and promptly addressing these needs.

The Stable Supply of Products

Promoting stable supply and precise information based on systematic production

The paperboard products manufactured by Nippon Daishowa Paperboard, are essential to a broad spectrum of fields including the packaging and distribution sectors.

Against this backdrop, the company maintains a nationwide network of five mills. In addition to a procurement structure that ensures high-quality, safe and reliable raw materials and fuels, Nippon Daishowa Paperboard, has put in place appropriate facility maintenance systems to secure continuous and systematic production. Through these means, the company is endeavoring to fully address the needs of its customers by providing high-quality, safe and environmentally friendly products on a stable basis. At the same time, every effort is made to ensure product information is disclosed in an accurate and open manner. Among a host of initiatives, Nippon Daishowa Paperboard, pays particular attention to product labeling.

In the event of an earthquake or similar disaster, the company has established a backup system that entails coordination between mills. This serves to minimize any impact on the company's operations.

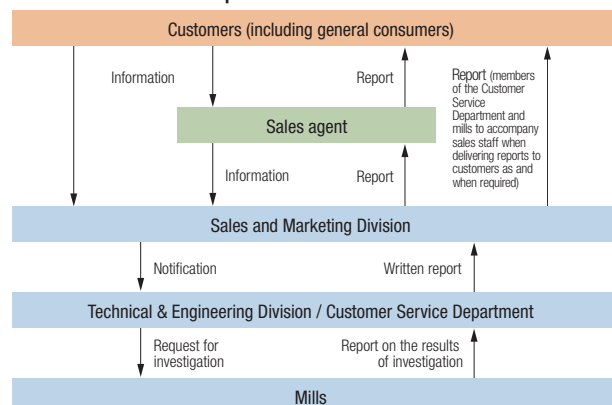
Responding to Customers

Maintaining a system to appropriately address instances of product defect and customer inquiries

● Responding to instances of defective products

Details of product claims are channeled through sales representatives to the Customer Service Department. The Department then contacts the appropriate officer within each mill to ascertain the cause of the claim and to discuss appropriate countermeasures. Based on the results of investigations, a written report is prepared for delivery to the customer. When delivering the report to the customer, members of the Customer Service Department as well as the relevant mill accompany sales representatives as and when required.

System for responding to defects, claims, requests for consultation and inquiries



Activities of Nippon Paper Crecia Co., Ltd.

Concentrating on customers' perspectives in the development of easy-to-use products while strengthening the product safety management system

Business and Product Features and Responsibility with respect to Customers

Leveraging our position as a manufacturer to support clean and comfortable lifestyles

Nippon Paper Crecia, provides individual consumers with household paper products including facial and toilet tissues as well as health, nursing and toilet care products. The company also offers professional products which are mostly for business use. Through such brands as Kleenex®, Scottie® and Poise®, Nippon Paper Crecia, has attracted a popular following in personal care and hygiene products.

Providing safe and high-quality products is part and parcel of the company's efforts to deliver a clean and comfortable lifestyle to its customers. In order to supply products of an even higher quality, Nippon Paper Crecia, listens to its customers and engages in research and development that focuses on addressing customer needs.

Product Safety Management System

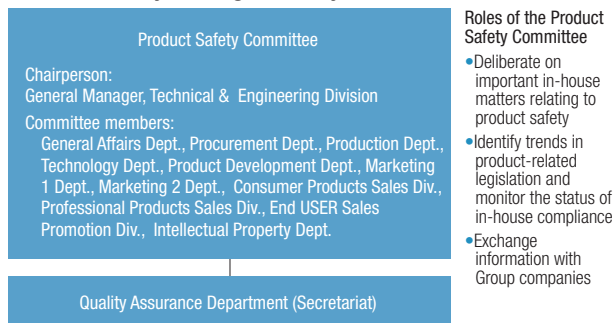
Striving to address customer concerns in a proper and timely manner while further enhancing quality

In addition to acquiring ISO 9001 certification at its Tokyo Mill in February 2009, Nippon Paper Crecia, has incorporated ISO 9001 procedures into its quality management system.

The company has established the Product Safety Committee in order to engage in product safety risk management. Complementing this initiative, the Customer Service Office was relocated adjacent to the President Office. By ensuring that customer claims are conveyed directly to the president, Nippon Paper Crecia, is reinforcing its crisis management framework.

The Quality Assurance Department was transferred to the Technical & Engineering Division in July 2010. At the same time, steps were taken to integrate the Mill Quality Management Office and the Mill Environment Management Office into a new Quality Environment Management Office. These measures were implemented to ensure a framework that would allow the production frontline to more swiftly and effectively respond to customer claims. Taking the lead, the Quality Assurance Department implements quality audits at each mill while undertaking quality inspections at OEM production companies. Building on each of the aforementioned activities, the company works diligently to further enhance the quality of Crecia products and to promote increased stability.

Product safety management system



• Responding to instances of defective products

The Quality Assurance Department serves as the point of contact for all instances of defective products. While coordinating with the company's head office, relevant mills as well as the sales and marketing, distribution and all other appropriate departments, the Quality Assurance Department addresses each incident in a proper and timely manner. In addition to collating all appropriate information, the Quality Assurance Department formulates countermeasures after determining the degree of urgency and severity.

An emergency countermeasures task force, made up of executive management and the general managers of all relevant departments, is established for incidents that are considered extremely urgent and severe.

Providing Relevant Product Information

Ensuring proper labeling, advertising and information disclosure in accordance with statutory requirements

Nippon Paper Crecia, adheres strictly to all relevant statutory and regulatory requirements including Japan's Household Goods Quality Labeling Act and the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation, as well as industry standards. In this manner, the company takes steps to prevent erroneous labeling and advertising that may lead to misrepresentation. In addition, the Sales and Marketing Division's Intellectual Property Department plays a central role in both monitoring and verifying the accuracy of product labeling and advertising, while the Customer Service Office deals directly with inquiries relating to the features of each product and how products are used. Complementing each of the aforementioned measures, the company has established a page on its website to explain its products and field inquiries.



Explanations and details of products posted on the company's website

Responding to Customers

Responding sincerely to ensure that customers are fully satisfied

Contact details for the Customer Service Office are displayed on all products. This helps customers to more easily direct their concerns to the company and to address any instances of defective products. The company's website is also configured to accept customer queries and comments. Nippon Paper Crecia, consistently acts in good faith whenever its products are a cause for customer inconvenience. Every effort is made to ensure that customers are fully satisfied.



The Customer Service Office

Basic philosophy and policies toward addressing customer claims

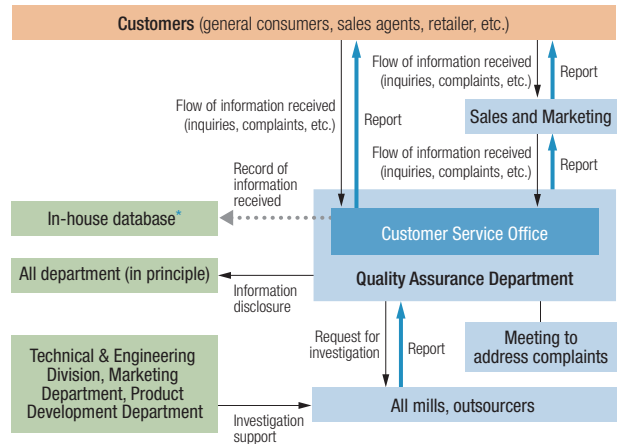
Basic Philosophy toward Addressing Customer Claims

Nippon Paper Crecia Co., Ltd., gives the highest priority to addressing customer claims in a sincere and timely manner. The company takes seriously the comments of its customers which are consistently reflected in efforts to improve products and services.

Basic Policies

1. The company positions efforts to address customer claims as one of its highest priorities.
2. The company maintains a deep respect for the interests of customers when addressing each claim.
3. Drawing on the collective strength of the organization as a whole, the company takes full responsibility until each customer claim is resolved.
4. Each claim is addressed without prejudice and in an open and fair manner irrespective of the details offered by the customer.
5. Every emphasis is placed on statutory compliance with unreasonable requests handled in a resolute manner.
6. Recognizing that customer comments are an invaluable source for improving the quality of its products and services, the company listens intently to the voice of its customers.
7. Every effort is made to stringently protect the personal information of customers.

Framework for handling customer inquiries, complaints and claims



Note: The recording of information received in the company's in-house database is strictly handled in accordance with the company's rules on the management of personal information.

The Stable Supply of Products

Supplying safe products through a nationwide network of four mills

Both facial and toilet tissues are items that are essential to daily life. Nippon Paper Crecia, maintains a nationwide products network of four mills located in Saitama, Kanagawa, Kyoto and Yamaguchi. Each mill takes great pride in delivering products that engender peace of mind. The company also maintains an emergency network in the event of an earthquake or other natural disaster.

New Product Development that Reflects Customers' Needs

Developing high-quality, easy-to-use products

In response to customer needs, Nippon Paper Crecia, engages in product development activities that focus on enhancing both quality and added value. At the same time, the company pays equal attention to ease-of-use and environmental concerns.

For those products not easily purchased at retail stores, Nippon Paper Crecia, has established an online shopping site. The company is taking steps to upgrade and expand its lineup of online products.

Select Products



superb HAGOROMO in the Kleenex® Tissue Series



Superb Hospitality Toilet Roll in the Kleenex® Toilet Tissue Series



SOFTLY&FITTED Wrap in the Scottie® Fine Wrap Series

Activities of Nippon Paper Papyrus Co., Ltd.

Addressing diverse needs and winning the trust of customers by establishing a system that can accommodate high-mix, small-lot production, delivering highly functional, quality products and ensuring stable supply

Business and Product Features and Basic Stance

Responding to diverse customer needs through a flexible production system

Building on its craftsmanship nurtured over many years, Nippon Paper Papyrus, handles a variety of specialty paper products in the thin paper field. The company's product lineup includes cigarette-related paper, thin printing paper, back carbon copying paper and processing base paper. In addition to its paper making technologies that use a mix of wood pulp, non-wood pulp and synthetic fibers, Nippon Paper Papyrus, boasts such diverse processing techniques as impregnation, coating, thermal and crepe processing, as well as embossing. Drawing on these technologies and techniques, the company continues to develop and market a vast array of unique, highly functional and specialty papers.

Nippon Paper Papyrus, places customers' needs at the heart of its operating activities. To this end, production lines are designed with the utmost care, focusing on operating reliability as well as the flexibility to accommodate high-variety, low-volume production. Through advanced automation, the company is well positioned to efficiently produce high-quality products on a



Specialty paper

stable basis. At the same time, Nippon Paper Papyrus, places considerable weight on efforts to improve its delivery capabilities.

Major Products of Nippon Paper Papyrus Co., Ltd.

Major Product Category	Details
Cigarette-related paper	Cigarette paper, filter plug wrapping paper, filter tipping paper
Thin printing paper	India paper, paper for lists of stipulations, paper inserts, ultra-lightweight coated printing paper, bulky paper
Back carbon copying paper	Back carbon copying paper
Processing base paper	Releasing base paper, waxed base paper
Functional and specialty paper	Water-soluble paper, absorbent paper, oilproof paper, waterproof paper, facial tissues, various filter papers, heat sealable paper, tape base paper, specialty printing paper, wiper paper

Product Safety Management System

Standing at the forefront of the paper industry, Nippon Paper Papyrus, has acquired ISO 9001 certification and is strengthening its quality assurance system.

Taking the industry lead in quality, Nippon Paper Papyrus, acquired ISO 9001 certification at its Suita Mill in 1992. The company then took steps to acquire certification at its Harada and Kochi mills, putting in place a robust companywide quality assurance system.

Companywide technology and quality meetings are held each month to deliberate on issues relating to production technology and quality assurance. With a shared understanding, Nippon Paper Papyrus, continues to operate its quality assurance system.

Ensuring product safety management in accordance with statutory requirements and industry standards

Nippon Paper Papyrus, has formulated a Product Safety Charter. Guided by this charter, the company maintains and promotes comprehensive product safety, taking into consideration product features and disposal with a view to protecting the global environment as well as operating safety. Included in the charter are the company's product safety policies. These policies provide specific guidelines for the direction and implementation of product safety activities.

The Product Safety Committee has been established to help promote appropriate activities. This committee puts forward and promotes proposals while managing progress. The committee also oversees the proper use and management of chemical substances and raw materials at mills and research laboratories. In this manner, every effort is made to ensure that the company complies with all relevant statutory requirements including the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and the PRTR Law. With respect to such food wrapping products as greaseproof and tea filter paper, Nippon Paper Papyrus, engages in production that conforms to the Food Sanitation Act and industry voluntary standards.

As a member of the Nippon Paper Group, Nippon Paper Papyrus, is conscious of its role in society. In this context, the company shies away from any activity that would betray society's trust. In adhering strictly to compliance through appropriate training, Nippon Paper Papyrus, is endeavoring to raise awareness among directors and employees.

Product Safety Policies

(Formulated on June 30, 1995, and revised on April 1, 2004)

- (1) The company positions the pursuit of safety at the heart of its basic business philosophy. To this end, the company has established and continues to observe specific product safety standards that help prevent the distribution of defective products.
- (2) With the underlying goal of maintaining and pursuing product safety, the company draws on the collective strength of its technological capabilities and strives diligently to prevent any injury or inconvenience to its customers as a result of a defective product.
- (3) To achieve this goal, the company strictly manages product safety. Stringent measures are taken to confirm product safety as a part of efforts to improve new product development, quality and processes. The company also closely monitors product safety to ensure that appropriate standards are maintained.
- (4) The company supplies its customers with safe products while steadfastly providing information to ensure that standards are maintained.

Product Safety Initiatives

Sharing information on problem issues and countermeasures in a timely manner

● Responding to instances of defective products

Instances of defective products are addressed in accordance with product complaint handling rules and regulations. Incidents of a severe nature than can be attributed to the company's products are resolved in a timely manner through collaboration between the responsible sales and marketing department, the Quality Assurance Department and all other related departments. The utmost priority is placed on addressing and satisfying the requirements of customers. Information relating to problem issues and countermeasures are forwarded from the company's head office Technical & Engineering Division as well as the Quality Assurance Department and shared with the president, mills and relevant in-house departments.

● Providing pertinent product information

Nippon Paper Papyrus, strives to consistently respond to customer inquiries. To this end, all relevant product departments coordinate with the appropriate parties and departments within the company. The company has also established a page on its website to provide readers with individual products details and to field customer inquiries.

Customer Service Response Center by Inquiry

Nature of Inquiry	Customer Service Response Center
Cigarette-related paper inquiries	Tobacco & Industrial Paper Sales Department
Thin printing paper inquiries	Paper Sales Department
Functional paper inquiries	Special Products Marketing Department
Specialty paper inquiries	Specialty Paper Sales Department
General quality inquiries	Technical & Quality Assurance Department

The Stable Supply of Products

Promoting the decentralization of production bases while ensuring stable raw materials procurement

From a risk management perspective, Nippon Paper Papyrus, strives to secure stable access to wood pulp, non-wood pulp and other primary raw materials from multiple suppliers to ensure the stable supply of its products. In addition, the company is promoting a two-tiered structure, encompassing its Harada Mill in Shizuoka Prefecture and its Kochi Mill, in Kochi Prefecture, with respect to the partial production of function and specialty as well as cigarette-related paper.

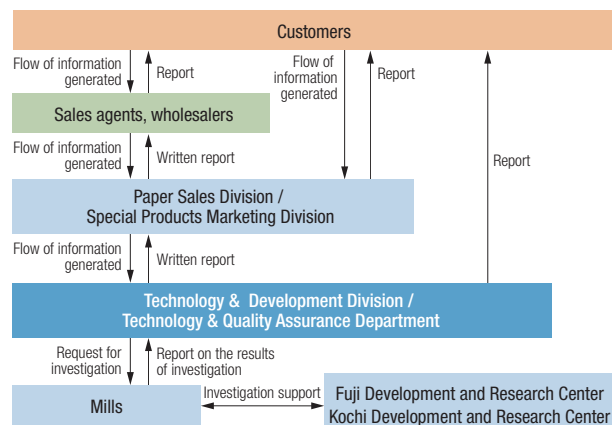
Responding to Customers

Promoting collaboration between departments to ensure a prompt response to customer inquiries

At Nippon Paper Papyrus, officers responsible for sales and marketing take the lead in addressing customer complaints, requests for investigation and inquiries. Through a process of collaboration between sales and marketing, technical and engineering and development and research departments as well as mills, every effort is made to reply in a timely manner.

Moreover, officers responsible for sales and marketing as well as quality assurance call on printing and other companies. Information obtained through this process of onsite inspection on the status of consumption is used to further improve quality and to boost new product development

Framework for handling customer inquiries, complaints and claims



New Product Development that Reflects Customers' Needs

Responding to changing needs by upgrading and expanding technical services

Nippon Paper Papyrus, acquired CoC certification under the FSC® and PEFC programs in May 2007. CoC certification is a worldwide system that certifies the efficacy of wood product processing and distribution.

Adhering to the requirements for certification, the company's Harada and Kochi mills engage in the procurement of resources from forests. These resources are then used in the development of products, which are sold to the market. Harnessing its inherent strengths, Nippon Paper Papyrus, promotes wood resource conservation by steadily reducing the weight of products. In this context, the company is actively addressing the need for environmentally friendly products.

Activities of SHIKOKU COCA-COLA BOTTLING CO., LTD.

Recognizing the paramount need to satisfy consumers, SHIKOKU COCA-COLA BOTTLING strives to deliver safe and reliable products.

Our Approach to Business and Products

Our aim is to continue to pursue growth along with communities we serve by providing moments of refreshment that anyone can enjoy anytime and anywhere

SHIKOKU COCA-COLA BOTTLING manufactures a variety of Coca Cola beverages. Products are marketed in four prefectures of Shikoku, Japan, under the slogan "Moments of refreshment that anyone can enjoy anytime and anywhere."

As a member of the communities we serve, SHIKOKU COCA-COLA BOTTLING encourages active, healthy living of people in Shikoku through our beverage business. In addition to its social contribution activities that focus on environmental protection as well as the promotion of sporting and cultural pursuits, SHIKOKU COCA-COLA BOTTLING works diligently to fulfill the expectations of a wide variety of stakeholders. In this context, the company actively promotes information disclosure and strives to create a workplace that is both comfortable and rewarding for its employees. Endeavoring to become a trusted and integral member of society, SHIKOKU COCA-COLA BOTTLING engages in activities that help us continue to pursue growth along with the community and fulfill its corporate social responsibility as part of the Nippon Paper Group.



SHIKOKU COCA-COLA BOTTLING headquarters



Consumer service training (sales office)

Product Safety Management System

Promoting ISO activities while building a quality assurance system for safe and reliable products

The Quality Assurance Committee stands at the center of efforts to build a product safety management system for SHIKOKU COCA-COLA Group companies. Placing quality as our top priority, we strive to maintain the rigorous standards of ensuring product quality to deliver refreshing, safe and reliable products to consumers.

SHIKOKU COCA-COLA PRODUCTS CO., LTD. a group company that is actively engaged in the manufacturing process, acquired ISO 9001 certification in 1999. Thereafter, the company obtained ISO 14001 and OHSAS 18001 accreditation and more recently acquired FSSC 22000 (food safety) certification in December 2010. In addition to strengthening its product manufacturing management system, the company has also formulated quality policies based on the Nippon Paper Group's Action Charter and Codes of Conduct. In this manner, energies are being channeled into providing safe and reliable products.

SHIKOKU COCA-COLA PRODUCTS CO., LTD. fiscal 2011 management system operating policies (formulated in January 2011)

Basic Principles

As a good corporate citizen, SHIKOKU COCA-COLA PRODUCTS CO., LTD. is building a safe, pleasant and vibrant workplace while providing consumers with safe and reliable products based on the SHIKOKU COCA-COLA Group's Action Charter and Codes of Conduct in an effort to strengthen alignment toward and confidence in the Coca Cola system.

Basic Policies

1. Moving forward with the Coca-Cola Operating Requirements (KORE) management system at the heart of its business activities, the company will focus on quality, food safety, the environment as well as safety and loss prevention. Steps will also be taken to identify objectives and targets which will be periodically reviewed and revised.
2. The company will focus on operating efficiency through the vertical implementation of new production facilities. Efforts will also be made to lift the rate of internally manufactured products.
3. The company will comply with all relevant statutory and regulatory requirements while addressing the needs of customers in the conduct of its business activities. In addition to putting in place essential voluntary standards to help improve product quality, the company will work diligently to reduce the environmental impact of its activities while minimizing risks associated with safety and loss prevention.
4. The company will take great care in securing the safety and health of employees and those individuals associated with the company. To this end, the company will promote positive communication. At the same time, the company will respect the rights of employees and stakeholders in the community while promoting regular discussion and dialogue.
5. The company will provide its employees with all necessary educational trainings in the quality, food safety, environment, safety and loss prevention management system as well as KORE activities.
6. The company will allocate appropriate management resources and work to secure continuous improvement in the execution of the quality, food safety, environment, safety and loss prevention management system as well as KORE activities.
7. The company will disclose details of its quality, food safety, environment, safety and loss prevention management system policies to both internal and external stakeholders.

Initiatives Aimed at Satisfying Consumers

Establishing a system to effectively respond to consumer complaints through compliance with ISO 10002:2004

The SHIKOKU COCA-COLA Group listens attentively to the comments of its consumers taking great care to respond to all concerns queries with integrity, speed and accuracy. The Group places the utmost importance on communication. In addition to providing safe and reliable products, services and information, the Group takes great pains to reflect consumer comments in its ongoing activities.

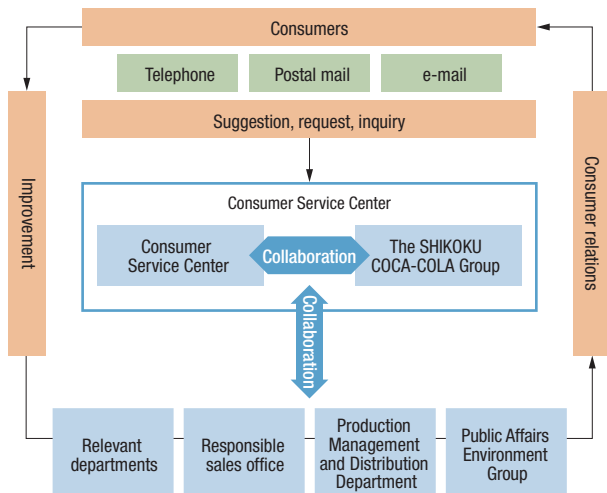
In March 2007, the Group issued the declarative statement that it conformed to ISO 10002:2004*, the international management standard for handling complaints. Compliance is a part of the Group's efforts to further enhance the level of consumer satisfaction.

In addition, SHIKOKU COCA-COLA BOTTLING received independent, third-party evaluation of the complaint handling procedures of the company from Tokio Marine & Nichido Risk Consulting Company. Results of this evaluation confirmed that the company's complaint-handling procedures and all related documents were in compliance with ISO 10002:2004.

* ISO 10002:2004

ISO 10002 is the international standard for implementing a complaints management system issued by the International Organization for Standardization in 2004. ISO 10002 is not a third-party certification system undertaken by an evaluation certification organization. While it does provide a guideline standard for handling complaints, ISO 10002 more importantly allows companies to identify to both internal and external parties that it is continuously dealing with customer complaints in accordance with international standards. In declaring compliance of its own accord, each company is more accountable for its actions and statements.

Framework for handling consumer inquiries, complaints and suggestions



Consumer Service Center

0120-308509

(Excluding Saturdays, Sundays and public holidays / 9:30 to 17:00)
<http://www.cocacola.co.jp>

Environmentally Friendly Products and Packages

● *ecoru Bottle Shiboru*, Japan's lightest bottle for water products, released

I LOHAS, a new water brand that employs a PET bottle called the *ecoru Bottle Shiboru* – the lightest of its kind in Japan – was launched on May 18, 2009.

Features of the lightest bottle

Japan's lightest bottle at 12g, employing semi-transparent cap

- The first-of-its-kind semi-transparent cap for a Coca-Cola system product
- The lightest cap in Japan for bottles in this size

Weight around the neck section is 20% lighter than previous bottles

- Easy-to-remove wrap-around label
- Wrap-around label as opposed to the conventional shrink label
- Easy removal without the need to remove using perforation
- Substantial reduction in the amount of plastic used due to smaller size and lighter weight

Upsized 555ml bottle with added value

- Reflecting consumer calls for a little more than the standard 500ml size

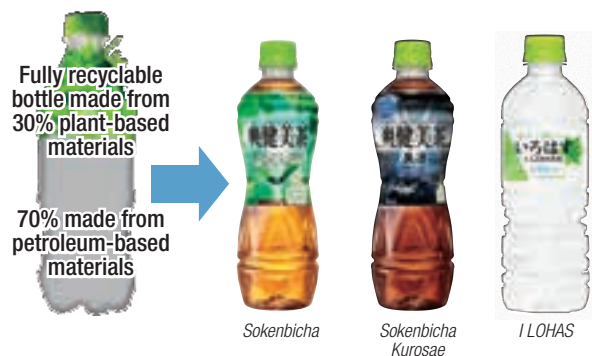


● The next-generation *PlantBottle* introduced, Japan's first PET bottle made from plants

PlantBottle, which is partially made from plant-based materials, was introduced in Japan on March 15, 2010. This innovative product is being used for such beverages as *Sokenbicha*, *Sokenbicha Kurosae* and *I LOHAS*.

PlantBottle packaging is currently made through a process that turns sugar cane and molasses, a byproduct of sugar production, into a key component for PET plastic. The use of up to 30% of plant-derived materials helps reduce the reliance on petroleum. An added advantage is that *PlantBottle* can be fully recycled at existing PET bottle recycling plants.

As *PlantBottle* PET bottles are identical to conventional PET bottles in terms of shape, weight and strength, consumers can continue to drink their favorite products with complete peace of mind.



Development of Environmentally Friendly Products

Actively developing products that help reduce environmental impact

Basic Stance

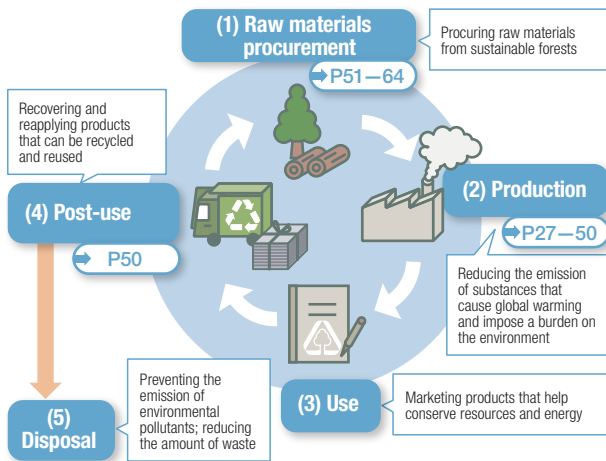
Engaging in development that incorporates environmental concerns throughout the entire product lifecycle

The Nippon Paper Group is primarily engaged in the manufacture of paper. In addition to paper, the Group provides a broad range of related products that rely heavily on wood as a principal raw material. Wood is a resource that can be renewed through a process of photosynthesis. Wood-based products are environmentally friendly and therefore contribute to the creation of a sustainable society (see page 10).

The Nippon Paper Group also takes into consideration environmental concerns across every stage of the product lifecycle from the procurement of raw materials through production to use and disposal. The Group's efforts at each stage of the product lifecycle, from (1) to (5) are depicted in the following diagram.

Moving forward, the Nippon Paper Group is committed to developing environmentally friendly products and to contributing to an affluent society.

Points of environmental concern from a product lifecycle perspective



Environmentally Friendly Raw Materials Procurement

Procuring raw materials from sustainable forests

The Nippon Paper Group procures raw materials from sustainable forests that are managed taking into consideration environmental and social concerns (see pages 54 to 57). As a part of its environmentally friendly raw materials procurement activities, the Group makes every effort to use domestic timber in an effort to revitalize Japan's forests.

Case Study SGENC certified MDF using 100% domestic timber

In March 2011, PAL WOOD MATERIAL, and N&E, a manufacturing subsidiary in Tokushima Prefecture, were the first companies in the industry to manufacture and market SGENC*1 certified MDF, made from 100% domestic timber.

The use of regional timber is helping to revitalize local forest. In addition, the use of SGENC certified raw material encourages environmentally friendly procurement.



SGENC certified MDF



An example of the product used in construction

*1 SGENC: The acronym for the Sustainable Green Ecosystem Council. A forest certification system unique to Japan

Environmentally Friendly Production

Reducing emissions of substances that impose a burden on the environment and minimizing the use of raw materials

The Nippon Paper Group is engaging in production activities that help reduce the emission of substances that cause global warming and impose a burden on the environment (see pages 36 to 41 and pages 46 to 50). At the same time, the Group is promoting the development of technologies that minimize the amount of raw materials while achieving same quality.

Case Study Developing lower base weight container board (Nippon Daishowa Paperboard)

Nippon Daishowa Paperboard, has successfully developed a method for reducing the base weight of container board. This container board is used by major beverage manufacturers to make the cardboard boxes for canned coffee. In reducing the base weight by approximately 25%, Nippon Daishowa Paperboard, is helping to conserve resources while alleviating the environmental impact of its products.

Looking ahead, the company will pursue further reduction in the base weight of other types of container board.

Environmentally Friendly Utilization

Developing products that help conserve resources

Conserving energy and resources are important considerations during the use of products. The Nippon Paper Group strives to develop products that facilitate reduced use while at the same time endeavoring to satisfy the needs of users.

Case Study Kleenex® Hyper-Dry Paper Towels (Half-Cut Size) (Nippon Paper Crecia)

Nippon Paper Crecia, a company that manufactures and markets everyday household and personal care paper



Kleenex® Hyper-Dry Paper Towels (Half-Cut Size)

products, sells Kleenex® Hyper-Dry Paper Towels (Half-Cut Size), which position perforations at half the interval of existing products. Developed with customer needs very much in mind, Kleenex® Hyper-Dry Paper Towels (Half-Cut Size) continue to attract wide acclaim for their convenience and minimal waste.

Environmentally Friendly Handling after Use

Promoting the use of recovered paper

The Nippon Paper Group actively promotes the use of recovered paper (see pages 50 and 64). Placing particular emphasis on product development, the Group continues to release a variety of products that use recovered paper.

Case Study Election Campaign Poster Notice Boards (Nippon Daishowa Paperboard)

Nippon Daishowa Paperboard, has developed and currently markets, *SIKRA PAK*, a highly water-resistant paperboard made primarily from recovered paper. In addition to sheet



An election campaign notice board made from *SIKRA PAK*

palettes and the packaging of marine products, *SIKRA PAK* is used as an alternative to the mainstream wooden election campaign notice boards.

Case Study Super Jet Fiber, a heat insulation material (Nippon Paper Lumber Co., Ltd.)

Nippon Paper Lumber, manufactures a heat insulation material for home use that is primarily made of recycled newspapers. In general terms, the manufacture of this product requires only one-seventh of the energy necessary for the production of more commonly used glass fiber



Super Jet Fiber (insulator)

insulation materials. The average house uses approximately 1.5 tons of heat insulation materials. On a morning paper subscription basis, this equates to about 20 years of recycled newspapers.

Environmentally Friendly Disposal

Reducing the amount of waste, enhancing recyclability and promoting easy waste disposal are all important considerations at the disposal stage of each product. While the wood material-based products supplied by the Nippon Paper Group are believed to impose a relatively small burden on the environment at the disposal stage, every effort is being made for environmentally friendly disposal.

Case Study KC FLOCK powdered cellulose (Nippon Paper Chemicals)

Minimizing waste, increasing recycling efficiency and promoting the handling of waste are key issues at the disposal stage of products. Nippon Paper Chemicals, a company that supplies chemical products, also markets KC FLOCK, the brand name for the company's powdered cellulose made from wood pulp using a refining process. Cellulose is a food fiber that is not harmful to humans. Biodegradable and easily incinerated, cellulose is used extensively in food, cosmetics, filter aids and other fields. As a filter aid, KC FLOCK is much easier to incinerate compared with the more conventional diatomaceous earth. This helps to significantly reduce waste. In addition,



KC FLOCK

by processing liquids that contain rare metals, rare metals are caught within the KC FLOCK. After incinerating the KC FLOCK, rare metals are easily collected.

Promoting the advanced use of wood as an alternative to fossil resources

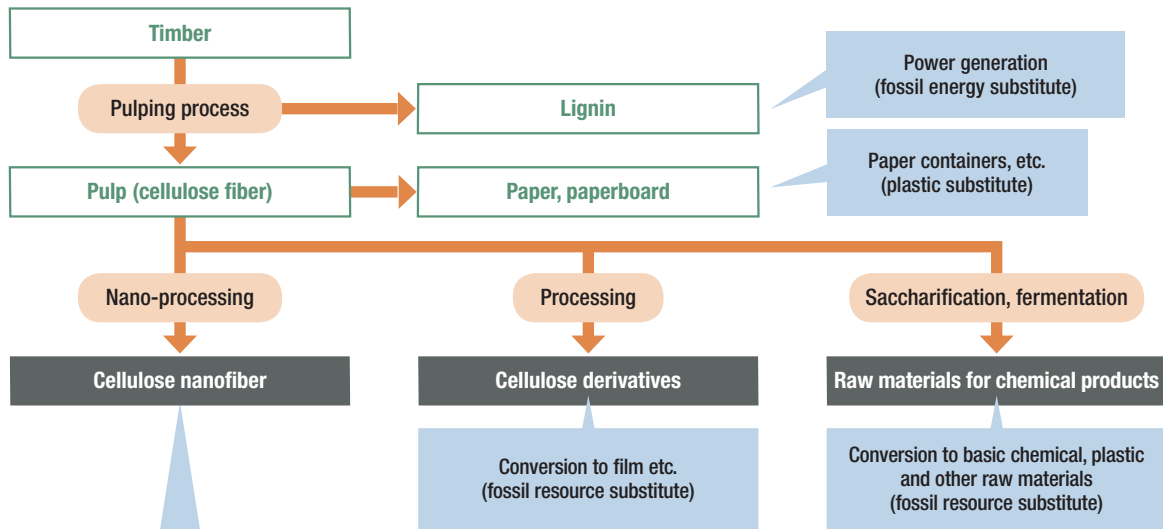
A wide variety of products made from such fossil resources as petroleum and coal are commonly used throughout modern society. The supply of fossil resources is, however, limited, and their use gives rise to a number of issues, including global warming. As a result, significant interest is being placed on finding alternatives.

Against this backdrop, wood is attracting attention as an effective resource that is renewable and carbon neutral.

Expectations are therefore high for more advanced applications over and above its current use. Beginning with ongoing efforts to commercialize bioethanol, steps are being taken to manufacture biomass-based energy, chemicals and other products.

The Nippon Paper Group is harnessing the technologies it has developed in the natural course of its wood-based business. The Group is actively seeking more advanced applications of wood as an alternative to fossil resources.

Conceptual image of alternatives to fossil resources



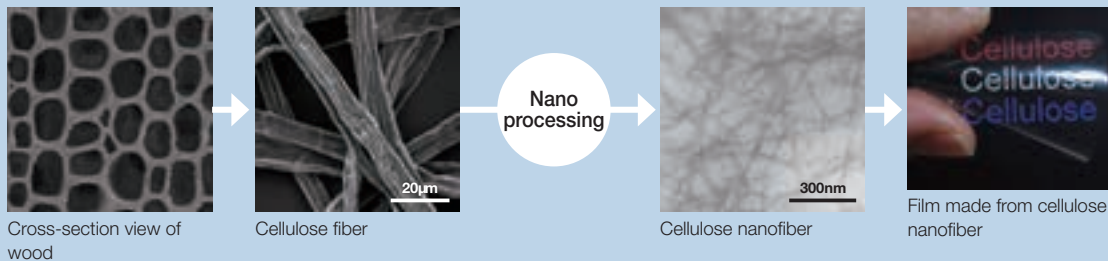
Cellulose nanofiber for use in a wide range of fields, including film

A material composed of nano⁺-sized cellulose fibrils is called cellulose nanofiber. Cellulose nanofiber has a multitude of potential applications. It can be used as a lightweight component with the same strength and intensity as metals, as well as a film that has low oxygen permeability.

The Nippon Paper Group is promoting the development of low-cost cellulose nanofiber

manufacturing technologies. As well as its potential as an alternative to petroleum-based plastic, cellulose nanofiber can be used as a reinforcement material for automobiles, a construction material and lightweight building frame. In this context, the Nippon Paper Group's efforts in this field are helping to bring to fruition a low-carbon society.

* Nano: One one-billionth of a unit



Human Rights, Employment and Labor Responsibility



Traffic safety seminar

Management Approach

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Policy and Management

Building a healthy and safe workplace environment in which employees, who serve as the driving force behind the Group's corporate activities, can take full advantage of their individual capabilities while conforming to the highest ethical standards

Basic Stance

Placing the utmost emphasis on the optimal application of a diverse pool of human resources while adhering strictly to a policy of safety and disaster prevention

The Nippon Paper Group respects human rights in every aspect of its business activities and aims to develop a working environment that makes the most of a diverse range of human resources. Recognizing the important standing and role played by human resources, a company should work in partnership with its employees to secure mutual growth. In utilizing a diverse workforce, the Nippon Paper Group therefore places considerable weight on building a fair evaluation and compensation system as well as education and training programs that help employees reach their full potential.

Paper manufacturing is both a core Group activity as well as a typical process industry. While the Nippon Paper Group's production sites use heavy machinery and engage in operations that give rise to inherent dangers, every effort is made to maintain a safe working environment and to take all appropriate measures to ensure safety and to prevent disasters.

Philosophy and Basic Policy

Respecting fundamental human rights

In order for the Nippon Paper Group to gain the trust of society and to adequately fulfill its responsibilities, each and every Group employee must act with a high sense of moral standards and strong motivation. On this basis, it is important for the Group to promote employee awareness while ensuring that employee behavior remains consistent with generally accepted morals. At the same time, the Nippon Paper Group is charged with the responsibility of building a workplace environment that allows individual employees to reach their full potential and to put in

place a system that rewards results.

Taking each of the aforementioned into consideration, the Nippon Paper Group established its Philosophy and Basic Policy on Human Rights, Employment and Labor.

In addition, the Group joined the United Nations Global Compact in November 2004 in support of the compact's 10 principles.

Employee Education and Training with respect to Human Rights

Providing employees with educational opportunities for the purpose of implementing appropriate personnel policies

The Nippon Paper Group provides employees with education opportunities for the purpose of implementing appropriate personnel policy with respect to human rights. The officers of each operating company and works responsible for personnel matters attend training courses and seminars hosted by government authorities and agencies.

Concern for Human Rights across the Supply Chain

Promoting initiatives across the entire supply chain

Engaging in activities that take into consideration concerns for human rights and labor across the entire supply chain is a clearly defined component of the Nippon Paper Group's Philosophy and Basic Policy Concerning Raw Materials Procurement. At the same time, the Group conducts supplier surveys and hearings to confirm that these concerns and considerations are indeed being practiced (see page 54).

In addition, the Nippon Paper Group is engaging in forest management that takes into consideration the culture and traditions of residents in each region in the conduct of its overseas afforestation business (see pages 60–63).

Philosophy and Basic Policy on Human Rights, Employment and Labor (established on October 1, 2004)

Philosophy

Respecting fundamental human rights at all times and making the most of the individuality and capabilities of a diverse range of human resources, we aim to create a company overflowing with dreams and hope.

Basic Policy

1. Respect for human rights

We pledge to respect fundamental human rights and not to engage in any behavior that disregards such rights, including discrimination based on matters such as nationality, race, place of birth, sex, religion, medical conditions or disabilities, sexual harassment and the abuse of power. We also pledge to manage personal information appropriately in order to prevent infringements on privacy.

2. Prohibition of forced and child labor

We pledge not to force any employees to carry out unreasonable work. We also pledge not to employ children aged under the minimum employment age stipulated in local laws and regulations.

3. Promotion of personnel training and skill development

We pledge to promote personnel training and skill development programs to help improve individual employees' abilities and skills through the establishment and maintenance of structures to make the most of the individuality and capabilities of a diverse range of human resources.

The Status of Employment and Industrial Relations

Building a better company based on sound industrial relations

The Status of Employment

Employing a workforce of over 13,000 employees in and outside of Japan

The Nippon Paper Group maintains a workforce of over 13,000 employees in and outside of Japan. In its efforts to fulfill its responsibility toward society, the Group strives to ensure stable employment while continuously recruiting new employees. In addition to building a pleasant and comfortable workplace environment, the Group works diligently to maintain a high percentage of employees taking child-care leave as well as a high retention rate for newly hired employees.

The status of employment

1. Number of employees on a consolidated basis (as of March 31, 2011)

Number of employees on a consolidated basis: 13,834
(Number of employees at overseas bases: 1,716)

2. Percentage of female employees in management (as of April 1, 2011)

Nippon Paper Group, Inc., and Nippon Paper Industries Co., Ltd.: 1.87%

Consolidated subsidiaries in Japan: 1.24%

3. Number of newly recruited employees at consolidated subsidiaries in Japan (FY2010)

	Unit	New Graduates	Mid-Career Recruits
Male	Persons	91	54
Female	Persons	27	8
Total	Persons	118	62

4. Percentage of employees taking child-care leave (FY2010)

Nippon Paper Group, Inc., and Nippon Paper Industries Co., Ltd.: 100%

Consolidated subsidiaries in Japan: 100%

5. Rate of employment of disabled persons (as of April 1, 2011)

Nippon Paper Industries Co., Ltd.: 1.82%

Nippon Paper Group, Inc., and five direct subsidiaries*: 1.69%

6. Average years of employment (as of April 1, 2011)

(Nippon Paper Group, Inc., and five direct subsidiaries*)

	Unit	Average Age	Average Years of Employment
Male	Persons	41.8	20.8
Female	Persons	40.8	19.5
Total	Persons	41.7	20.7

7. New graduate recruits three-year retention rate

Nippon Paper Industries Co., Ltd.: 90.2%

* Five direct subsidiaries

Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd. and SHIKOKU COCA-COLA BOTTLING CO., LTD.

Industrial Relations

Improving the workplace environment through labor and management consensus

The Nippon Paper Group strives to maintain a sound relationship with its employees. At the same time, the vast majority of consolidated subsidiaries have formed labor unions. Irrespective of the existence of a labor union, every effort is made to promote smooth industrial relations.

One of the Group's principal consolidated subsidiaries, Nippon Paper Industries, has adopted a union shop format. All permanent employees, excluding managers, are members of the union. Under the common objective of building a better company, steps have been taken to establish a variety of committees that examine specific issues relating to both management and labor. Management and labor also engage in ongoing discussions that reflect genuine and deep-seated mutual respect. Topics of discussion include amendments to labor agreements and rules of employment as well as changes to the assignment of employees. Deliberations and agreements between management and labor provide the basis for a variety of initiatives, as well as efforts to improve the workplace environment. Complementing these endeavors, regular central labor-management council meetings provide the forum to discuss a diversity of issues from corporate management to work terms and conditions including employee benefit systems.

● Notification regarding major work-related changes

Major changes to such work-related issues as personnel systems and steps to rationalize human resources are in principle implemented on the basis of prior discussions between labor and management. As a result, companies within the Group do not unilaterally impose changes on employees.



A central labor-management council meeting

Creating Workplaces that Support Employee Diversity

With a deep respect for fundamental human rights and the unique characteristics of each individual, the Nippon Paper Group consistently recruits new graduates and actively employs women and people with disabilities

Basic Stance

Developing a dynamic organization where diverse employees can demonstrate their capabilities

Employees with different personalities stimulating one another and mutually helping to develop a deep understanding serve to boost energy in the workplace. Amid forecasts of a drop in the pool of labor due to such factors as the declining birthrate, efforts by companies to expand the breadth of their organizations by utilizing diverse workers are becoming increasingly vital to ensuring sustainable development and growth. Based on this understanding, the Nippon Paper Group strives to secure a diverse employee pool.

Employment and Recruitment based on a Respect for Human Rights

Promoting discrimination-free recruitment and employment together with open and fair evaluation systems

Based on its Philosophy and Basic Policy on Human Rights, Employment and Labor, the Nippon Paper Group promotes discrimination-free recruitment and employment. As a part of its recruiting activities, the Group employs a selection process that places particular emphasis on test and interview results. Factors including nationality, place of birth, gender and educational background have no place in selection. In order to ensure that evaluation systems are both fair and acceptable, the Group provides feedback of performance review results to employees.

New Graduate Recruitment

Ensuring that Group companies engage in new graduate recruitment on an ongoing basis

The Nippon Paper Group hires new graduates on a continuous basis to ensure a balanced age composition of its workforce and to provide the younger generation with employment opportunities. Group companies in Japan hired a total of 118 new graduates (91 males and 27 females) in fiscal 2010. Certain Group companies also engage in mid-career hiring. A total of 62 employees were hired during fiscal 2010.

While recruiting activities are undertaken on an individual operating company basis, employees can rotate between companies upon request depending on their suitability and personnel training needs.

Promoting the Hiring and Advancement of Women

Actively pursuing the recruitment of women

While women account for 9.2% of the total number of Nippon Paper Group employees in Japan, they represent only around 1.2% of total management. A major factor behind these figures is the high percentage of employees who work at production sites

where the hiring of women is problematic.

Under these circumstances, the Nippon Paper Group is making efforts to aggressively hire women and to develop workplaces where women can more easily excel.

Percentage of female employees in management*1 (Nippon Paper Group, Inc. + Nippon Paper Industries Co., Ltd., the Nippon Paper Group (Japan)*2)



*1 Numerical data as of April 1 for each fiscal year

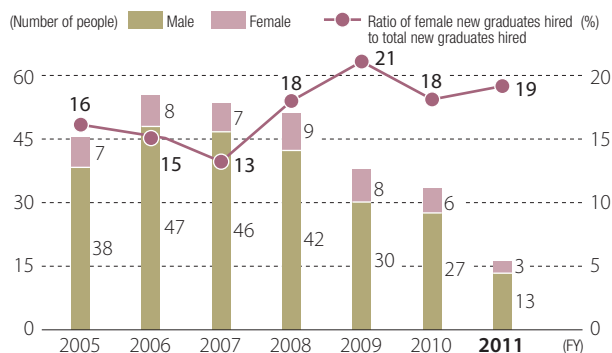
*2 Data for the Nippon Paper Group (Japan) is the total for consolidated subsidiaries in Japan

Promoting the hiring of women

Nippon Paper Industries, has identified the target of raising the percentage of women as a ratio of total new graduate recruits to 20%. In fiscal 2009, 2010 and 2011, the ratios were 20%, 18% and 19%, respectively.

Number of new graduates hired

(Nippon Paper Industries Co., Ltd., main career-track position)



Comeback entry system

Certain employees, and particularly women tend to leave employment for personal reasons including child care, nursing care and the transfer of a spouse. Nippon Paper Industries, launched a reemployment system for these employees in October 2007. Nine individuals have applied for reentry to the workforce since this system was established. Two have been reemployed.

Promoting Work-Life Balance

Realizing an ideal workplace environment that places equal emphasis on work and family concerns

The Nippon Paper Group strives to establish an ideal workplace environment that allows employees to reach their full potential while balancing work and family needs.

In May 2011, Nippon Paper Group, Inc., and the Group's major operating companies introduced daylight saving time at their respective head office facilities in response to shortfalls in the supply of electric power as a result of the Great East Japan Earthquake and to help better secure work-life balance.

Working hours and annual leave taken

(Nippon Paper Industries Co., Ltd.)

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Total number of working hours	1,909	1,946	1,841	1,776	1,792
The rate of annual leave taken by employees	70.9	71.4	73.5	67.7	73.0

● Complying with Japan's Act on Advancement of Measures to Support Raising Next Generation Children

The Nippon Paper Group has put in place an action plan and strives to support its employees in maintaining work and child-care balance in accordance with the Act on Advancement of Measures to Support Raising Next Generation Children.

As one example, Nippon Paper Industries, revised its systems in line with revisions to Japan's Child Care and Family Care Leave Act. The company has continued to implement systems that exceed the provisions stipulated under revised legislation. This includes extensions to the exemption period for overtime working hours, the application period for child care and reserve leave for child rearing.

Action Plan in Response to the Act on Advancement of Measures to Support Raising Next Generation Children (Nippon Paper Industries)

1. Take-up of child care leave

- One or more male employees to take up child care leave during the period of the plan
- A female take-up rate of 70% or more
- Establishment of a project team to promote the take-up of child care leave by male employees

2. Reduction of overtime working hours and the promotion of use of paid annual leave

3. Implement workplace tours for the families of employees

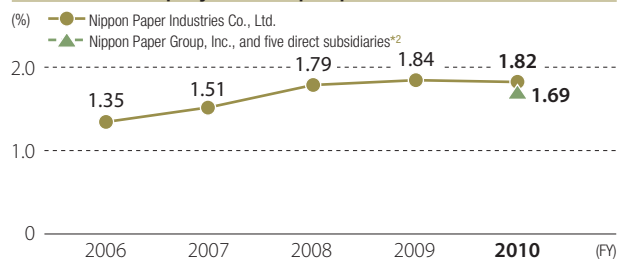
Period to achieve objectives outlined in the plan: March 31, 2013

Increased Hiring of People with Disabilities

Improving the rate of employment of people with disabilities across the entire Group

Due to safety concerns, a number of restrictions on the employment of disabled workers at production sites currently exist in the paper manufacturing industry. The Japanese government established a rate for the employment of people with disabilities. This statutory rate was set at 1.8% of each company's total workforce. Nippon Paper Industries, put in place a plan to achieve this rate by 2009 and has worked diligently to expand the number of job categories for people with disabilities. As a result, the company's rate of employment of people with disabilities was 1.79% in June 2008. Nippon Paper Industries, achieved its established target in June 2009 when the rate reached 1.84%. Currently, the company's rate stands at 1.82%.

The rate of employment of people with disabilities*1



*1 Nippon Paper Industries Co., Ltd., data is as of June 1 of each fiscal year; Other Group company data is as of April 1 of each fiscal year

*2 Nippon Paper Group, Inc., and five direct subsidiaries
Total data for six companies comprising Nippon Paper Group, Inc. (the Company), Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papylia Co., Ltd., and SHIKOKU COCA-COLA BOTTLING CO., LTD.

Employment of Elderly Persons

Upgrading and expanding systems with the aim of promoting employment of elderly persons

The Nippon Paper Group established the Reemployment after Retirement System in order to both respond to the needs of an aging society and to facilitate the transfer of technologies and skills to ensuing generations.

In fiscal 2002, Nippon Paper Industries, introduced a reemployment system that would allow union employees to work up to the age of 65.

Reemployment performance* (number of employees seeking reemployment; number of employees reemployed) (People)

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Number of employees seeking reemployment	56	35	50	55	62
Number of employees reemployed	56	34	44	52	59

* Results for members of the Nippon Paper Industries Union

Cultivating Human Resources

Supporting efforts to enhance the capabilities of each employee, while implementing proper evaluation systems based on skills and performance

Basic Stance

Cultivating human resources

The Nippon Paper Group places considerable emphasis on building positive ties with employees and developing human resources. At the same time, the Nippon Paper Group continues to build a mechanism whereby motivated and capable individuals can improve their skills by equitably offering opportunities to learn. Furthermore, every effort is made to assign the right persons to the right positions, and to provide fair evaluation and compensation.

Initiatives Aimed at Developing Human Resources

Recognizing that employees are important partners, the Nippon Paper Group strives to build sound relationships and cultivate human resources.

In reinforcing its mechanism for human resource development, the Nippon Paper Group focuses its attention on the following five areas: (1) support for self-development and voluntary career planning; (2) early identification and development of potential leaders; (3) reinforcement of frontline capabilities; (4) support for the development of lifelong as well as career plans; and (5) assignment of the right people to the right positions. Complementing these endeavors, the Group has also established a Global Human Resources Bank.

● Support for self-development and voluntary career planning

The Nippon Paper Group supports employee self-development and voluntary career planning. In addition to existing training programs based on various stages throughout each employee's career, Nippon Paper Industries, for example, provides extensive

learning opportunities for employees. These opportunities allow employees to select from a wide-ranging curriculum to help improve those capabilities that employees themselves consider require development. Nippon Paper Industries, expanded its program to 143 correspondence courses in fiscal 2010.

Moreover, steps were taken to introduce various age-based career training programs for employees in their 30s, 40s, and 50s in fiscal 2007. These programs help identify strengths and



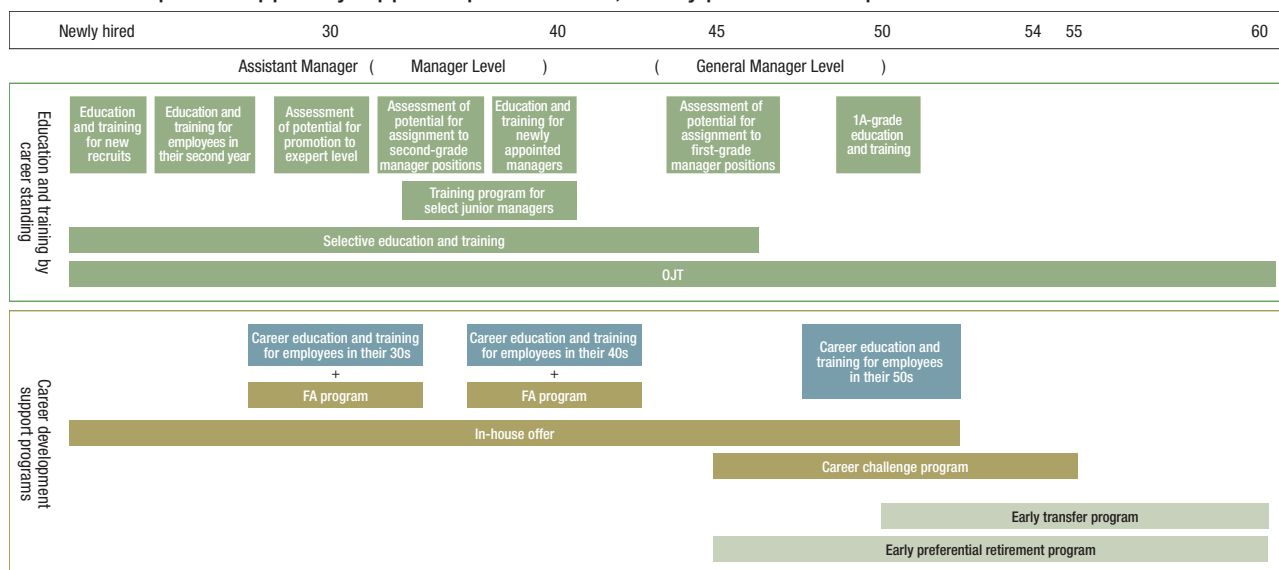
Career training (Nippon Paper Industries)

objectively locate weaknesses and additional processes including comprehensive evaluation. Together with the in-house FA system adopted from fiscal 2008, every effort is being made to revitalize human resources.

● Early identification and development of potential leaders

As one example of the cultivation of a human resources plan, Nippon Paper Industries, implements training programs for select junior managers. Under these programs, young employees selected for their foresight, clear conceptual capabilities and the ability to carry out specific initiatives are developed as candidates for future management. Recognizing the need to develop human resources, Nippon Paper Industries, Nippon Paper Chemicals, and other, Group companies put in place an open-application an overseas study program. This program is supported by the dispatch of personnel to overseas tertiary institutions, as well as overseas assignments to the various offices of Nippon Paper Group, Inc., outside of Japan.

Career development support by Nippon Paper Industries, for key personnel and positions



● Reinforcement of frontline capabilities

The human resource capabilities, or “field power,” of the production frontline represent the heart of the manufacturing process. This field power is therefore vital in the Group’s existence as a going concern amid increasingly harsh competition both in and outside Japan. The Nippon Paper Group passes on to each generation the technologies and skills nurtured over a lengthy period. Every emphasis must be placed on maintaining and strengthening the capabilities of its human resources.

Since fiscal 2006, to identifying the technologies and skills to be carried forward at each production site, Nippon Paper Industries, is continuing to promote a system and flow that places



Group discussions

considerable weight on priority education and training measures designed not only to bolster areas of weakness, but also areas requiring special attention.

● Support for the development of lifelong as well as career plans

In recent years, employees have witnessed a rise in the age at which public pension payments begin, as well as signs of increasingly diverse lifestyles. Employees must therefore consider a number of factors when planning their careers and life after retirement. Against this backdrop, and in an effort to allay the concerns and anxieties of employees, core operating companies within the Nippon Paper Group offer Life Plan Seminars to enhance employee understanding of each company’s and the government’s programs, as well as the need to develop meaningful life plans that include health management.

● Assignment of the right people to the right positions

The core operating companies of the Nippon Paper Group periodically survey employees to ascertain what kind of job assignments they wish to have. Based on the results of these surveys, every effort is made to match employee strengths with job types.

In addition, Nippon Paper Industries, launched the In-house Staff Recruitment Program in fiscal 2005. The 37 programs initiated to date have attracted 44 applications. After completing the necessary screening process, 20 employees were subsequently transferred.

● Establishing the Global Human Resources Bank

Nippon Paper Industries, established the Global Human Resources Bank, a list of personnel with experience either working or studying overseas, or with advanced language skills in an effort

to better address global expansion, which continues to progress at an accelerated pace.

At the same time, steps will be taken to foster personnel who can more effectively excel on the world stage by introducing special education and training programs. Currently, 420 personnel are registered with the bank.

● Group-wide education and training for newly hired employees

In conjunction with the consolidation of the head offices of the Nippon Paper Group’s principal operating companies at Takebashi, efforts have been made to further enhance collaboration between Group companies. By promoting the daily sharing of information and exchange of opinions between the respective officers responsible for education and training at each company, the Group has established a working environment that more easily generates synergy benefits.

Previously, education and training for newly hired employees was conducted on an individual Group company basis. For overlapping areas, the decision was made to conduct joint training from fiscal 2010. Through training camps and mill tours that involve inter-Group company personnel, the Nippon Paper Group is better positioned to foster close ties between newly hired employees.

Fair Evaluation and Compensation

Engaging in fair employee evaluation based on skills and performance

The Nippon Paper Group conducts individual review sessions during which employees are provided with feedback on their evaluations from managers. This forms part of the Group’s efforts to ensure that personnel evaluations are fair and transparent.

Nippon Paper Industries, conducts competency and performance evaluations of its managers and core employees, who are on the business leader track. The competence evaluation is based on competency that clearly indicates the guidelines for action. The performance evaluation is based on the management by objective system. Since fiscal 2006, all employees have been provided with feedback on evaluation results. By informing employees through individual interview sessions, Nippon Paper Industries, is endeavoring to promote a higher level of understanding and acceptance of evaluation results. In addition, the company commissions assessments from specialist external parties in an effort to boost the objectivity of its evaluation process.

In ensuring that employees are fully informed of the results of their evaluation based on clearly defined criteria, Nippon Paper Industries, encourages employees to recognize their strengths and areas where they need more work. This helps to further motivate employees toward skills development.

Occupational Safety and Health

Maintaining a workplace environment in which employees can go about their duties without undue anxiety by working daily to uncover inherent risks

Philosophy and Basic Policy on Safety and Disaster Prevention

Taking into consideration the characteristics of each business to secure occupational safety and to prevent disaster

Maintaining a safe work environment for employees is one of the most basic responsibilities of any corporation. The Nippon Paper Group strives for “safety first” operations. Irrespective of the amount of care taken, it is virtually impossible to totally eliminate all risks inherent in the workplace. It is nevertheless important to maintain an unwavering daily commitment to uncovering and minimizing these risks.

As a part of efforts to consistently engage in sound management while responding to the trust of employees, it is also important to build a pleasant and comfortable workplace that helps maintain and improve employees’ health.

Cognizant of each of the aforementioned requirements, the Nippon Paper Group formulated the Philosophy and Basic Policy on Safety and Health Measures in 2004. Under this philosophy and basic policy, the Group strives to establish a safe and appealing workplace while each mill and works strives to prevent accidents and disasters.

Philosophy and Basic Policy on Safety and Health Measures (established on October 1, 2004)

Philosophy

In addition to acknowledging that it is the company’s duty to guarantee safety and health and striving to develop pleasant, improved working conditions, we pledge to work ceaselessly to prevent any and all accidents, minor or major.

Basic Policy on Safety and Health

1. To respect the Industrial Safety and Health Law.
2. To establish self-imposed standards and step up daily management.
3. To set up a management structure and clearly define roles, responsibilities, and authority.
4. To strive to improve safety and health training.
5. To develop and maintain a safe, pleasant working environment.

Basic Policy on Safety and Risk Prevention

1. To respect laws and regulations pertaining to safety and risk prevention.
2. To establish self-imposed standards and step up daily management.
3. To set up a management structure that clearly defines roles, responsibilities, and authority.
4. To strive to improve safety and risk prevention education and training.
5. To work in cooperation with related government and local communities and share information.

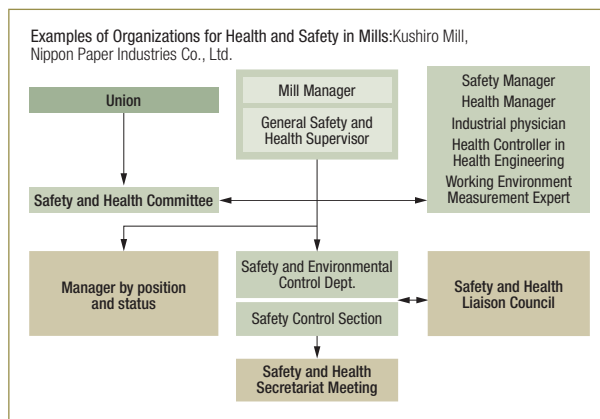
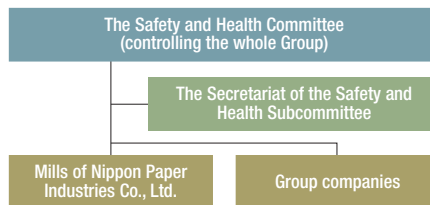
System to Promote Occupational Safety and Health

Labor and management working together to build a safe workplace environment

The Nippon Paper Group has established the Safety and Health Committee. This committee is coordinating Group-wide employee measures aimed at securing occupational safety, preventing disasters and preserving security in and outside of Japan.

Labor and management occupational safety and health meetings are held regularly once each year. Officers responsible for occupational safety and health from the head offices of each operating company and mills come together to discuss a variety of issues, including the annual occupational safety and health management plan. Safety and health committees are also established at each mill and works. These committees deliberate on and determine important management matters relating to occupational safety and health as well as activity policies. Employees are notified of the details of decisions through department meetings and internal mill newsletters.

The Nippon Paper Group’s structure to promote occupational safety and health



● Mill safety audit system

The Nippon Paper Group engages in occupational safety and health activities on both an organizational and continuous basis. As a part of these endeavors, the Group conducts mill safety audits while raising the level of safety management.

In addition, audits implemented together with the auditors of other companies were introduced within each Group company from 2010 in an effort to further promote safety activities. By deepening exchange between companies, the Group is endeavoring to raise the quality of its audits.

● Occupational safety and health management system

The Nippon Paper Group has adopted an occupational safety and health management system in order to better promote occupational safety and health activities.

Nippon Paper Industries, introduced the Nippon Paper Occupational Safety and Health Management System (NPSS) in 2010. This system is designed to help reduce occupational accidents, ensure the systematic and continuous implementation of safety and health activities and promote the passing on of safety and health know-how to each succeeding generation of employees.

Similar systems have also been introduced or are being considered by other Group companies to better build a working environment in which employees can go about their duties without concern or anxiety.

The status of occupational safety and health management system introduction

Company Name	Status of Introduction
Nippon Paper Industries Co., Ltd.	Introduced in January 2010
Nippon Daishowa Paperboard Co., Ltd.	Introduced in January 2011
Nippon Paper Crecia Co., Ltd.	Introduced in January 2011
Nippon Paper Papylia Co., Ltd.	Introduced in January 2011
SHIKOKU COCA-COLA PRODUCTS CO., LTD.	Acquired OHSAS certification in 2009
NIPPON PAPER-PAK CO., LTD.	Introduced in January 2011
Nippon Paper Chemicals Co., Ltd.	Plans to introduce in January 2012
KOYO PAPER MFG. CO., LTD.	Introduced in April 2007
NIPPON PAPER UNITEC CO., LTD.	Introduced in January 2011

● Reinforcing risk assessment procedures

The Nippon Paper Group adopted risk assessment procedures in 2009 as a preliminary step toward building an occupational safety and health management system. In adopting these procedures, the Group puts in place its own methods and processes. Risk assessment is undertaken from a number of viewpoints. The Group has adopted a three-tiered assessment system beginning with the section chief, his or her immediate superior and finally,



Meeting to exchange the risk assessment information (The Yufutsu Works of Nippon Paper Industries' Hokkaido Mill)

department managers. The Nippon Paper Group has further introduced a variety of initiatives to reinforce risk assessment procedures. This includes meetings between Group companies to promote the exchange of information with respect to risk assessment procedures.

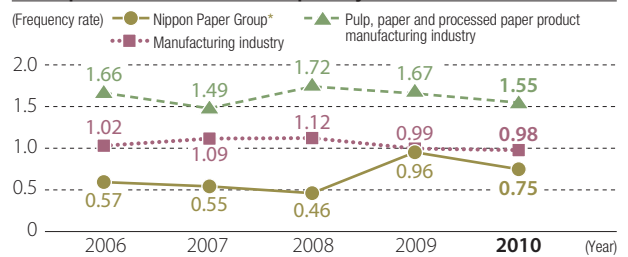
Status of Occupational Accidents

Preventing occupational accidents

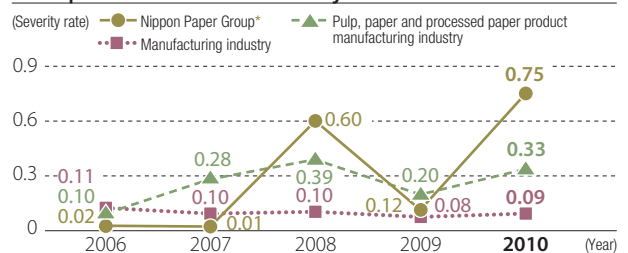
The Nippon Paper Group places the utmost importance on safety at the workplace. It is, however, by no means satisfied with its performance to date.

The Group has continued to pursue an occupational accident frequency rate of 0.3% or less since 2009. To this end, steps have been taken to promote the use of risk assessment methods, activities aimed at notifying employees of potential dangers, patrols, and education and training.

Occupational accident frequency rate



Occupational accident severity rate



* The Nippon Paper Group: The manufacturing works of the following six Group companies: Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papylia Co., Ltd., Nippon Paper Chemicals Co., Ltd. and NIPPON PAPER-PAK CO., LTD.

Report An incident that led to an occupational fatality

There was one work-related fatality at a recovery boiler at Nippon Paper Industries' Yashiro Mill in fiscal 2010. The company has introduced the following countermeasures in an effort to prevent a recurrence.

1. Install manholes and hand holes to facilitate inspection and cleaning
2. Increase the number of manholes and hand holes at boilers where similar work is required
3. Review the details of work required inside furnaces and implement risk assessment measures
4. Review dangerous work-related operations (regular and irregular) with the potential to escalate into serious accidents and implement risk assessment measures
5. Complete proper checks based on safety audits

Occupational Safety and Health

Safety Education

Raising employee awareness toward safety through systematic education and training

The Nippon Paper Group places considerable weight on employee safety education and training. Beginning with employees in supervisory positions, these efforts are designed to raise employee awareness toward occupational safety and health.

Nippon Paper Industries, puts in place an annual NPSS plan at each of its works. Each works then implements various occupational safety and health education programs in accordance with these plans, covering every stage of an employee's career from initial hiring through to supervisor training. In this manner, the company is endeavoring to achieve incident-and accident-free workplaces by again promoting awareness.

Efforts regarding Safety and Disaster Prevention

Steadfastly promoting a wide range of measures

● In-house safety measures

Nippon Paper Industries, has always endeavored to ensure workplace safety with the intention of preventing personal injury to any and all people working within its mill premises. The company has accordingly implemented safety patrols and education in collaboration with the labor union as well as primary and secondary subcontractors. Safety patrols involve designated personnel patrolling work premises to identify areas of potential safety concern as well as risky employee behavior. Since 2006, we have enhanced the safety not only in-house but also secondary subcontractors by clarifying the responsibility of primary subcontractors.

● Natural disaster and fire countermeasures

Individual mills and works within the Nippon Paper Group adopt their own disaster prevention measures that reflect the nature of their operations and regional characteristics. These mills and works create manuals on disaster prevention including steps to prepare for a natural disaster. They also conduct emergency drills.

Note: Please refer to pages 6 to 9 for measures adopted following the Great East Japan Earthquake.



Emergency drill (Suita Mill, Nippon Paper Papyrus)

● Traffic safety initiatives

Traffic safety education is offered to raise the awareness of employees toward traffic safety. The objective is to ensure the safety of employees while commuting to and from work. In addition, the Group actively participates in various traffic safety campaigns organized by local police authorities. Every effort is made to ensure that all employees remain conscious of the need to drive safely.



Traffic safety seminar (Otake Mill, Nippon Daishowa Paperboard)

Efforts regarding Hygiene and Health

Taking into consideration the importance of mental and physical health

● Maintaining and improving employees' health

The objective of the Nippon Paper Group in terms of the health of its employees is the prevention and early detection of disease. For example, during regular annual health examinations, a public health nurse interviews each employee under the supervision of an industrial physician and offers advice on the prevention of disease. In addition, industrial physicians regularly visit workplaces. Based on the results of these visits and their advice, the Group strives to improve working environments to allow for better hygiene and health management. Moreover, the Nippon Paper Group takes great care in supporting the health of not only employees but also their families. An opportunity for a medical examination is offered to the spouses of employees.

● Tackling mental health

Nippon Paper Industries, has historically held lectures and seminars about mental health in each mill and works. In 2003, the company introduced a mental health care system on the web, which is a mechanism to provide mental health checkups and counseling to all employees. Moreover, all company employees have been requested to complete an annual mental health examination since 2008. Nippon Paper Industries, continues to put in place a mental health care system while taking into consideration the privacy of its employees.

Local Community Responsibility



School of Friendship for
Forest and Paper

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Policy and Management

The Nippon Paper Group engages in a variety of social contribution activities to garner the trust of and remain close to local residents as a good corporate citizen.

Basic Stance

Each Group company and works engages in a variety activities guided by a Group-wide philosophy and Principles

The Nippon Paper Group contributes to the development of society and culture through its corporate activities. This primarily entails the broad and stable supply of paper. In recent years, the Group has also placed considerable emphasis on CSR management. In addition to comprehensively fulfilling its social responsibility, the Nippon Paper Group is aggressively engaging in social contribution activities as a good corporate citizen.

The Nippon Paper Group engages in wide-ranging social contribution activities. The Group's activities are deeply rooted in each community and included for example clean-up initiatives as well as participation in local festivals. Leveraging the Group's overall scale, Nippon Paper engages in environmental education and related activities utilizing company-owned forests throughout Japan.

Looking ahead, the Group will continue to upgrade and expand its activities. Redoubling its efforts, the Group will continue to support the development of society through Group-wide social contribution activities.

Philosophy and Principles for Social Contribution Activities (formulated on April 1, 2004)

Philosophy

As a member of society, we shall proudly promote activities that contribute to social development.

Principles

1. We shall pursue activities that contribute to cultural heritage and development.
2. We shall pursue activities that contribute to conservation and improvement of the environment.
3. We shall pursue activities that contribute to the development of communities.

Structure for Promoting Social Contribution Activities

The Nippon Paper Group enhances its structure for promoting CSR, and positions officers responsible for CSR in each Group company, and engages in ongoing activities

In June 2008, the Group established the CSR Division. This division plays a central role on promoting Group-wide social contribution activities.

Each Group company appoints an officer responsible for overseeing social contribution activities. Each responsible officer makes efforts to grasp the status of social contribution activities while upgrading and expanding their content and details. In recent years, particular emphasis has been placed on contributing to regional development. In addition to mill tours for school-age students, the Group has proactively targeted community events including, for example, clean-up activities.

Specific activity themes

- Promote corporate citizenship activities in which our employees play an active role
- Increase the community involvement of Group company mills and overseas affiliates
- Create corporate citizenship programs on a scale appropriate for the Group
- Promote activities that effectively utilize the businesses and expertise of each Group company
- Effectively use the forests owned by Nippon Paper Industries, in Japan (about 90,000 hectares)
- Establish a system to support employees' voluntary social activities
- Employ effective PR inside and outside the Group

List of Social Contribution Activities

Engaging in diverse activities that reflect the basic policy

The Nippon Paper Group engages in a diverse range of activities based on its Philosophy and Principles for Social Contribution Activities. The nature and content of these activities encompass a wide range of areas including education, the environment, and coexistence with the community and society. Summaries of major themes are presented in the table to the right. For more detailed information on the Group's major social contribution activities, please refer to the following website.

WEB Social Contribution Activities
<http://www.np-g.com/e/csr/social.html>

The Nippon Paper Group's principal social contribution activities*

Category	Principal Activities	Specific Examples	Page No.	
Educational Activities	Providing opportunities to tour Group companies and their facilities	Organizing tours of the Group's mills	94	
	Providing opportunities for work experience	Promoting internship programs	94	
	Learning opportunities conducted by employees	Organizing onsite and classroom lessons	94	
	Utilizing Company-owned forests	Promoting awareness through the School of Friendship for Forests and Paper		95
		Providing educational opportunities by opening Company-owned forests to the general public		—
	Providing educational opportunities through music	Inviting young children and students to Sapporo Symphony Orchestra pop concerts		95
		Supporting the Nippon Paper Industries MUSEUM CONCERT		95
	Providing educational opportunities through sport	Holding Little League baseball clinics and tournaments		96
		Holding ice hockey classes and ice hockey championships		96
		Donating unicycles; holding unicycle classes		—
Providing products to classrooms	Supplying educational institutions with paper products		—	
	Supplying educational institutions with printed materials and publications		96	
Environmental Activities	Preserving biodiversity	Utilizing the Group's proprietary in-container rooting technology	44	
		Establishing a sanctuary for Blakiston's fish owl	45	
		Supporting the activities of the Shirane-aoi Preservation Group	97	
		Supporting local conservation activities aimed at protecting cherry trees at the Mt. Yoshino world heritage site	—	
	Promoting recycling activities	Operating the Recycle Plaza Shiyukan	97	
		Collecting and recycling wooden chopsticks	—	
		Supporting the activities organizations dedicated to promoting recycling	—	
		Establishing a used paper collection facility	—	
		Recovering and recycling milk cartons	97	
	Adding greenery to local communities	Promoting and participating in afforestation activities	44, 97	
Providing opportunities for environmental education	Holding global environment forums (seminars for the general public)	97		
	Participating in a variety of environmental events	—		
	Supporting environmental awareness education	97		
Activities Aimed at Promoting Coexistence with Local Communities	Regional cleaning activities	Maintaining the multi-faceted functions of forests by properly managing Company-owned forests	58–59	
		Engaging in clean-up activities of areas surrounding the Group's mills and works	98	
		Supporting environmental development activities	—	
	Local community safety and disaster prevention	Engaging in activities that focus on the safety of children	98	
		Engaging in road safety activities	—	
		Executing disaster relief and support agreements	98	
	Preserving local community cultures	Participating in campaigns to preserve the cultural value of Japan's cherry blossoms	—	
		Supporting Asukayama Takagi Noh plays	98	
	Coexistence with local communities	Holding meetings that promote interaction with local communities	—	
		Participating in regional events including festivals	99	
Opening the Group's recreational facilities including gymnasiums to the general public		—		
Leasing free-of-charge Company-owned land		8		
Supporting sporting events including the Naha and Fukuchiyama marathons		—		
Activities Aimed at Promoting Coexistence with Society	Social welfare activities	Supporting events run by social welfare organizations	99	
		Holding skating rink get-togethers for special needs children	—	
		Purchasing products (food and other items) from social welfare organizations	—	
		Donating used stamps and postcards as well as blood	—	
	Supporting sporting opportunities for disabled persons	Supporting ice sledge hockey	—	
	Providing opportunities for employees to engage in volunteer activities	Organizing buses for travel by volunteers in support of victims of the Great East Japan Earthquake	8	
	Supporting the Fujihara Foundation of Science	Providing financial support to the Fujihara Foundation of Science	99	
Supporting victims of natural disasters	Providing donations as well as relief supplies	8		

* Please refer to pages 60 to 63 for information at activities at overseas afforestation areas.

Educational Activities

The Nippon Paper Group plays an important role in providing young children with a variety of learning opportunities. In an effort to support sound and healthy growth, the Group organizes tours of its domestic production facilities, puts in place a wide range of work experience programs and provides the chance to participate in sporting and artistic events.

Providing Opportunities to Tour Group Companies and Their Facilities

Organizing tours of the Group's mills to showcase the importance of a recycling-based society through paper

In fiscal 2010, 11,912 elementary, junior and senior high school students toured the Group's production facilities.

Case Study Parents and their children touring the Group's mills (Nippon Paper Crecia)

Nippon Paper Crecia, organized a tour of its Kaisei Mill on December 23, 2010. Open mainly to children and their parents living in the immediate area, the company called for participants using various public relations magazines issued by the local municipal government. Approximately 50 children and their parents attended the tour which included experience of papermaking by hand.



Experience of papermaking by hand

In addition to attracting wide-ranging comments and expressions of appreciation from participants, this initiative was an excellent opportunity to promote interaction with local residents.

Providing Opportunities for Work Experience

Providing the younger generation of the future with practical work experience

Case Study Work experience for high school students (Nippon Paper Chemicals)

The Functional Materials Laboratory of Nippon Paper Chemicals, has continued to accept students from the Saitama Prefecture Tamagawa Technical High School under an internship program since 2004. Three second-year high school students gained experience in the trial production of surface film used in liquid-crystal televisions and notebook computers in January 2011.



Participants in the internship program

While participating students were at first nervous, they soon became accustomed to their new surroundings. Each commented on the enjoyment of gaining experience in the development process.

Learning Opportunities Conducted by Employees

Harnessing specialist expertise to provide opportunities for educating the next generation

Case Study Classes on making paper by hand (Nippon Paper Industries)

Elementary school students were invited by Nippon Paper Industries' Fuji Mill to attend classes on making paper by hand at Fuji-Futaba Kindergarten on August 7, 2010. Approximately 70 elementary school students from years 1 through 6 participated in the making of postcards from recycled paper containers. Children from the lower grades took great pride in making original and colorful postcards for the first time. The older students took careful notes on the paper-making methods on display. Many commented that they would use the day's experience as the theme for their summer holiday projects.



Students attending a class on making paper by hand

Case Study Participating in the Work Work program (NIPPON PAPER-PAK)

EGAWA PAPER-PAK, a member of the NIPPON PAPER-PAK, group, participated in the Work Work program held at Goka Town Middle School in Ibaraki Prefecture on December 1, 2010.

This program was set up to provide junior high school students with the opportunity to speak to employees of several companies about work as well as life in general. Small groups of students rotated around the tables of the



Explaining how milk cartons are made

26 companies that participated on the day. Employees of EGAWA PAPER-PAK were asked a variety of questions from how milk cartons are made to what motivates them in their work.

Utilizing Company-owned Forests

Promoting a better understanding of the many benefits that forests provide while utilizing domestic Company-owned forests

Case Study Conducting the annual School of Friendship for Forest and Paper (Nippon Paper Industries, Nippon Paper Development)

The School of Friendship for Forest and Paper is a hands-on course on the natural environment in the Nippon Paper Group's forest in Japan. In addition to introducing participants to the beauty and abundance of forests owned by the Group, the school is also an opportunity to experience the connection between nature and everyday life. This initiative was first launched in the Sugenuma forest of Gunma Prefecture, one of the Group's leading metropolitan-based forests in 2006.

The common programs that make up the school draw heavily on the knowledge and experience of employees. With employees serving as guides, for example, participants enjoy walks through the forest as well as lessons on how to make paper from twigs. In addition the Japan Philanthropic Association cooperates in accepting participants drawn from the general public. The Sugenuma forest school is an annual event that was held for the tenth time in October 2010. Over this period a total of 339 children, parents and local high school students have attended the school.

Since 2007, the Toyono School of Friendship for Forests and Paper has been held each year in Nippon Paper Industries' Toyono forest in Kumamoto Prefecture. Organized mainly by the company's Yatsushiro Mill, particular emphasis is placed on activities deeply rooted in the local community. The school was extended to the Tohoku area in August 2010 and held in the company's Sasuhama forest in Miyagi Prefecture. The programs of this school have been modified to include for example a tour of the mill.



School of Friendship for Forest and Paper (Marunuma Kogen)

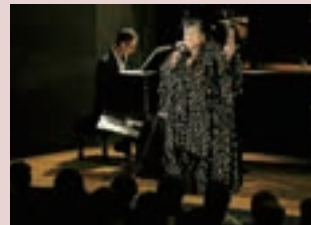
Providing Educational Opportunities through Music

Providing opportunities to enjoy the pleasures of music by helping to stage concerts

The Nippon Paper Group is contributing to develop human resources, local communities and culture by promoting increased involvement in the arts.

Case Study Staging Nippon Paper Industries MUSEUM CONCERTS (Nippon Paper Industries)

Nippon Paper Industries, has continued to support the Nippon Paper Industries Museum Concert since 1991. Held four times a year in the entrance hall of the Shizuoka Prefectural Museum of Art, the concert is conducted under



Concert featuring the opera singer Keiko Nakajima (sponsored by the Shizuoka Shimbun and Shizuoka Broadcasting System)

the auspices of the Shizuoka Shimbun and related organizations.

The event is highly regarded and popular among local residents as an opportunity to experience and enjoy high-quality music.

Note: The Nippon Paper Industries Museum Concert concluded in fiscal 2010.

Case Study Invitations to the Sapporo Symphony Orchestra Concert (Nippon Paper Industries)

Held under the auspices of the Sapporo Symphony Orchestra together with Hokkaido Shimbun Press, the Sakkyo Pops Concert, sponsored by Nippon Paper Industries, was held on July 21, 2010. This concert was organized to support culture and art in Hokkaido.

The Yufutsu, Asahikawa and Shiraoi Works of Nippon



Children invited to the Sakkyo Pops Concert

Paper Industries' Hokkaido Mill invited a total of 382 elementary, junior and high school students, as well as their teachers, to enjoy the pleasures and appeal of a full orchestra.

Educational Activities

Providing Educational Opportunities through Sport

Helping to revitalize society through sporting classes and tournaments

The Nippon Paper Group brings together leading sporting professionals from the fields of ice hockey and baseball to conduct classes for young children. At the same time, the Group organizes tournaments to enable children to showcase their skills. With the aim of creating a dynamic society, the Nippon Paper Group is providing opportunities for young children to further improve their mental and physical strengths while interacting with a great many people.

Case Study Donating baseball equipment to young children in Ishinomaki (Nippon Paper Industries)

In the wake of the Great East Japan Earthquake, school baseball teams throughout the Ishinomaki area lost their gear and equipment. In an effort to bring baseball gears to these children, the Ishinomaki Mill baseball team took steps to collect and donate baseball equipment from around the nation. With the support of many associations throughout Japan, a large number of equipment and gear were donated.



Little League baseball players and member of the Ishinomaki Mill Baseball Team playing catch ball

Equipment was eventually delivered to little league baseball teams through the Ishinomaki City Baseball Association.

Case Study Organizing baseball clinics and tournaments (Nippon Paper Industries, SHIKOKU COCA-COLA BOTTLING)

SHIKOKU COCA-COLA BOTTLING is a major sponsor of the Shikoku Island league Plus. Managers and coaches of the League hold baseball clinics for elementary and junior high school students around 10 times each year. A total of 704 Little League baseball players attended these clinics during fiscal 2010.

In addition, Nippon Paper Industries' Iwakuni Mill held the 8th Nippon Paper Industries Cup Soft Baseball Tournament for Elementary Schools in November 6 and 7, 2010. This tournament featured exciting games played by nine teams from elementary schools in the city of Iwakuni and surrounding areas. Around 200 players participated in the event.

Case Study Organizing ice hockey classes and championships (Nippon Paper Industries)

Nippon Paper Industries' ice hockey team, the Nippon Paper Cranes, holds ice hockey classes for elementary school students in the city of Kushiro. The manager, coaches and players of the Nippon Paper Cranes instruct elementary school students from junior teams in the finer skills of ice hockey. Conducted in a thorough and easy-to-understand manner, these classes are highly acclaimed by teachers, students and their parents.



Children participating in ice hockey classes



The Nippon Paper Industries Cup Ice Hockey Championship

The Nippon Paper Industries Cup Ice Hockey Championship for elementary and junior high schools is also held each year. With a history extending over three decades, this championship features the contrast of heated and passionate competition on freezing cold ice.

Providing Products for Use in the Classroom

Helping young children with their studies by donating free-of-charge paper and printed materials to local community educational institutions

Case Study Providing student newspapers to local schools (NIPPON PAPER LOGISTICS)

NIPPON PAPER LOGISTICS, has continued to provide schools in close proximity of its head office with the *Mainichi Student Newspaper* since 2007 free of charge. Deliveries were initially made to Oji Elementary School and Oujisakura Junior High School. Following their relocation, the company commenced free deliveries to the Higashijuuou Elementary School and the Asuka Senior High School from 2009. These newspapers are used as learning materials for children and students.

Environmental Activities

Placing particular emphasis on environmental conservation activities that take into consideration the characteristics of each region and works

Preserving Biodiversity

Protecting and cultivating rare species while utilizing the Group's management resources

Case Study Supporting the activities of the Shirane-aoi wo Mamoru Kai (Shirane-aoi Preservation Group) (Nippon Paper Industries, Nippon Paper Development)

Shirane-aoi (*Glaucidium palmatum*: Japanese wood poppy) is a perennial designated as a semi-endangered species in the Red Data Book of Gunma Prefecture. In order to protect and breed this plant species, the Shirane-aoi Preservation Group was set up in December 2000 mainly at the initiative of Gunma Prefectural Oze High School and the residents of the village of Katashina in Tone-gun, Gunma Prefecture.

Nippon Paper Group company Nippon Paper Development, which runs the Marunuma Kogen Resort, has continued to support the operations of the Shirane-aoi Preservation Group since its inception. Nippon Paper



Planting Shirane-aoi seedling

Industries, has also offered a portion of its company-owned Sugenuma Forest as a plantation site for Shirane-aoi.

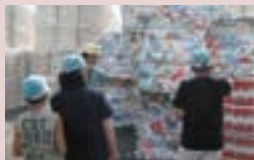
Since 2003, the Group has called for volunteers to participate in planting and other activities.

Promoting Recycling Activities

Consistently engaging in recycling and related educational activities

Case Study Making toilet paper from school lunch milk cartons (Nippon Paper Crecia)

To promote recycling activities, Nippon Paper Crecia's Tokyo Mill makes toilet paper by use of the school lunch milk carton from local elementary and junior high schools in the city of Soka. And also those toilet papers are returned to each school.



Providing an explanation about recycling in front of stacks of recovered milk cartons

Case Study Running the Recycle Plaza Shiyukan (Nippon Paper Industries)

Nippon Paper Industries Co., Ltd. opened the Recycle Plaza Shiyukan next to its Asahikawa Works in the company's Hokkaido Mill on October 20, 1999 (Recycling Day). The plaza was built to explain to visitors in an easy-to-understand manner the process of recycling recovered paper. The experiences of papermaking by hands is also provided. Since its opening, the facility has attracted a total of 94,333 visitors (as of March 31, 2011).

Adding Greenery to Local Communities

Participating in regional forest cultivation activities

Case Study Participating in a seedling homestay initiative (Nippon Paper Industries)

Nippon Paper Industries' Iwakuni Mill decided to participate in a seedling homestay initiative in the lead up to the 63rd National Tree Planting Festival scheduled to be held in the city of Yamaguchi. Seedling homestay initiatives were conducted to support the nurturing of seedlings for the



Responsible officers receiving the seedlings

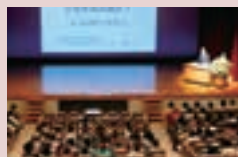
festival and 100 seedlings were delivered to the mill in bamboo pots by the promotion office of this event. These seedlings will be carefully nurtured within the mill's premises until the festival in the spring of 2012.

Providing Opportunities for Environmental Education

Providing opportunities to nurture environmental awareness

Case Study Hosting the Global Environmental Forum (Nippon Paper Group, Inc.)

The Global Environmental Forum, hosted by the Nippon Paper Group, Inc., is an opportunity for participants and Group employees to learn more about environmental issues. Dr. Akira Miyawaki, Professor Emeritus at Yokohama National



A lecture during the forum

University, an authority on indigenous forestation, was invited to the third forum, held in May 2010. A lecture was held on the topic of forestation harmony with the economy.

Activities Aimed at Promoting Coexistence with Local Communities and Society

Working in partnership with local government authorities and residents to help build clean and safe living environments while reenergizing regional economies

Regional Cleaning Activities

Maintaining clean city and town environments

The Nippon Paper Group regularly undertakes clean-up activities of areas surrounding its mills and works. The Group also engages in regional cleaning activities, which include beautification initiatives to coincide with Environmental Month and related local clean-up events.

Case Study Clean-up activities (Nippon Daishowa Paperboard)

Each year Nippon Daishowa Paperboard, takes steps to clean up the roadways in close proximity to its Otake Mill, Otake Port and other surrounding areas. A clean up was conducted on June 3, 2011 and despite the heat, 157 people participated in the event, collecting approximately 530 kg of waste. The amount of waste collected was 65



Clean-up activities in areas surrounding the mill

kg higher than the previous year indicating that waste dumping remains a serious problem. Looking ahead, the company will continue to conduct clean-up activities as a part of efforts to beautify the region.

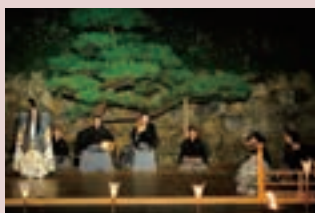
Preserving Local Community Cultures

Supporting opportunities to experience traditional cultures

Case Study Supporting the Asukayama Takigi Noh Play (Nippon Paper Development)

The Asukayama Takigi Noh Play (torchlight Noh Performance) was conceived by the late Shigeya Kimura, a noh actor born and raised in Tokyo's Kita Ward. Mr. Kimura wanted to give something back to his hometown through his expertise.

The play is held each year in autumn at an outdoor stage in Asukayama Park, Kita Ward. As a part of efforts



The Noh stage

to support the event, employees of Nippon Paper Development, help with tasks such as volunteering to guide audience members around the venue.

Local Community Safety and Disaster Prevention

Engaging in activities that help promote regional safety and security

Case Study Child SOS safety stickers (SHIKOKU COCA-COLA BOTTLING)

All of the approximate 800 vehicles used by SHIKOKU COCA-COLA BOTTLING and other Group companies carry Child SOS safety stickers as they travel around the city surrounds. This initiative aims to increase awareness toward the many inherent dangers that threaten the safety of children. In addition to protecting children who are in



A Child SOS safety sticker

fear of personal injury, drivers of these vehicles contact the police as and when considered necessary. This initiative is designed to prevent further escalation of incidents.

Case Study Executing mutual assistance agreements against large-scale disasters (Nippon Paper Industries, Nippon Paper Development, NIPPON PAPER LOGISTICS, NIPPON PAPER UNITEC)

Each base within the Nippon Paper Group executes mutual assistance agreements as a precautionary measure against disaster. The Research & Development Division of Nippon Paper Industries, Nippon Paper Development, NIPPON PAPER LOGISTICS, and NIPPON PAPER UNITEC, Group companies that maintain bases in the Oji District of Kita Ward, Tokyo, executed agreements with the works of 12 other companies, as well as the Oji District Disaster Prevention Council.

These agreements outline and confirm the terms of mutual assistance between the council and works in the event of such large-scale disasters as an inland earthquake centered in Tokyo and persistent heavy rain. Wherever possible, mutual assistance will include the provision of essential rescue equipment as well as emergency food, beverages and critical items, the dispatch of volunteer workers and the supply of meals.



The signing ceremony

Coexistence with Local Communities

Deepening interaction with local communities by participating in regional events and opening Group-owned facilities to the general public

The Nippon Paper Group actively participates in regional events, including traditional festivals. It also opens such Group-owned facilities as gymnasiums and sports grounds to the general public. Through these means, every effort is being made to deepen interaction with the residents of local communities. Attending traditional events helps go a long way to passing on the traditions of the region to future generations while at the same time revitalizing economic activity.

Case Study Carrying portable shrines during the Takekoma Shrine Autumn Grand Festival (Nippon Paper Industries)

Sixty employees from Nippon Paper Industries' Iwanuma Mill helped carry portable shrines during the Takekoma Shrine Autumn Grand Festival on September 26, 2010. The Takekoma Shrine, located in Iwanuma City, Miyagi Prefecture, is one of Japan's three major Inari shrines. It is host to Inari Okami festivals that worship the gods of food, clothing and shelter.

Adopting a relay-style system, employees helped carry the portable shrines for three hours along a four-



Mill employees carrying a portable shrine

kilometer course. With loud cries of encouragement, participants helped carry the main portable shrine and four smaller portable shrines safely to their destination in front of the shrine.

Case Study Participating in the Kumagawa Festival and dancing in the street (Nippon Paper Industries)

Nippon Paper Industries' Yatsushiro Mill participated in the Kumagawa Festival which included traditional dancing in the street on August 6, 2011. Utilizing their lunch breaks for practicing the dance from one week prior to the event,



The Kumagawa Festival and traditional dancing

171 employees joined with local residents to dance energetically in celebration of the festival. Attracting wide acclaim, a picture of the mill's participation was used in festival posters.

Social Welfare

Participating in social welfare activities

Case Study Participating in volunteer activities at a festival of a school for the disabled (Nippon Paper Chemicals)

Each year in autumn, employees from Nippon Paper Chemicals, volunteer to assist in the school festival organized by the Gotsu Seiwa School for the Disabled in Shimane Prefecture. During the festival, which features exhibits of the students' artwork including paintings, flower arrangements and pottery, staff and volunteers operate a food stand.

Employees from Nippon Paper Chemicals' Gotsu Works run



Employees selling beverages during the school festival

a beverage stand that sells coffee and juice.

This school festival is a regular event of the region and an opportunity to further deepen interaction with the local community.

Supporting the Fujihara Foundation of Science

Supporting efforts to further advance science and technology

Considered the "Nobel Prize of Japan," the Fujihara Award, presented by the Fujihara Foundation of Science, recognizes Japanese scientists who have made outstanding contributions toward the advancement of science and technology. Following the spirit and philosophy of Ginjiro Fujihara, who initiated the Foundation, Nippon Paper Industries, lends financial support to help the Foundation promote science and technology in Japan.

An awards ceremony was held on June 2011. The 52nd Fujihara Award was bestowed on Dr. Yoshinori Tokura, Professor of the Department of Chemistry and Biotechnology of the Graduate School of Engineering of the University of Tokyo and Dr. Takuzo Aida, Professor of the Department of Chemistry and Biotechnology of the Graduate School of Engineering of the University of Tokyo. Each recipient received a gold medal and an honorarium of ¥10 million.



The Fujihara Award ceremony

Guideline Comparison Table (GRI Ver 3.1)

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1.2		4-5	Message from the President
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2 Organizational Profile			
2.1		12	Outline of the Nippon Paper Group
2.2		13	Outline of the Nippon Paper Group
2.3	6.2	13-14	Outline of the Nippon Paper Group
2.4		12	Outline of the Nippon Paper Group
2.5		12, 14	Outline of the Nippon Paper Group
		53	Countries of Production of Woodchips Procured from Overseas
		56	Promoting Overseas Afforestation
2.6		12	Outline of the Nippon Paper Group
2.7		13	Outline of the Nippon Paper Group
2.8		12	Outline of the Nippon Paper Group
		34-35	Material Balance
2.9		13	Outline of the Nippon Paper Group
2.10		32	External Awards for Environmental Conservation Activities
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3.3		Back cover	Issued
3.4		Back cover	Inquiries
3.5		2	Editorial Policy
		25	Dialog with Stakeholders
3.6		2	Scope of Organizations Covered
3.7		2	Scope of Organizations Covered
3.8		Not applicable	—
3.9		33	Environmental Accounting
3.10		Not applicable	—
3.11		2	Scope of Organizations Covered
3.12		100-102	Guideline Comparison Table
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4 Governance, Commitments, and Engagement			
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4.8		4-5	Message from the President
		18	The Nippon Paper Group's Action Charter
4.9		16	Corporate Governance
		18	CSR Management
		19	Signatory to the United Nations Global Compact
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4.11		36-41	Preventing Climate Change
		42-45	Biodiversity Conservation
4.12		89	Safety (Risk Management)
		19	Signatory to the United Nations Global Compact
4.13		19	Participation in Industry and Trade Associations as well as Advisory Organizations in Japan and Overseas
		24	Contact Points that Allow Dialog with Stakeholders
4.14	93	Nippon Paper Group's Principal Social Contribution Activities	
	24	Contact Points that Allow Dialog with Stakeholders	
4.15		24	Contact Points that Allow Dialog with Stakeholders

* DMA: Disclosure(s) on Management Approach

Item	ISO 26000 clauses	Corresponding Page(s)	Contents	
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5 Management Approach and Performance Indicators				
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DMA*	6.2 / 6.8	4-5	Message from the President	
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EC1. Core	6.8 / 6.8.3 / 6.8.7 / 6.8.9	12	Outline of the Nippon Paper Group	
		8	Reconstruction Support for Devastated Areas	
		23	Profit Distribution to Shareholders	
EC2. Core	6.5.5	33	Environmental Accounting	
		33	Environmental Accounting	
EC3. Core		—	—	
EC4. Core		Not Applicable	—	
EC5. Add	6.4.4 / 6.8	—	—	
EC6. Core	6.6.6 / 6.8 / 6.8.5 / 6.8.7	52	Philosophy and Basic Policies Concerning Raw Materials Procurement	
EC7. Core	6.8 / 6.8.5 / 6.8.7	—	—	
EC8. Core	6.3.9 / 6.8 / 6.8.3 / 6.8.4 / 6.8.5 / 6.8.6 / 6.8.7 / 6.8.9	6-9	Measures in Response to the Great East Japan Earthquake	
		42-45	Biodiversity Conservation	
		58-59	Protection and Cultivation of Domestic Company-owned Forests	
		60-63	Contributing to Local Communities at Overseas Afforestation Areas	
EC9. Add	6.3.9 / 6.6.6 / 6.6.7 / 6.7.8 / 6.8 / 6.8.5 / 6.8.6 / 6.8.7 / 6.8.9	92-99	Responsibility with respect to Local Communities	
		6-9	Measures in Response to the Great East Japan Earthquake	
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Environment Performance Indicator				
DMA*	6.2 / 6.5	28-35	Environment (Policy and Management, Material Balance, Environmental Accounting)	
		42	Biodiversity Conservation	
EN1. Core		52-53	Raw Materials Procurement (Policy and Management, Status of Raw Materials Procurement)	
		34-35	Material Balance	
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EN3. Core		50	Promotion of Recovered Paper Use	
EN4. Core		34-35	Material Balance	
		37	Preventing Climate Change	
EN5. Add		34-35	Material Balance	
		36-37	Preventing Climate Change	
EN6. Add	40	Reduction in Peak Electricity Consumption at the Head Office Building		
	36-38	Preventing Climate Change		
EN7. Add	41	Japan's Largest Corporate User of Biomass Energy		
EN8. Core	—	—		
EN9. Add	34-35	Material Balance		
EN10. Add	—	—		
EN11. Core	6.5 / 6.5.6	59	Biodiversity Data for Company-owned Forests in Japan (IUCN)	
EN12. Core	EN12. Core	42-45	Biodiversity Conservation	

Item	ISO 26000 clauses	Corresponding Page(s)	Contents	
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EN14. Add		42–45	Protection and Cultivation of Domestic Company-owned Forests	
EN15. Add		—	Biodiversity Conservation	
EN16. Core		34–35	—	
EN17. Core		36–41	Material Balance	
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EN19. Core		36–41	—	
EN20. Core		6.5 / 6.5.3	49	Substances Subject to the PRTR Law
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47			Initiatives Targeting Environmental Pollution	
EN21. Core	34–45		Material Balance	
EN22. Core	47		Initiatives Targeting Environmental Pollution	
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EN23. Core	46		Reducing Waste Generation and Emissions	
EN24. Add	31		Breaches of Statutory Requirements and the Status of Accidents	
EN25. Add	Not applicable		—	
EN26. Core	6.5 / 6.5.4 / 6.5.6		—	
EN27. Core	6.5 / 6.5.4 / 6.6.6 / 6.7.5	78–80	Development of Environmentally Friendly Products	
EN28. Core	6.5 / 6.5.4 / 6.7.5	50	Promotion of Recovered Paper Use	
EN29. Add	6.5	31	Breaches of Statutory Requirements and the Status of Accidents	
EN30. Add	6.5 / 6.5.4 / 6.6.6	39	Logistics-Related Initiatives	
EN31. Add	6.5	33	Environmental Accounting	
Product Responsibility Performance Indicator				
DMA*	6.2 / 6.6 / 6.7	66–67	Customers (Policy and Management)	
		68–77	Customers (Group Company Initiatives)	
PR1. Core	6.3.9 / 6.6.6 / 6.7 / 6.7.4 / 6.7.5	66–67	Customers (Product Safety Management System)	
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PR4. Add	6.7 / 6.7.3 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.9	66–77	Responsibility with respect to Customers	
PR5. Add	6.7 / 6.7.3 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.8 / 6.7.9	67	Verification and Audit of Deinked Pulp Content Ratios	
PR6. Core	6.7 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.8 / 6.7.9	68–77	Customer (Group Company Initiatives)	
PR7. Add	6.7 / 6.7.3 / 6.7.6 / 6.7.9	72–73	Nippon Paper Crecia Initiatives	
PR8. Add	6.7 / 6.7.7	Not applicable	—	
PR9. Core	6.7 / 6.7.6	—	—	
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		88	Occupational Safety and Health (Basic Policy, Promotion System)	
LA1. Core	6.4 / 6.4.3	83	The Status of Employment	
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LA3. Add	6.4 / 6.4.3 / 6.4.4	84–85	Creating Workplaces that Support Employee Diversity	
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LA5. Core	6.4 / 6.4.3 / 6.4.4 / 6.4.5	83	Notification regarding Major Work-related Changes	
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Item	ISO 26000 clauses	Corresponding Page(s)	Contents
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LA11. Add	6.4 / 6.4.7 / 6.8.5	87	Development of Lifelong as well as Career Plans
LA12. Add	6.4 / 6.4.7	87	Fair Evaluation and Compensation
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LA14. Core	6.3.7 / 6.3.10 / 6.4 / 6.4.3 / 6.4.4	83	The Status of Employment
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DMA*	6.2 / 6.3	82	Human Rights, Employment and Labor (Policy and Management)
		52	Basic Policy concerning Raw Materials Procurement
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HR4. Core	6.3 / 6.3.6 / 6.3.7 / 6.3.10 / 6.4.3	—	—
HR5. Core	6.3 / 6.3.3 / 6.3.4 / 6.3.5 / 6.3.8 / 6.3.10 / 6.4.3 / 6.4.5	—	—
HR6. Core	6.3 / 6.3.3 / 6.3.4 / 6.3.5 / 6.3.7 / 6.3.10	82	Basic Policy Concerning Human Rights, Employment and Labor
		54	Promoting Procurement that Takes into Consideration Environmental and Social Concerns
HR7. Core	6.3 / 6.3.3 / 6.3.4 / 6.3.5 / 6.3.7 / 6.3.10	82	Basic Policy concerning Human Rights, Employment and Labor
		54	Promoting Procurement that Takes into Consideration Environmental and Social Concerns
HR8. Add	6.3 / 6.3.5 / 6.4.3 / 6.6.6	—	—
HR9. Add	6.3 / 6.3.6 / 6.3.7 / 6.3.8 / 6.6.7	—	—
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HR11. Core	—	—	—
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SO2. Core	6.6 / 6.6.3	—	—
SO3. Core		20	Compliance Training
SO4. Core	6.6 / 6.6.3	—	—
SO5. Core	6.6 / 6.6.4 / 6.8.3	19	Participation in Industry and Trade Associations as well as Advisory Organizations in Japan and Overseas
SO6. Add	6.6 / 6.6.4 / 6.8.3	—	—
SO7. Add	6.6 / 6.6.5 / 6.6.7	Not applicable	—
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Guideline Comparison Table (Environmental Reporting Guidelines (2007))

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MP-6	29, 50, 52-57	Environmental Action Plan, Promotion of Recovered Paper Use, Responsibility with respect to Materials Procurement and Forest Resources
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OP-5	34-35	Material Balance
OP-6	34-35, 36-41	Material Balance, Preventing Climate Change
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OP-9	34-35, 46	Material Balance, Reducing Waste Generation and Emissions
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Information and Indicators that Describe the Status of the Relationship between Environmental Considerations and Management (EEI)		
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Principle 6	82, 85	Responsibility with respect to Human Rights, Employment and Labor (Policy and Management, Creating Workplaces that Support Employee Diversity)
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Principle 8	4-5, 10-11, 28-50, 52-63	Message from the President, Business Overview of the Nippon Paper Group, Responsibility with respect to the Environment, Responsibility with respect to Materials Procurement and Forest Resources
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	4-5, 19	Message from the President, Participation in the United Nations Global Compact

Third-Party Comments



Yoshinao Kozuma
Professor, Faculty of Economics,
Sophia University

The Nippon Paper Group's Sustainability Report 2011 (Highlight Edition) still communicates an impressive and dynamic development of environmental management activities across the entire product life cycle.

This way of reporting allows the reader to grasp an overall picture of the environmental impacts caused by the Group's operations through across the value chain as a whole. Therefore, it provides a clear snapshot of the environmental risks and business opportunities inherent at each life cycle stage. Likewise, it allows the reader to gain an overall image of its environmental management intuitively.

In particular, in the case of corporate entities with the business attributes of the Nippon Paper Group, procurement channels extend beyond the upstream component of the value chain to encompass business areas including Company-owned forests as well as downstream elements (recovered paper). Taking into consideration the stringent environmental and social standards applied to procurement activities from other company forests, the use of such by-products as black liquor as well as construction waste, residual materials from forest land and other waste materials to recover as biomass fuel, taking into consideration that business structure, relative merits accrue within environmental management with respect to the value chain. The Nippon Paper Group is to be commended for putting in place a system that best fits the disclosure of actual conditions.

The Group has devoted a significant portion of the report to presenting its efforts in response to the earthquake. In addition to those issues intrinsic to the Group including injury to employees, property damage, foreseeable countermeasures, events leading up to the resumption of operations and a comprehensive explanation of its revitalization and other plans, the Group has placed considerable emphasis on carefully outlining its support to local communities and victims of the disaster. By providing a

detailed account of the Group's efforts to provide reconstruction support following the disaster, I was able to fully understand the Nippon Paper Group's close-knit community-oriented management stance. I was particularly impressed by president Haga's bold and immediate commitment to being about a reconstruction of the Group's damaged production facilities. I salute management's discerning wisdom to support the recovery and growth of regional economies while extending my heartfelt condolences to those employees who lost their lives and my sympathies to family members, friends and acquaintances.

While my overall impressions are extremely favorable, the report has raised several points of concern. First off is the role of the highlight edition as a disclosure medium. Excluding the Data section and its abundant information, I feel that the report is too heavily weighted toward the environment. While recognizing that this is a highlight edition, as a sustainability report I would prefer that it include at least an overall outline of the Group's policies, stance and efforts toward social issues. Moreover, the stated scope of the Report is Nippon Paper Group, Inc., and its consolidated subsidiaries. I am left with the impression that the Group's overseas subsidiaries, picked up in a special feature last year, have been omitted from the 2011 report.

For the production subsidiaries which are strategic bases in the Group's revitalization strategies, the report should provide an explanation if indeed the disclosure of information is to be omitted. Finally, the environmental action plan results table is presented on an individual issue basis. This makes cross-referencing with the body text of highlight edition, which is based on product life cycles, somewhat problematic.

Profile

After leaving the Sophia University Graduate School of Economics upon completion of the latter period of his doctoral course, Yoshinao Kozuma became a research assistant at the Nagoya Institute of Technology and attended the Limperg Instituut, the Inter-University Institute for Accounting and Auditing in the Netherlands, as a guest researcher funded by the Dutch government. He became an associate professor at the University of Shizuoka School of Administration and Informatics, and then took up his current position as professor in the Faculty of Economics at Sophia University. He has held successive positions as the chair or member of various CSR- or environment-related advisory panels, study groups, and research conferences for the Ministry of the Environment; the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure and Transport; the Cabinet Office; and the Japanese Institute of Certified Public Accountants. He is also a director of the Japan Accounting Association.

Action in Response to Third-Party Comments

In the aftermath of the Great East Japan Earthquake, renewed calls for the use of solar, wind, biomass and other renewable energy sources have gathered momentum. Recognizing this growing interest in and need to build a safe and sustainable community, the Nippon Paper Group will continue to develop its business, which relies on wood, a renewal resource as its primary raw material, while actively contributing to society.

In this Sustainability Report 2011 (Highlight Edition), we focus mainly on those measures implemented in response to the Great East Japan Earthquake, as well as our environmental activities taking into consideration the unique attributes of our business. Drawing from Professor Kozuma's comments and suggestions, we will endeavor to provide a report that better balances the environmental and social aspects of our business activities in 2012.

While the scope of this report has been expanded to cover all consolidated subsidiaries from a social perspective, it does not include environmental activity information from Paper Australia Pty. Ltd., where the grounds for data computation are yet to be verified, and consolidated subsidiaries that exert low environmental load. In next year's report, we intend to upgrade and augment reporting data.

The Nippon Paper Group suffered considerable damage to its bases located in the northeast region of Japan as a result of the recent earthquake. In the wake of the disaster, we have endeavored to confirm the safety of employees, work closely with local communities and secure a stable supply of products. Every emphasis has been placed on fulfilling our responsibilities to stakeholders. In this regard, recent events have only strengthened our understanding that business and CSR activities are inextricably linked. Through a process of continuous dialogue, we plan to engage in corporate activities that address the needs of society. As we work toward achieving this goal, we ask for your frank impressions and comments.



Tsuyoshi Yamashita
Executive Vice
President,
Representative Director
and General Manager of
the CSR Division



NIPPON PAPER GROUP, INC.

Head Office: 1-2-2 Hitotsubashi, Chiyoda-ku, Tokyo 100-0003, Japan
Issued: February 2012
Next issue: February 2013
Inquiries: CSR Department
Phone: +81-3-6665-1015 Fax: +81-3-3217-3009
Website: <http://www.np-g.com/e/csr/index.html>



Cover Photograph



Misaka Forest
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The cost of the paper used in this report includes a portion of expenses for the use of timber discarded in forests following tree thinning.

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