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NIPPON PAPER INDUSTRIES CO., LTD. ANNUAL REPORT 2013

**ANNUAL REPORT 2013**

For the Fiscal Year Ended March 31, 2013

Transforming  
the business  
structure

2013

Securities Code: 3863

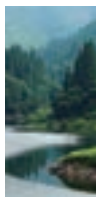


**Nippon Paper Industries Co., Ltd.**

(Securities Code 3863)

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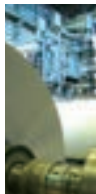
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#### Notice regarding the consolidated financial information appearing in this annual report

Nippon Paper Group, Inc. and Nippon Paper Industries Co., Ltd. (hereinafter the "Company"), conducted an absorption-type merger as of April 1, 2013, with the Company as the surviving company and Nippon Paper Group, Inc. as the company being absorbed in the merger. Accordingly, Nippon Paper Group, Inc. was delisted as of March 27, 2013, and the Company was listed on the First Section of the Tokyo Stock Exchange as of April 1, 2013.

As a result of said merger, Nippon Paper Group, Inc. no longer exists, but the merger's effective date was April 1, 2013. Therefore, the business results of the Nippon Paper Group up to the fiscal year ended March 31, 2013 appearing in this report represent those of Nippon Paper Group, Inc. Meanwhile, any future information in this report, such as forecasts of consolidated business results for the fiscal year ending March 31, 2014, the status of dividends and management plans represent those of Nippon Paper Industries Co., Ltd.

#### Disclaimer

Statements in this annual report concerning current plans, forecasts, strategies, beliefs and other forward-looking information related to Nippon Paper Industries Co., Ltd. and companies comprising its corporate group, other than those of historical fact, are forecasts of future business performance based on the judgments of management at Nippon Paper Industries Co., Ltd. and Nippon Paper Group companies in light of currently available information. Accordingly, please refrain from making investment decisions based solely on forecasts of business performance in this annual report. Actual business performance may differ significantly from these forecasts due to changes in a variety of factors.

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## Introduction

# Creating the Future with Forests

The Nippon Paper Group is a group of companies conducting paper-making and related businesses. Capitalizing on its technologies for expanding the possibilities of paper and utilizing wood resources, the Group engages in a diverse range of activities to support people's lives and industries, while promoting the transformation of its business structure toward becoming a comprehensive biomass company.

## The Starting Point for Transformation into a Comprehensive Biomass Company

We are one of the world's leading players in paper and surrounding businesses utilizing wood resources. While conducting our medium-term revitalization plan and Fourth Medium-Term Business Plan aimed at improving earnings and achieving sustainable growth, we are promoting transformative efforts toward a new leap forward.

### 6,545 Thousand Tons

The production of the Group's pulp and paper business in FY2012 amounted to 6,545 thousand tons, which was the nation's leading scale of output. However, the output has been on a declining trend in recent years, leading us to explore new business fields with high growth potential.

### 178 Group Companies

The number of Group companies in Japan and 15 foreign countries is 178. In line with its global business strategy, which is focused on the Pacific Rim, the Group engages in a diverse range of businesses worldwide, including the import of raw materials and afforestation, as well as manufacturing and selling activities.

### 214 Thousand Hectares

Wood resources are indispensable for our current and future businesses. To protect and secure these resources, the Group cultivates and manages a vast amount of its own forests with 90 thousand hectares in Japan and 124 thousand hectares overseas.

### 1.80 Million Kilowatts

The Group has the nation's largest in-house power generation capacity second only to the power companies. Taking advantage of our pioneering technologies for biomass power generation, we will actively promote energy businesses so that we can contribute to the stable supply of power and heat.

### 4 Nanometers

Wood resources have a vast array of business possibilities from industrial materials to biochemicals, energy, and agricultural and food materials. In October 2013, production verification facilities for cellulose nanofiber will start up.

### No. 3893 ▶ 3863

FY2012 was a year of reorganization of the Group for transformation into a comprehensive biomass company. Nippon Paper Industries, now an operating holding company, seeks a new leap forward as it has been relisted on the Tokyo Stock Exchange with the new securities code of "3863."

# Aiming for Sustainable Growth as a Comprehensive Biomass Company

As a comprehensive biomass company, we will contribute to the enrichment of people's lives and cultures and the development of industries and aim for sustainable growth together with our stakeholders. Based on our forest resources and wood science technologies, we will create new value and open up new possibilities.

Create a future as a comprehensive biomass company

## FY2014 targets:

Net sales	<b>¥1,120 billion</b>
Operating income	<b>¥70 billion</b>
Debt-equity ratio	<b>1.5 times or less</b>
Return on equity (ROE)	<b>8% or more</b>

Improve earnings and transform the business structure

## Accelerate the transformation of the business structure



- Industrial materials**
- Packaging containers
  - Barrier packaging materials
  - Functional sheets



- Biochemicals**
- Nanofibers
  - Bioethanol
  - Bioplastics



- Energy**
- Supply of electricity
  - Biomass fuel



- Food**
- Fruit and vegetable seedlings
  - Functional plants and materials for food and medicine

## The Fourth Medium-Term Business Plan

FY2014

FY2013

Complete the revitalization plan

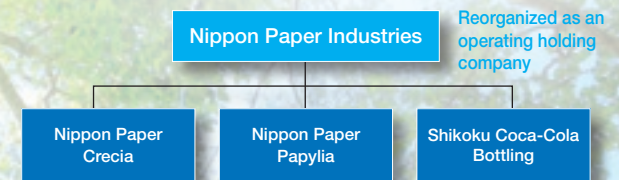
FY2012

Reorganize the Group

FY2011

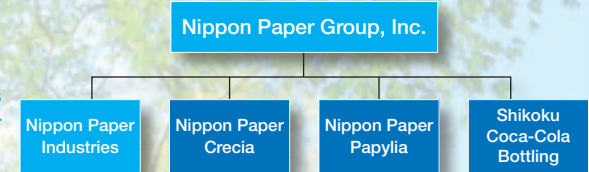
The Third Medium-Term Business Plan

April 1, 2013



October 1, 2012

Paper, paperboard, paper packs and chemicals businesses were consolidated into Nippon Paper Industries.



# Consolidated Financial Highlights

Nippon Paper Group, Inc., and Consolidated Subsidiaries

	(Billions of yen)		(Billions of yen)		Change	(Millions of U.S. dollars <sup>1)</sup> )
	2011/3	2012/3	2013/3	2013/3 / 2012/3		2013/3
<b>For the fiscal year:</b>						
Net sales	¥ 1,099.8	¥ 1,042.4	¥ 1,025.1	(1.7)%		\$ 10,905
Operating income	35.6	36.5	25.1	(31.2)		268
Ordinary income	31.6	6.1	23.1	281.1		246
Net income (loss)	(24.2)	(41.7)	10.7	—		113
Capital investment	46.6	57.2	53.3			567
Depreciation	78.6	74.4	64.9			690
Free cash flow	22.0	13.5	4.2			45
<b>At the fiscal year-end:</b>						
Total assets	¥ 1,560.6	¥ 1,527.6	¥ 1,497.7			\$ 15,933
Net assets	408.8	366.7	396.5			4,218
Interest-bearing debt <sup>2</sup>	832.3	838.3	830.2			8,832
<b>Per share data:</b>						
Net income (loss)	¥ (208.73)	¥ (359.90)	¥ 92.00			\$ 0.98
Net assets	3,496.49	3,135.48	3,391.59			36.08
Dividend	60.00	30.00	40.00			0.43
<b>Principal financial data:</b>						
Operating income margin	3.2%	3.5%	2.5%			
Return on equity (ROE) <sup>3</sup>	(5.6)	(10.9)	2.8			
Return on invested capital (ROIC) <sup>4</sup>	3.5	1.5	2.9			
Equity ratio	25.9	23.8	26.2			
Return on assets (ROA) <sup>5</sup>	2.7	1.2	2.3			
Debt-equity ratio (times) <sup>6</sup>	1.8	1.9	1.9			
Number of employees	13,834	13,407	13,052			

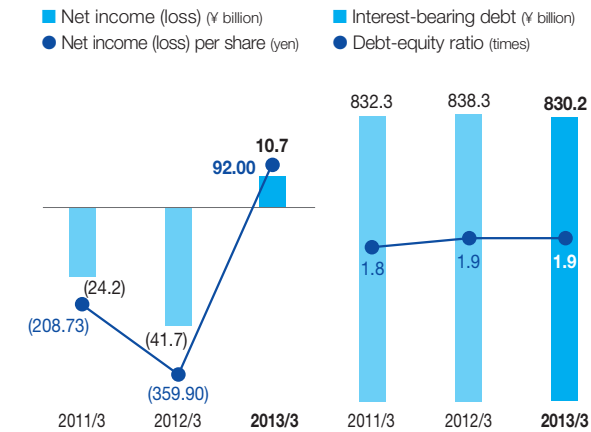
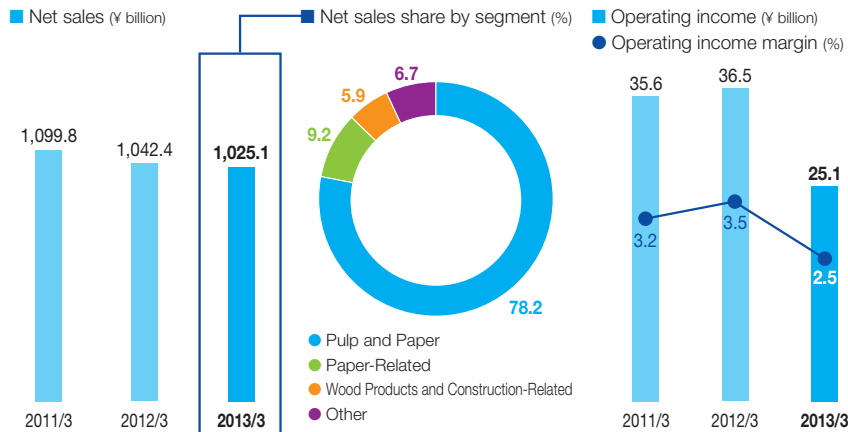
- Notes: 1. Amounts in U.S. dollars are included solely for convenience and are translated at a rate of ¥94 = US\$1.00, the approximate rate of exchange on March 31, 2013.  
 2. Interest-bearing debt = Short-term borrowings + Long-term debt  
 3. Return on equity (ROE) = Net income (loss) / Average of shareholders' equity and accumulated other comprehensive income at the beginning and end of the year × 100  
 4. Return on invested capital (ROIC) = (Ordinary income + Interest expense) / (Shareholders' equity and accumulated other comprehensive income + Interest-bearing debt) × 100  
 5. Return on assets (ROA) = (Ordinary income + Interest expense) / Total assets × 100  
 6. Debt-equity ratio = (Interest-bearing debt - Cash and deposits) / Shareholders' equity

## Bond Ratings

(as of March 31, 2013)

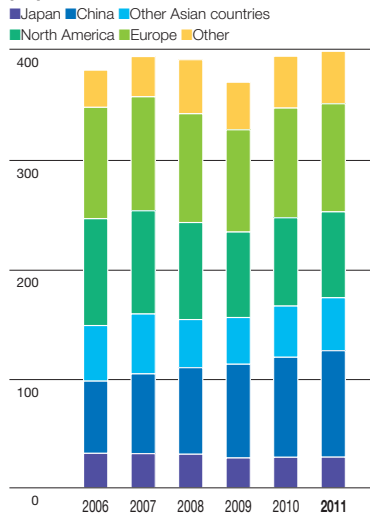
The Company's major bond ratings are as follows.

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



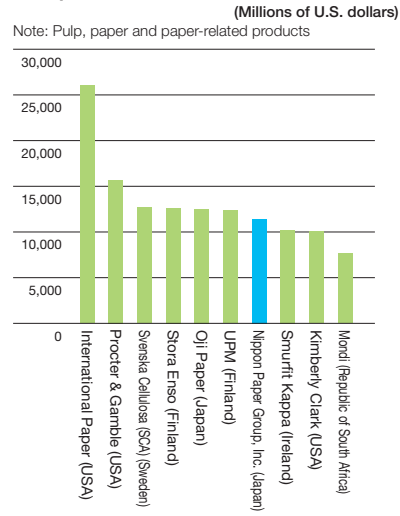
World

Consumption of paper and paperboard (millions of metric tons)



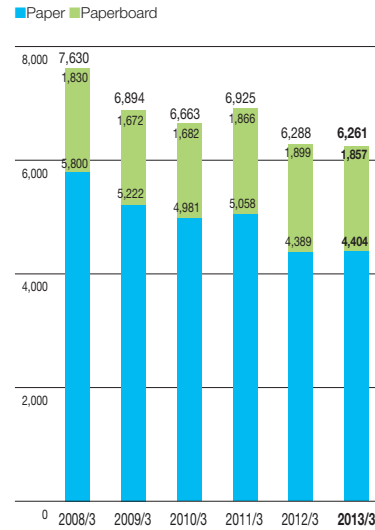
(Source: RISI)

Sales of the world's top 10 paper companies (2011)

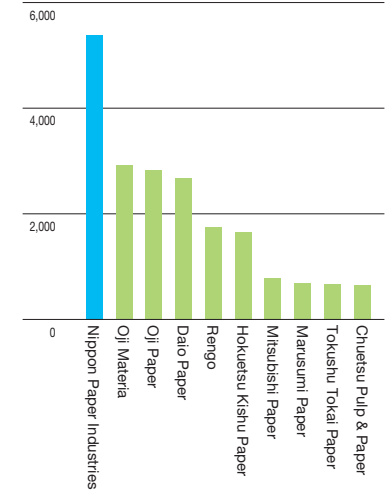


(Source: RISI)

Production of Nippon Paper Group (kt)



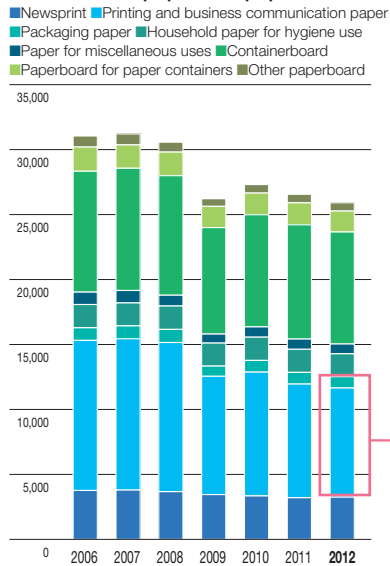
Production of Japan's top 10 paper companies (2012) (kt)



(Source: Japan Paper Association)

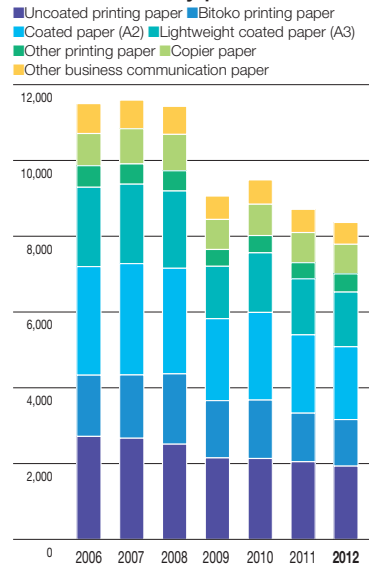
Japan

Production of paper and paperboard (kt)



(Source: Japan Paper Association)

Production of key products (kt)



(Source: Japan Paper Association)

Material balance of domestic pulp and paper business (March 2012)

Input

Raw materials	
Wood chips	4,801 thousand BDt
Raw lumber	30 thousand BDt
Pulp	393 thousand BDt
Wastepaper	3,132 thousand BDt
Water	
	785 million tons
Energy	
Electricity	1,729 GWh
Petroleum	378 thousand kl
Coal	1,937 kt
Gas	100 kt
Other non-fossil fuels	1,406 kt
Black liquor*	3,264 kt

Output

Products	
Paper and household paper products	4.11 million tons
Paperboard	1.45 million tons
Pulp	134 thousand tons

\*A by-product of producing pulp from wood chips.

■ Management ■ Production ■ Sales ■ R&D

2012

- May** Nippon Paper Group formulated the Fourth Medium-Term Business Plan (2012–2014).
- June** Nippon Paper Group concluded a joint venture agreement with SCG Paper Public Company Limited based in Thailand for the production and sales of machine glazed paper.
- August** Nippon Paper Industries established production systems for kraft paper at the Kushiro Mill.  
Great East Japan Earthquake–stricken Ishinomaki Mill was fully restored.
- October** Nippon Daishowa Paperboard, Nippon Paper-Pak and Nippon Paper Chemicals were merged into Nippon Paper Industries.  
Nippon Paper Industries established production systems for dissolving pulp at the Kushiro Mill.
- November** Nippon Paper Industries developed a technology for propagating medicinal plants as materials for herbal medicine and medicinal drugs.

2013

- February** Nippon Paper Industries decided to build new production verification facilities for cellulose nanofibers.
- March** Nippon Paper Industries decided to set up the CNF Promotion Office.  
Nippon Paper Industries announced printing paper price hike.  
Headquarters was moved to Kanda-Surugadai, Chiyoda-ku, Tokyo.
- Nippon Paper Industries converted the Brazilian firm AMCEL, a joint venture for tree-planting and production and export of chips, into a wholly owned subsidiary.
- April** Nippon Paper Group, Inc., was merged into Nippon Paper Industries, which became an operating holding company and was listed on the First Section of the Tokyo Stock Exchange.



## Reorganization and Transformation of Our Business Structure to Achieve Innovative Growth

We reorganized our operating companies in the fiscal year ended March 31, 2013, as a giant step toward the birth of a new Nippon Paper Group. Under the Fourth Medium-Term Business Plan, we have launched full-scale efforts to enhance the earning power of the paper business and expand the range of growth business fields. To make the leap from a paper company to a “comprehensive biomass company,” we will continue to move beyond changing business environments and ensure sustainable growth.

Yoshio Haga  
President  
Nippon Paper Industries Co., Ltd.

芳賀義雄

## FY2012 Market Environment and the Status of Operations

The Group launched the Fourth Medium-Term Business Plan. Although we achieved steady improvement of profitability, a slowdown in the printing paper market led to a tough year.

The Nippon Paper Group started **the Fourth Medium-Term Business Plan (FY2012–FY2014) with the aim of completing the revitalization plan and promoting the transformation of its business structure.** In FY2012, we resumed operations of the Ishinomaki Mill, which had suspended operations due to the Great East Japan Earthquake, to restore our production capacity. In addition, we implemented **a revitalization plan with a goal to improve income by ¥25.0 billion in the two years of FY2012 and FY2013.** The plan is going smoothly, as **income improved ¥13.9 billion** in FY2012, exceeding the first-year target of ¥12.4 billion.

However, we experienced a severe business environment in general throughout the year. In particular, the domestic pulp and paper business suffered from a fall in printing paper prices, as an increase in imported paper after the Great East Japan Earthquake intensified competition in the domestic paper market, which had already been shrinking. The fall in printing paper prices was a primary reason for the year-on-year decline in the Company's consolidated net sales and operating income.

As imported paper began to decrease partly due to the yen depreciation since the end of 2012, printing paper market seemed to bottom. On the other hand, the rise in raw materials and fuel prices along with the yen depreciation was a significant factor in boosting production costs.

In this section, we provide a detailed description of **our measures to overcome these situations and raise our earning power**, which will be carried out in line with the new managerial direction enacted by the reorganization of the Group.

### FY2012 consolidated financial highlights (¥ billion)

Net sales	<b>1,025.1</b> (1.7% year-on-year decrease)
Operating income	<b>25.1</b> (31.2% year-on-year decrease)
Ordinary income	<b>23.1</b> (281.1% year-on-year increase)
Net income	<b>10.7</b> (            –            )

## The Medium-Term Business Plan under the Reorganized Group Structure

Through the consolidation of operating companies and re-inforcement of corporate governance, we will promote the transformation of the business structure for renewed growth.

On April 1, 2013, Nippon Paper Industries Co., Ltd., made a new start as an operating holding company of the Nippon Paper Group. Earlier, on October 1, 2012, we conducted a merger of the Group's major operating companies—Nippon Daishowa Paperboard, Nippon Paper-Pak and Nippon Paper Chemicals—into Nippon Paper Industries. This was a transformation into a flat “one-story” structure of organization by consolidating the core businesses—paper, paperboard, paper packs and chemicals—and the function of a holding company into Nippon Paper Industries. The purpose of the reorganization is to **enhance the unity of the Group** by consolidating the major operating companies, while **ensuring the strategic allocation of business resources to create new growth opportunities.** The new organization was designed to ensure prompt managerial decisions to steer the Group through the increasingly rapid changes in the business environment.

The new managerial system starting in FY2013 is aimed at **enhancing the Group's corporate governance** by introducing executive officers and outside directors.

The Company's mills throughout Japan are positioned as profit centers, and many of their general managers traditionally have served also as directors because the business performance of the Group depends on how these mills perform. Meanwhile, we also recognize the increasing demand for greater management efficiency of the Group as a whole. To achieve this, we have introduced the executive officer system, which allows the Board of Directors to supervise and lead the entire Group, and executive officers to take charge of the management of individual mills and business divisions.

The introduction of the Outside Directors, in addition to the Outside Corporate Auditors we have already adopted, is intended to enhance the function of supervising the corporate management, while reflecting diverse and objective external viewpoints into managerial decisions to fulfill the needs of the times and society. The new managerial system, along with the reorganization, will spur the Nippon Paper Group to **promote the transformation of its business structure.**

For details on corporate governance, please refer to pages 48–52.



## Efforts to Strengthen the Paper Business

To renovate the Group to be a “comprehensive biomass company”, the creation of new businesses is an issue of primary importance.

The ongoing Fourth Medium-Term Business Plan consists of four major themes: **strengthening the paper business, reinforcing efforts to transform the business structure, boosting the earning power of overseas businesses and improving the financial position.** Suppose the plan is a car: It is guided by the four wheels simultaneously without any priority to one wheel. However, to attain the Group’s future goal of being a “comprehensive biomass company”, **creating new businesses that will promote the transformation of the business structure is a theme of the highest importance.** With the strong will of the management and the active involvement of motivated employees, we will continue efforts toward that goal.

The other three themes are equally important to support the Group’s business foundations, on which the creation of new businesses is made possible.

#### Major Themes of the Fourth Medium-Term Business Plan (FY2012–FY2014)

##### Strengthening the paper business

- Complete the revitalization plan (to achieve a ¥25.0 billion improvement in earnings)
- Enhance competitiveness in marketing and manufacturing

##### Reinforcing efforts to transform the business structure

- Reinforce the businesses concerning packaging, processed paper products and lumber and chemicals
- Reinforce our involvement in energy and new businesses

##### Boosting the earning power of overseas businesses

- Increase the competitiveness of Australian Paper
- Reinforce synergies with Lee & Man Paper Manufacturing Limited

##### Improving the financial position

- Achieve a debt-equity ratio\* of 1.5 times or less

\*Debt-equity ratio: Net interest-bearing debt / Shareholders’ equity

As a price leader in the Japanese paper market, we conducted price hike in the first quarter of FY2013 to maintain earnings at a sustainable level.

Without a good prospect for quantitative expansion of printing paper demand, we have endeavored to achieve a ¥25.0 billion improvement in earnings from the paper business in line with the paper business revitalization plan, which is to be completed in FY2013. The plan’s primary measures are to **cut fixed costs by shutting down 12 machines (to achieve a reduction of 800,000 tpy) and streamlining personnel, and reduce variable costs mostly by reducing the number of brands and improving productivity.**

As mentioned earlier, we were able to achieve income improvement of ¥13.9 billion in FY2012, which was more than originally planned. Even such improvement, however, could not offset **a decline in the market prices of printing paper due to an increase in imported paper volume.**

The market price decline was connected to two environmental changes relative to imported paper. First, the temporary plunge in the Company’s paper supply due to the Great East Japan Earthquake encouraged overseas procurement to satisfy domestic paper demand. Second, the high yen appreciation that continued until 2012 provided an advantage for imported paper in terms of price competition.

To survive changes in the business environment and continue operations, we strongly recognize **the importance of maintaining earnings at a sustainable level.** Also, from the viewpoint of ensuring the sound progress of the domestic paper market, we believe we are in a position to fulfill the role as the market’s price leader. In this belief, we **announced a decision in March 2013 to make price hike for printing paper, which were effected in the first quarter of the fiscal year ending March 2014.**

**While continuing cost-cutting efforts, we will consider the option of price hike to reflect cost increases due to the yen depreciation. The reinforcement of export sales will also be addressed to improve earnings.**

The Group is seeking the recovery of its domestic paper sales volume to 4.10 million metric tons a year. Efforts to expand the sales of new products resulted in sales volume of 2.03 million metric tons in the second half of the year under review, showing a high likelihood of achieving the target. Meanwhile, however, the recent **yen depreciation has caused a significant increase in raw material and fuel costs, which could erode earnings. To counter these cost increases, we are considering reasonable price hike.**

Forecast of Consolidated Business Results for FY2013

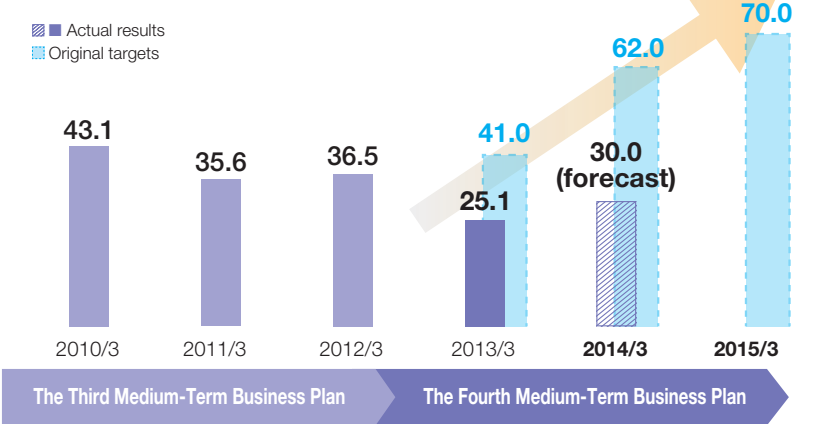
**While maintaining the growth trend of earnings, we will further reinforce our financial strength.**

For the fiscal year ending March 31, 2014, we project increases in revenue and income to achieve **net sales of ¥1,050 billion, operating income of ¥30 billion, ordinary income of ¥25 billion and net income of ¥15 billion** on a consolidated basis. We will endeavor to **secure the income growth trend** by overcoming the rising raw material and fuel prices.

For the paper business, we will proceed with price hike and cost reductions, while expanding export sales. Beginning with FY2013, the Company's organization has been restructured **to ensure that its marketing activities are directly connected with the production forces to step up its sales capabilities.** For the package and paper processing businesses, we will strive to expand sales by **offering products that meet market needs**, including high-quality paperboard, new lines of paper cartons and healthcare products. For the lumber and chemicals businesses, we will focus on sales expansion of the **high-value-added lines of dissolving pulp and functional films**, and enlarge the production facilities for wood chemical products and functional coating resins.

In terms of financial position, we will **reduce net interest-bearing debt to around ¥700 billion** by the end of March 2014, which is expected to improve the debt-equity ratio from 1.89 times to 1.79 times. This indicates that we are progressing steadily to achieve the target ratio of 1.5 times or less by the end of March 2015, as set forth in the Fourth Medium-Term Business Plan. For FY2010 and FY2011, when we suffered from effects of the earthquake disaster, we recorded a consolidated net loss. However, we were able to regain profitability for FY2012, recording net income of ¥10.7 billion, which will accelerate the improvement of our financial position. To ensure a stronger financial position, we will seek to maximize the effect of restructuring, maintain sustainable price levels and carefully select capital investments so that they are within the range of depreciation.

**Consolidated operating income trends (¥ billion)**



Of course, we will continue internal efforts to reduce costs through an in-depth review of cost-generating factors, such as through the drastic optimization of quality design, along with continued engagement in the revitalization plan.

At the same time, the Group will **reinforce export sales by taking advantage of increasing price competitiveness due to the yen depreciation.** Before the Great East Japan Earthquake, we had exported coated paper to markets in Australia, New Zealand and Asia. Especially in the Oceania area, our products enjoyed a high market share for their **high quality**, as well as shorter lead time compared to European competitors. However, the exports had to be discontinued due to the loss of our ability to supply after the earthquake disaster. Our recent move to strengthen export sales has been received favorably by overseas customers. Due to the reduction in production capacity under the revitalization plan, the expansion of exports will be limited, but we expect to export 185,000 metric tons of paper, or an 81.4% increase year on year, for the fiscal year ending March 31, 2014.

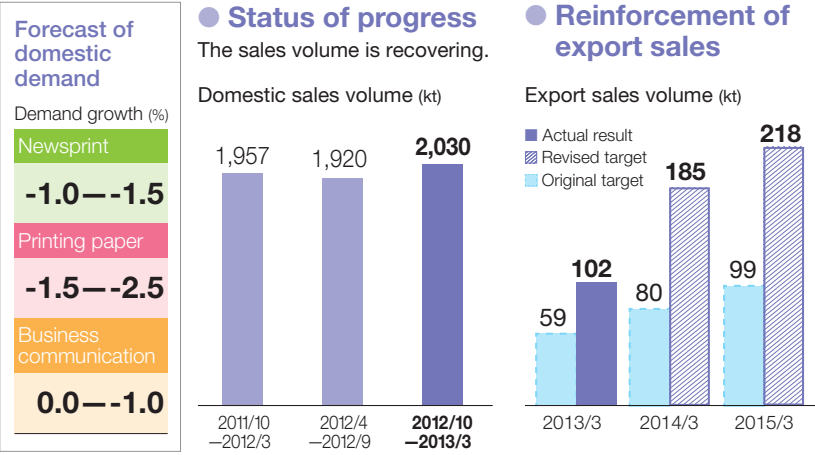
**Reinforcement of the Paper Business**

Managerial issues to be addressed

**Sales price hike**

- Price hike for printing paper products have been implemented
- Price hike to reflect cost increases due to the yen depreciation are being considered

**Recovery of sales volume**

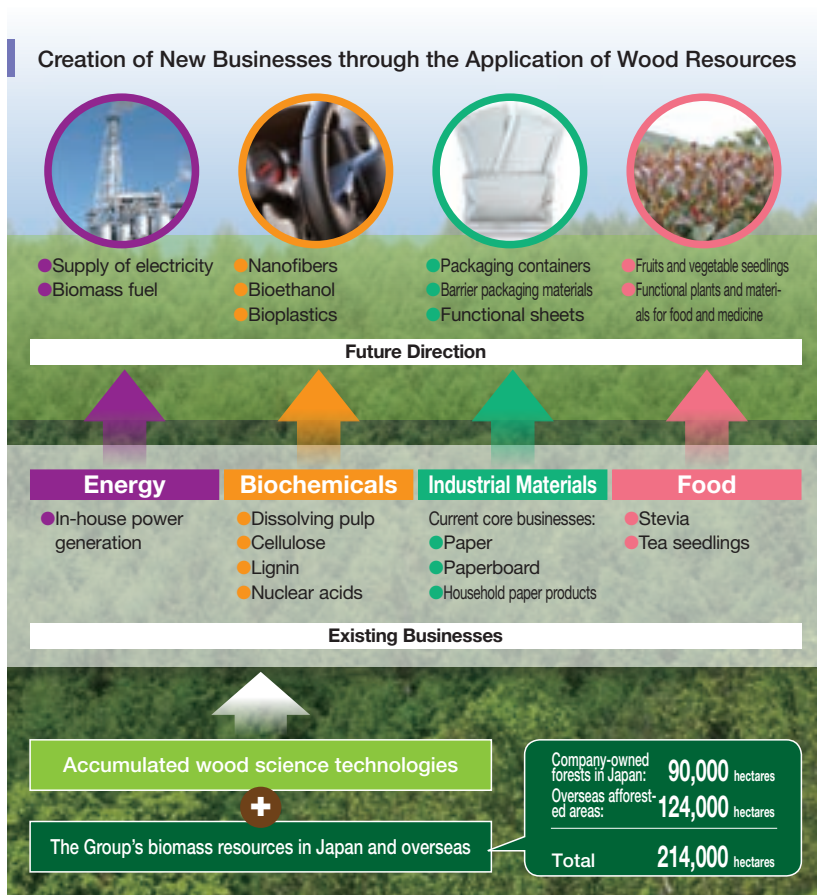


Toward a “Comprehensive Biomass Company”

**By promoting the advanced application of its technologies and lumber resources, the Nippon Paper Group will grow into a “comprehensive biomass company”.**

Let us share with you the current status of our business restructuring efforts to be a “comprehensive biomass company” under the Fourth Medium-Term Business Plan.

The Company’s core business, or the domestic paper business, cannot avoid shrinking of the market in the long term. **To ensure the sustainable growth** of the Nippon Paper Group under such conditions, it is **essential to create new businesses** while restructuring its existing business domains. We have **cultivated forests totaling 214,000 hectares**, including company-owned forests in Japan and overseas afforested areas, and **accumulated the wood science technologies**



we acquired in the process of paper-making. Toward the future, we will promote the **advanced application of these technologies** to grow into a “comprehensive biomass company” that **offers products and services with diverse values**.

Specifically, we are exploring the vast potential of wood resources that can be extensively used for the production of industrial materials, such as **packaging containers and functional sheets, biochemicals including cellulose nanofibers and other new materials, and agricultural and food materials, as well as energy business including the supply of electricity**.



**Led by the newly established Energy Business Division, we will expand the business by centering on three pillars. In the medium term, we aim to achieve net sales of ¥50 billion.**

The New Business Development Department was set up in April 2012, and additionally we decided to **put efforts toward promoting the energy business**, to which we will actively allocate business resources.

The opportunity for the energy business presented itself when we faced power shortages due to the suspension of nuclear power plants after the earthquake disaster. The Group has various power generating facilities and accumulated expertise for operating them. Due to sluggish paper demand, our in-house power generating facilities have reserve capacity, which can find useful applications in the energy business. In July 2012, the feed-in tariffs (FIT) scheme for renewable energies was introduced in Japan, which laid out a foundation to facilitate the promotion of the energy business. We will expand the business, centering on the three pillars detailed below.



Biomass boiler No. 3 at the Fuji Mill



Mega-solar plant to be constructed at the former site of the Komatsushima Mill (rendering)

The first pillar is to expand the supply of excess electricity by utilizing existing power generation plants. In August 2013, we plan to expand our power-supplying capacity through the biomass boiler at the Fuji Mill.

The second pillar is **to expand the supply of electricity by utilizing wood biomass**. Because paper is made from wood, the Company has a high ability to procure wood by the nature of its business. We will take full advantage of this ability to achieve higher profitability. For example, under the FIT scheme, electricity generated by using the wood that would otherwise be left unused, including residual materials from forest land, would be sold at 33.6 yen per kWh, whereas electricity generated from ordinary wood as fuel is sold at 25.2 yen per kWh. This means that higher profitability can be ensured if we can establish a low-cost method to collect such waste wood. Taking advantage of its lumber-collecting network in the Kyushu area, the Group plans to start power generation from March 2015 by using waste wood alone at a biomass boiler to be introduced at the Yatsushiro Mill.

The third pillar is to explore **energy businesses that contribute to the reduction of CO<sub>2</sub> emissions, including solar energy generation and the development of new energies**. We will construct solar energy generation facilities on a 250,000 square meter area at the site where the Komatsushima Mill used to stand in Tokushima Prefecture, and launch a mega-solar project with a generating capacity of 21 megawatts in January 2015. As for the development of new energies, we succeeded in the development of solid biomass fuel by semi-carbonizing wood biomass. Compared with conventional wood fuel, the co-combustible ratio of this fuel at a coal boiler can be 10 times higher. This is a great advantage in that it can reduce the CO<sub>2</sub> emissions originated from fossil fuels.

To accelerate these moves, the Company **established the Energy Business Division** in June 2013 to facilitate the expansion of the energy business. In the medium term, we seek to **achieve net sales of ¥50 billion through the energy business**.

For details, see “Special Feature” on pages 28–30.

## We have introduced production verification facilities for cellulose nanofibers. We will facilitate the industrial applications and commercialization of cellulose nanofibers.

Meanwhile, we also set up the Cellulose Nanofiber Business Promotion Office in April 2013 to commercialize the business based on **“cellulose nanofibers,”** a plant-based new material that is highly expected to find industrial applications. **Production verification facilities for cellulose nanofibers at the Iwakuni Mill will start operations** in October 2013.

Cellulose nanofibers are stronger than iron and as light as paper. In addition, the plant-based material has the advantage of being reproducible, with great potential as a promising alternative to conventional fossil-fuel-based materials. Because of their excellent properties, cellulose nanofibers are expected to find a wide variety of industrial applications, including **barrier packaging materials, resin reinforcement materials and viscosity improvers**. The Company is working to develop these applications in collaboration with academic and research organizations, including Tokyo University.

After the launch of the production verification facilities at the Iwakuni Mill, we will distribute sample products to potential customers throughout the industrial world and promote joint development projects with various manufacturers to **facilitate the industrial applications and commercialization of cellulose nanofibers**.

In addition to the energy business and cellulose nanofiber business, we will explore other business opportunities to expand the application of lumber resources available from forests. Conventionally, our main business has been making paper from wood, which is, in other words, the business of transforming wood as a material into paper as a product to be delivered to customers. **The business of a “comprehensive biomass company” differs in that it transforms wood into not only paper but also various other products, including fuels, chemicals and paper-processed products. This is just like a river running down while expanding its basin.** From the basin, a number of streams are split in various directions and finally reach the ocean, or customers. That is how we contribute to society as a comprehensive biomass company.

To achieve that, it is necessary to **put further efforts into research and development**, while drastically restructuring R&D efforts to shift their focus from the existing fields to new and emerging fields.

For details, see “Special Feature” on pages 31–33.

Progress of Overseas Businesses and Future Development

**Businesses in the Asia and Oceania markets will be reinforced to capture expanding demand. In Brazil, 100% ownership of the tree-planting firm AMCEL has been acquired.**

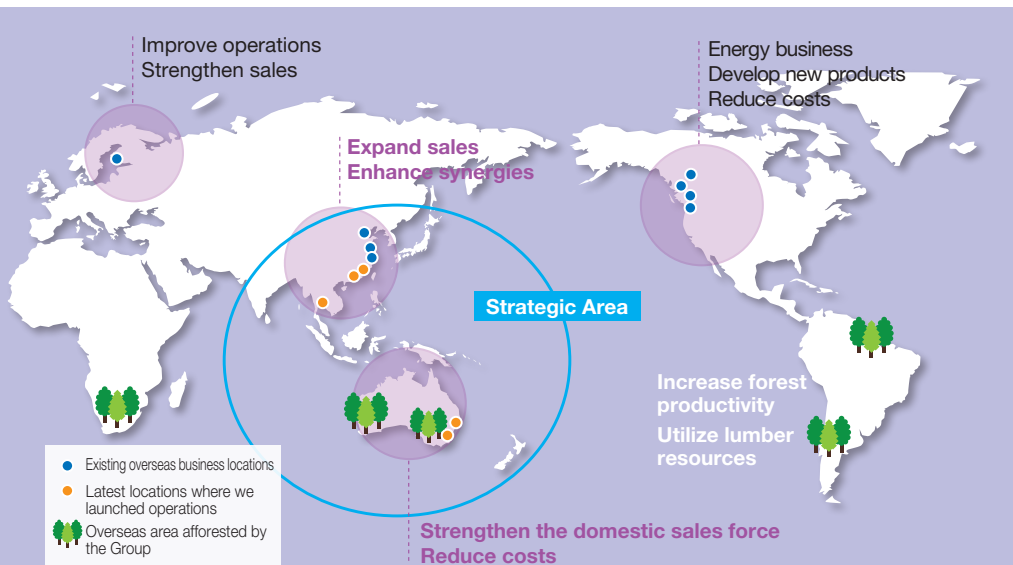
The Nippon Paper Group's overseas businesses are strategically **focused on the Asia and Oceania markets** where demand growth for paperboard and industrial paper is highly expected due to the increasing populations and growing economies.

In Australia, the Group acquired Australian Paper, the nation's only manufacturer of printing and business communication paper, in 2009. Although the market is relatively small with the combined population of Australia and New Zealand at around 27 million, we **run our business to address the needs of the local people, who have high environmental awareness.**

In Thailand, the Group established a joint venture with SCG Paper Public Company Limited in June 2012. Through the joint venture Siam Nippon Industrial Paper, which is positioned as one of our strategic sites for overseas businesses, the Group will **explore and capture the need for high-value-added products centering on industrial and high functional paper** in the markets of Southeast Asia and India.

In China, Lee & Man Paper Manufacturing Limited, the nation's second-largest containerboard manufacturer, became an equity-method affiliate of the Group in 2011. Some of Lee & Man's products made with its **white paperboard machine** introduced in 2012 are sold through the Group's distribution network.

In March 2013, the Company additionally acquired the shares of AMCEL, a Brazil-based tree planting firm, to convert it into a wholly owned subsidiary. In addition to positioning AMCEL as a supplier of raw materials for pulp and paper, we will enhance **the asset value of the subsidiary's afforested sites with a view to capturing the anticipated demand for wood pellets in Europe.**



Active Involvement in the Strategic Area

**Australia:** ▶ Australian Paper

A recycled pulp production facility will be introduced to step up efforts to promote environment-friendly products.



Australian Paper

In Australia, the paper market has continued to be severe, as the prolonged appreciation of the Australian dollar allowed the inflow of low-priced imported paper, depressing paper prices. To overcome this situation, Australian Paper put forth a series of strategies titled Wombat Vision to promote environmentally conscious paper products in response to the nation's growing awareness of environmental protection.

With the technical support of the Company, Australian Paper is working to introduce a recycled pulp plant with an annual production capacity of 50,000 metric tons at its Maryvale Mill. Scheduled to start operations in 2014, the facility will help expand the sales of environment-friendly recycled copier paper.

**Thailand:** ▶ Siam Nippon Industrial Paper Co., Ltd.

This joint venture between the Nippon Paper Group and SCG Paper produces machine glazed paper.



At a signing ceremony for the joint venture agreement with SCG Paper President Haga & President Roongrote of SCG Paper

In June 2012, the Company and Thailand-based SCG Paper concluded a joint venture agreement concerning the production and sale of machine glazed paper for various applications, and established Siam Nippon Industrial Paper Co., Ltd. ("SNP").

In Thailand and adjacent Asian nations, demand for high-end industrial paper has been growing in pace with their economic growth. To meet such demand, SNP is constructing a production facility for machine glazed paper with an annual capacity of 43,000 metric tons, which is scheduled to commence operations in the summer of 2014. By combining the strengths of the Nippon Paper Group and SCG Paper, we will supply cost-competitive yet high-quality machine glazed paper products for various applications in the fields of packaging, food, medical and decorative sheets.

To Our Stakeholders

**China:** ▶ Lee & Man Manufacturing Limited

The operation of a white paperboard machine has started, expanding sales smoothly.

Lee & Man Manufacturing Limited has expanded its production capacity to meet the growing demand for paperboard in China.

In September 2012, the operation of a white paperboard machine with an annual production capacity of 600,000 metric tons started at the Hongmei Plant. Currently, products made with the machine have been successfully sold in Shanghai and surrounding areas through the Group's network including Nippon Paper Industries Trading (Shanghai) Co., Ltd. The Group therefore seeks to increase the annual sales volume of Lee & Man products to 100,000 metric tons.

Because the demand for white paperboard in China is expected to increase further, Lee & Man will continue to boost its production capacity.



White paperboard machine newly introduced at the Hongmei Plant

**Brazil:** ▶ Amapa Florestal e Celulose S.A. ("AMCEL")

We have acquired 100% ownership of AMCEL as a strategic location for the Group's resource and energy businesses.

In March 2013, the Company acquired 100% ownership of AMCEL, a Brazil-based company engaging in tree planting and chip production and exports. AMCEL holds afforested sites of 60,000 hectares, and the afforestable area it holds is more than twice as large at 130,000 hectares. Seedlings carefully selected and grown with the Company's expertise and technologies were planted seven years ago and are now fellable.

Located at the north end of Brazil, AMCEL has the advantage of geographical proximity to Europe, where demand for wood biomass fuels has been rising in recent years. The Group will therefore invest its management resources into AMCEL as an important site for promoting its resource and energy businesses.



Eucalyptus forests planted by AMCEL

**As one takes care of a tree so that it grows and blooms, we will develop new businesses to yield a rich harvest that will satisfy our stakeholders.**

Earlier, I compared the business of a "comprehensive biomass company" to a river. I have another image of the business in which **a single tree generates various materials including paper as it grows, and like it finally comes into full bloom, a variety of businesses grow themselves.** To make the tree bloom, we water and fertilize the tree and cultivate the land. Like we plow up the ground to get softer soil, we need to stimulate our brains to get flexible thinking, away from preconceived ideas. Repeating those efforts will surely bear fruit to satisfy our stakeholders.

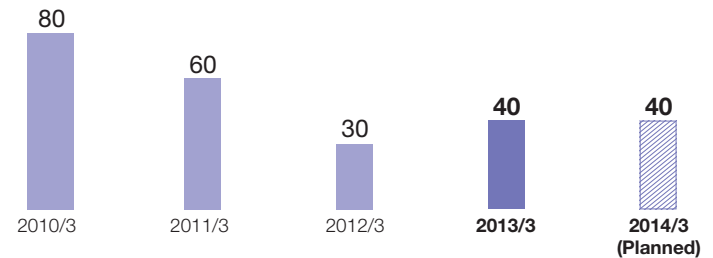
Being able to return profits to shareholders is one harvest of our growing businesses, and we will continue to endeavor so that we can deliver a richer harvest each year.



**The annual dividend per share for the fiscal year ended March 31, 2013, increased by ¥10 from a year earlier to ¥40,** consisting of ¥10 interim and ¥30 year-end dividends, and we project the same level of dividends for the fiscal year ending March 31, 2014. We will restore the pre-disaster level of dividend payments at the earliest possible time by implementing measures to improve profitability and enhance our financial position.

As an important medium through which the culture is passed on from ancient times to future generations, paper should not disappear so easily. However, the Group is not content with stopping there; we must move forward to attain sustainable growth by growing into a "comprehensive biomass company". I would appreciate the continued support of our valued stakeholders.

■ Dividend per share (yen)





## Toward a Future Created with Renewable Resources

The initiatives of the Nippon Paper Group to diversify its group-wide businesses have been accelerated with moves to expand the energy business and apply uses of cellulose nanofiber. The Group intends to make considerable efforts to become a comprehensive biomass company by promoting its technological development and growth-oriented investments.

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## Feature: Toward a Future Created with Renewable Resources

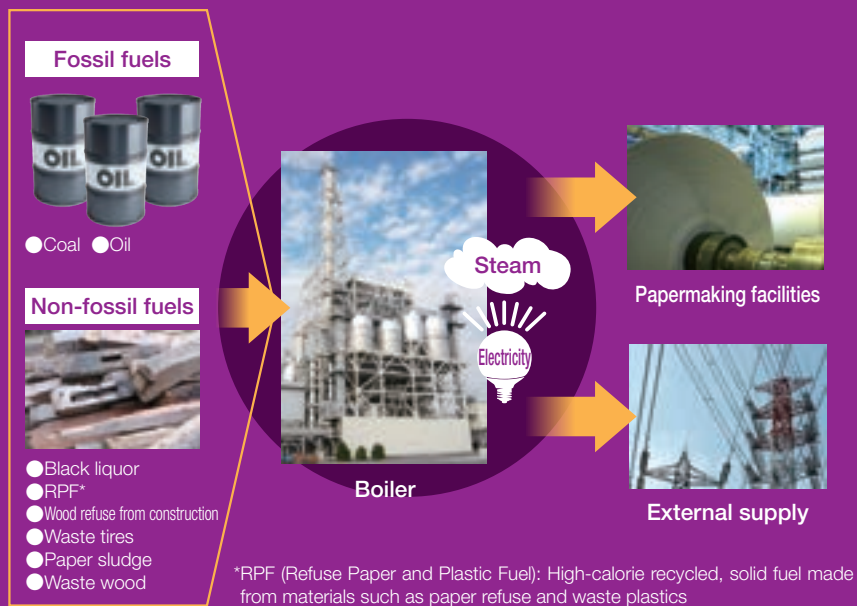
## Expansion of the Energy Business

## Shift from the effective use of resources to a profit-earning business

A lot of wood biomass fuels, including black liquor as a pulp byproduct derived from the pulp production process and fibers not recyclable as paper, are produced in the papermaking processes. The Group has in-house power generation facilities for a total of 1.8 million kW and the ratio of non-fossil energy has reached approximately 45% of all its in-house energy generated.

Most of the electricity produced from the in-house power generation facilities has been used for production activities at the Group's plants. In recent years, however, the operating rate of papermaking facilities has declined and the surplus capability of the power generation facilities has risen. In response, the Group has supplied power as requested by power companies following the Great East Japan Earthquake by drawing on its preliminary equipment for power generation in addition to such surplus electricity. As a result, external sales of electricity amounted to about ¥20 billion in FY2012.

Given the changing external environment surrounding electric power, the feed-in tariffs scheme for renewable energy was implemented in July 2012, largely expanding the business opportunities of our energy business. The Group aims to increase profits by positioning the energy business as a strategic business.

Targeting net sales of ¥50 billion,  
cultivating the business as a pillar of profitability

## Haruhi Nomura

Deputy General Manager,  
Energy Business Division and  
General Manager, Energy Business Department

## Q Please explain the current situation of the Energy Business Department.

In June 2013, the Energy Business Division was newly established by splitting from the Technical & Engineering Division to reinforce its workforce.

First, we address the sourcing and development of new power sources. For further expansion of the power supply, we are active in developing power sources including solar and wind power generation, in addition to our existing biomass boilers and coal boilers.

Next, we are endeavoring to establish a system to sell the electricity generated within our facilities. The Company's current main customers in the electricity supply business are power companies, although it also sells part of the generated electricity at the Japan Electric Power Exchange. We consider to develop sales to general consumers.

Q What would be your expectations?  
And what are the foreseeable tasks?

The feed-in tariffs scheme requires us to enter into an agreement for 20 years. We might therefore expect stable profits. Based on this system, we could favorably develop the business by taking advantage of our electricity provision system, of which power generation facilities are dispersed throughout the nation, and the high capability of biomass fuel collection of Nippon Paper Lumber, a consolidated subsidiary.

One of the tasks to be resolved is ensuring the operation system of electricity supply as a power supplier with the responsibility of providing electricity to purchasers. Moreover, it is an important task to acquire know-how on selling electricity to maximize profitability.

## Q What are your concrete future projects?

We have started new projects to expand the power generation business using renewable energy, such as a mega-solar project and Japan's first biomass power generation project using 100% unused lumber for biomass fuel. Furthermore, we promote the development with practical use of our originally developed solid biomass fuel.

Our medium-term goal is to grow the energy business as a pillar of profits by achieving net sales of ¥50 billion. Please take notice of the future development of these initiatives.



## New Projects in the Energy Business

### Biomass power generation using 100% unused lumber for biomass fuel

At the Yatsushiro Mill, the installation of wood biomass power generation facilities for 5,000kW is under way to start from March 2015. This is the first project in Japan to utilize 100% unused lumber such as thinned wood for biomass fuel by taking advantage of the wood collection network for papermaking wood chips.

As shown in the table, the purchase price of electricity via power generation using unused lumber is set at a higher price than that using ordinary wood, thereby promising high profitability of the initiative for us at the Yatsushiro Mill. After the plant operation starts, surplus electricity is planned to be sold by use of approximately 70,000 tons of wood chips per year, which will be collected from within a radius of 50km from the Mill.

**Purchase prices for FY2013 under the feed-in tariffs scheme for renewable energy**

Category	Purchase price/kWh (tax included)
Methane fermentation and gasification	¥40.95
<b>Unused lumber</b>	<b>¥33.60</b>
Ordinary wood, etc.	¥25.20
Waste (other than wood)	¥17.85
Recycled wood	¥13.65

### Mega-solar project with the largest scale in the Shikoku region

Jointly with Mitsubishi Corporation, the Group will start a mega-solar project (with power generation of about 21,000kW), the highest output in the Shikoku region, on company-owned land (at the former Komatsushima Mill site) in Komatsushima, Tokushima pref.



The construction of power generation facilities will start in the autumn of 2013 and sales of electricity are scheduled to begin in January 2015. A special-purpose company that will be established via a joint capital investment from Mitsubishi and the Company will be the central body for its operation based on the assets and engineering power of the Group and the relevant know-how that has been accumulated overseas by Mitsubishi.

### Development of new solid biomass fuel

In April 2013, we succeeded in developing a new solid biomass fuel using the torrefaction technology of wood biomass (a technique to improve grindability and storage stability along with maximizing the number of calories remaining inside the fuel, by carbonizing the wood at relatively low temperatures).

With a pulverized coal boiler, which is the prevailing methodology among coal boilers, the mixed combustion ratio stand at a 2–3% level normally because wood chips and pellets cannot be ground efficiently. The new fuel has shown no significant problems in terms of combustion quality and other factors even at a 25% mixed combustion ratio (by weight).



New solid biomass fuel

## Feature: Toward a Future Created with Renewable Resources

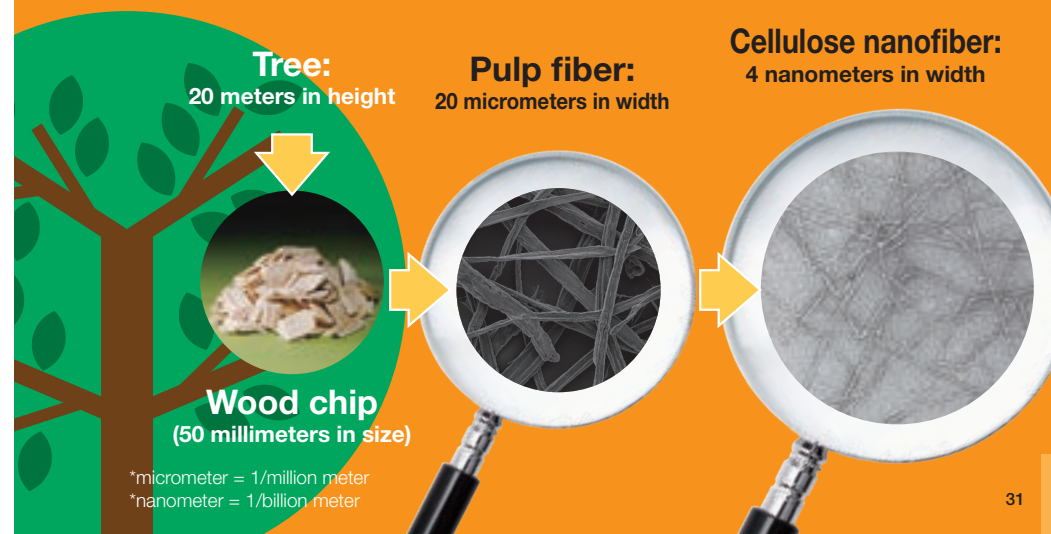
### Practical Use of Cellulose Nanofiber Material revolution using wood resources has begun

The Group has previously produced many industrial materials through its chemical products and functional materials businesses by making the most of wood components such as dissolving pulp, cellulose, lignin and nucleic acids. In addition, to tap new possibilities for wood resources, we have extended the application range from the pulp production technology to nano-technology and chemical denaturation technology, and have pursued the development of materials such as nanofibers, bioethanol and bioplastics in the biochemical field.

One of our priority themes is to take initiatives for the commercialization of cellulose nanofiber (CNF). CNF is an ultrafine fiber in which pulp is unweaved to the thinness of 4 nanometers (1/billion) in width. CNF has low thermal expansion like glass fiber and has an advantage in that it is stronger than glass fiber. CNF also has excellent features such as transparency and a barrier against oxygen. Consequently, its enhanced use is highly expected for various applications such as resin reinforcement materials for automobiles and electronic equipment, as well as packaging material for foods and cosmetics.

The day when the world could be enriched with highly functional materials made through the effective use of wood resources and achieve a sustainable society is on the horizon.

### Extending possibilities by unweaving wood fibers to the maximum extent

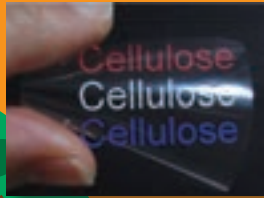




## High strength and lightness

Despite it being lighter than glass fiber, CNF has high strength and is easier to bend than carbon fiber.

Enhanced uses as a resin reinforcement materials are expected to strengthen and reduce the weight of electronic equipment and automobile parts.



## Low thermal expansion

CNF has a low thermal expansion ratio and is strong against temperature changes. It also features excellent flexibility.

Substitution for glass can be expected as a substrate base material for organic EL displays, which are always exposed to temperature changes.

# What Is Cellulose Nanofiber? Its Features and Potential



## Barrier against oxygen

CNF has realized a high barrier against oxygen with completely biomass-originated materials.

Potential applications as a packaging material that resists the penetration of oxygen and water content are considered to protect foods and cosmetics.



## Characteristic viscoelasticity

CNF exhibits a characteristic viscoelasticity if dispersed in water.

Enhanced uses as a viscosity-improving agent in industrial and food applications are expected.

Furthermore, development is under way for extensive uses such as functional filters and medical-use base materials. As CNF, made from wood resource, is reducible to soil, a characteristic of CNF is that it could serve to reduce the environmental impact.

## Feature: Toward a Future Created with Renewable Resources



# Turning point to become a comprehensive biomass company

**Masayuki Kawasaki**

General Manager of CNF Business Promotion Office

The development of CNF is vigorously pursued in several countries worldwide. With the Company's long experience treating wood and pulp we have certain superiority in the technology to process fibers into a sheet-like form. In addition, as we secure wood resources as a raw material for CNF, the Company is advantageously positioned to promote the commercialization of CNF.

The CNF Business Promotion Office was newly established in April 2013. The purpose is to early put into practice and commercialize CNF by establishing its mass-production technology and promoting application development. We therefore are constructing a CNF production verification facility, and its production will start in October 2013. The facility is the first domestic full-scale CNF production facility by chemical denaturation, which is capable of producing 30 tons or more of CNF annually. After the facility starts operation, product samples will be provided to a variety of industries to speed up the application development process.

The practical use of CNF will be a turning point for the Group, which aims to become a comprehensive biomass company.

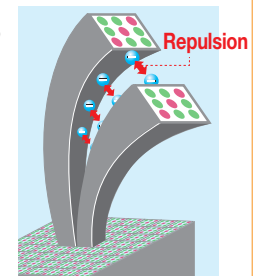
## Reason why CNF is stronger than iron:

A CNF is a bundle composed of 30–40 cellulose molecules. CNF is strong because all these molecules are orderly aligned in the same direction and are linked together with adjacent molecules via hydrogen bonding. Timbers have such strength to held up their own bodies.

## TEMPO catalyst that unweaves pulp fiber:

A mutually attracting force acts strongly on a CNF that consists of pulp fiber. A production technique to unweave the pulp fiber using a catalyst was discovered by Professor Akira Isogai of the University of Tokyo.

Through this technique, adjacent CNFs act repulsively because of the electrification of a negative charge produced on the surface of each CNF through a chemical action, to which a special TEMPO catalyst is applied. Such repulsion is used to detach CNFs from each other.



**Biochemicals**

## Functionality of “Sun Cellobio®-K,” an Oligosaccharide Product

### Effects on menopausal symptoms and allergic dermatitis are expected

In the biochemicals business, we sell Sun Cellobio®-K, a wood-originated oligosaccharide product, as a promising deployment by utilizing wood resources.

In June 2013, as a result of joint research with Kyoto Institute of Nutrition and Pathology Inc., the uptake of this product was found to have positive efficacies such as alleviating menopausal symptoms, preventing and improving osteoporosis, preventing breast cancer and improving lifestyle-related diseases including high blood pressure. In addition, joint research with Hokkaido University concluded that its uptake has the possibility of restricting inflammation caused by allergic dermatitis.

To further address the excellent functionality of this product, we are committed to further research on this product.

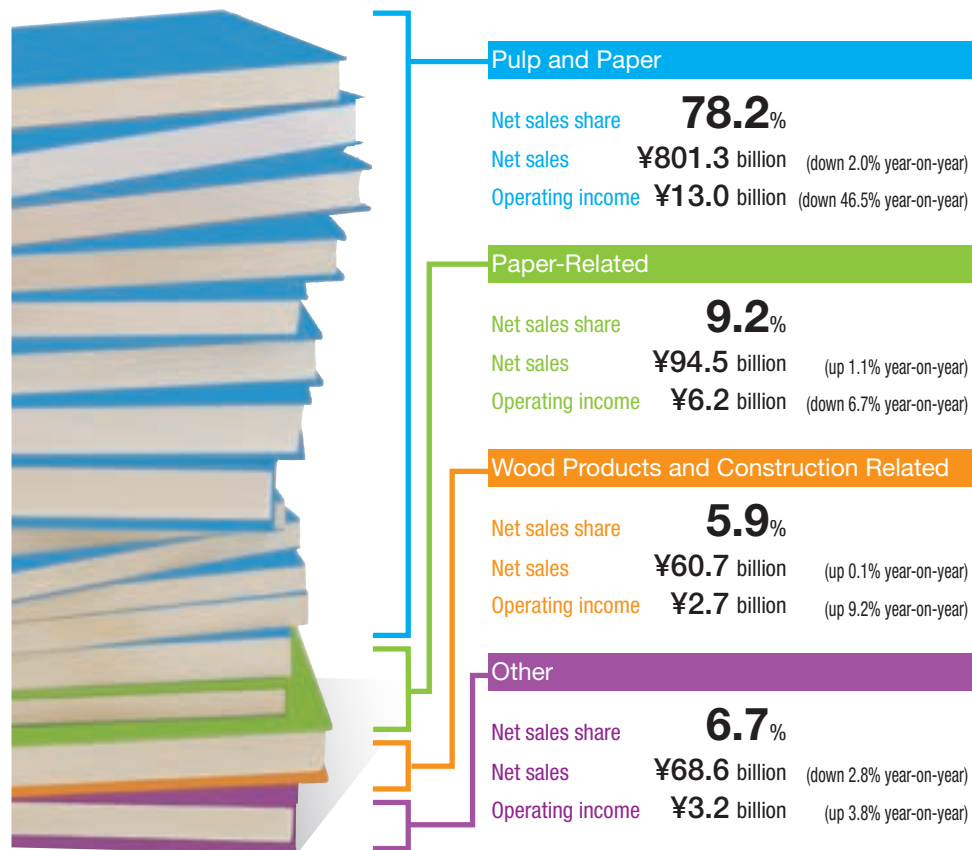
**Food**

## Propagation of medicinal plants from cutting by applying the rooting technology

### Contribute to the dissemination of the domestic cultivation

There are many plant species that are difficult to propagate via cutting propagation among many medicinal plants, which often serve as raw materials for herbal medicines and other medicinal drugs, and the stable procurement of such medicinal plants has become a social task. The Group challenged propagating some medicinal plants, which were provided by the Research Center for Medicinal Plant Resources of the National Institute of the Biomedical Innovation, using its proprietary photoautotrophic culture technology. As a result, sound rooting was confirmed for 12 kinds of medicinal plants by November 2012.

The Company’s propagation technology enables not only effective production of medical plant seedlings but also selective cultivation of prime lineages. Thus, we will address spreading domestic cultivation of medical plants by broadly taking advantage of this technology.



## Business Overview

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## Pulp and Paper

**Description of Business** Various paper, paperboard and household paper products in the segment lead the domestic industry in production, sales volumes and quality. We are working to reorganize our production structure. At the same time, we are proactively developing overseas markets especially in Asia and Oceania.

### Main Products

- Paper** • Newsprint • Printing and publication paper • Business communication paper • Packaging paper
- Paperboard** • Containerboard • White paperboard • Chipboard • Base paper for building materials
- Household paper products** • Facial tissue • Bathroom tissue • Adult diapers
- Specialty and high-performance products** • Filter paper • Thin paper • Tobacco-related paper

## Paper-Related

**Description of Business** In the segment, two business domains are promoted: the paper processing business delivers value-added products made of paper, and the chemical products and functional materials business utilizes various technologies and expertise entailing the advanced use of wood and papermaking byproducts.

### Main Products

- Processed paper products** • Liquid-packaging cartons • Filling machines and maintenance services • Paper bags • Adhesive paper
- Chemical products and functional materials** • Dissolving pulp • Chemical products • Functional films • Drafting and copying media

## Wood Products and Construction Related

**Description of Business** In the segment, three business domains are engaged: the lumber business that developed out of our efforts to procure lumber for papermaking, the construction materials business that works lumber into value-added products, and the civil engineering and construction business that originated from the plant-maintenance units of our paper mills.

### Main Products and Services

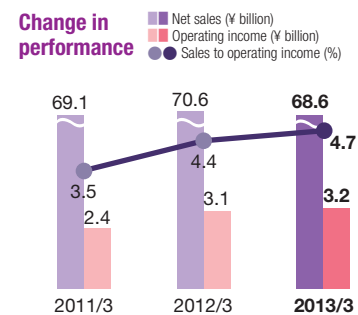
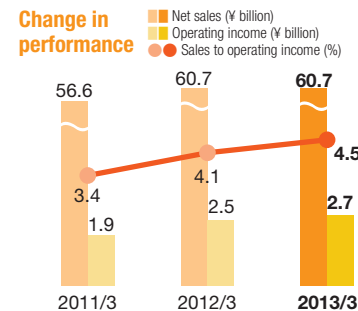
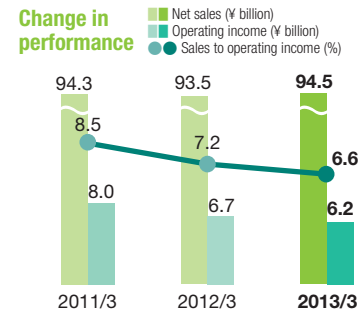
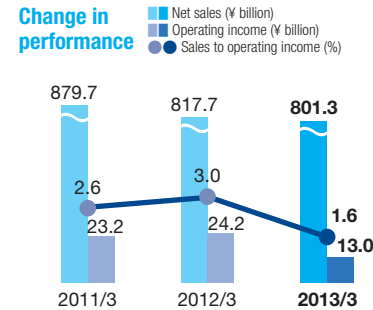
- Lumber • Construction materials • Civil engineering

## Other

**Description of Business** In the segment, a variety of businesses that generate synergies with the core businesses of the Group are engaged, including the beverages business; the sports and leisure business, which draws on the Group's real estate assets; and the warehousing and transportation business, which provides support to the pulp and paper business.

### Main Products

- Beverages • Transportation • Sports and leisure



### Market conditions

Domestic demand for both paper and paperboard moved from being flat to a slight decline. Imported paper, which had increased since the previous fiscal year, declined sharply from the second half of the year due to the yen depreciation.

### Review of FY2012 operating results

Although sales volumes increased as the disaster-afflicted plants have been restored, profits in the segment decreased mainly due to the decline in prices of printing paper, affected by the competition with imported paper.

### Market conditions

Demand for liquid-packaging cartons recovered from a decline due to the aftereffects of the Great East Japan Earthquake in the previous fiscal year. Demand for LC-related materials centering on smartphones expanded.

### Review of FY2012 operating results

Sales of liquid-packaging cartons increased. Sales of LC materials were favorable in the chemical products business, but profits in the segment decreased mainly due to a considerable decline in prices of dissolving pulp in the market.

### Market conditions

Demand for lumber and building and construction materials increased due to the recovery of housing starts and the increase of reconstruction-related works from the Great East Japan Earthquake.

### Review of FY2012 operating results

Sales and profits overall increased in this segment as a result of increased transactions of domestic lumber and the production increase and sales promotion of construction materials, given the rising demand, which was attributable to the improved housing starts and an increase in reconstruction-related demand.

### Market conditions

The tendency of declining unit prices due to intensified competition continued in the beverages market.

### Review of FY2012 operating results

Although sales declined mainly due to the sluggish beverages business, profits improved largely as a result of cost reduction.

## Pulp and Paper

## Paper: Summary of Business Strategy

- Complete the revitalization plan
- Increase profitability by raising sales prices and recovering sales volumes
- Reorganize the sales structure and reduce costs to reinforce competitiveness



Interview with the key person in the paper business:

**Create a business environment in which both profitability and the stable provision can be maintained by restoring prices to reproducible levels**

#### Shinichi Sato

Managing Executive Officer  
General Manager of Printing Paper Sales Division and  
General Manager of Communication Paper Sales Division

In the second half of FY2012, recapturing market share from imported paper and restoring our presence in the market was a key theme. The Company's market share was restored to its previous level due to sales efforts including quality improvement and new product development. However, we could not avoid intense price competition and product prices dropped significantly. In addition, raw material and fuel prices have been rising due to the yen depreciation since the end of 2012.

In FY2013, **restoring prices to reproducible levels** will be an indispensable requisite. In March 2013, the Company announced a price rise of ¥15 or more per kg (about 20%) for printing paper. We also plan to **raise prices** at the appropriate time, if required, to **compensate for the rise in costs due to the yen depreciation** while endeavoring to obtain customers' understanding and paying attention to foreign exchange rate fluctuations and changes in raw material and fuel prices.

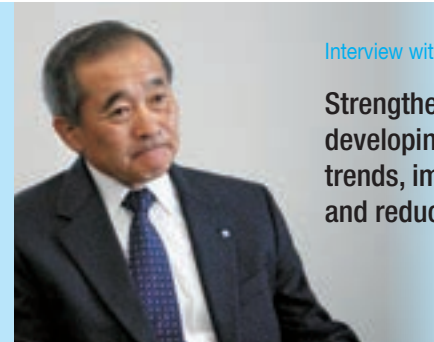
Our target volume is **3 million tons per year for overall printing and communication paper including exports**. To this end, we will reinforce product development. Meanwhile, we will **reorganize our sales structure** to make every sales department assume consistent responsibility for profits and losses from manufacturing to sales and convert it to a system that ensures speedier connection of production with sales activities in the pursuit of stronger sales capability.

Another task to recover appropriate sales volumes is to increase exports. In March 2013, we started **exports of approximately 10,000 tons per month** primarily for Australia and New Zealand, which is twice the volume for the previous year. **Stable transactions are expected** to continue.

In the future, even if demand shrinks in the medium to long term, we would like to create **a business environment that allows us to maintain both earnings and the stable provision**.

## Paperboard: Summary of Business Strategy

- Promote sales of products that meet market needs
- Pursue further cost reduction including energy costs



Interview with the key person in the paperboard business:

**Strengthen our competitiveness by developing products that address market trends, improving the value through quality and reducing production costs**

#### Hironori Iwase

Executive Vice President and Representative Director  
General Manager of Paperboard Division

In FY2012, the prices of containerboard dropped along with the decline in the price of wastepaper. The sales volume of paperboard was lower than that for the previous fiscal year partly due to a special factor in FY2011 deriving from the transfer of business from competitors that had suffered from the Great East Japan Earthquake.

Domestic sales of containerboard and white paperboard, which are the major categories of our paperboard business, are predicted to remain at the same levels in 2013 as those for the previous year in the overall industry.

Under such circumstances, the Company works to **strengthen its product power in line with the market trend of reducing the weight of packaging materials**. In January 2013, operation started for a production line for toughened corrugating medium at the Soka Mill. We will also address sales expansion at the Akita Mill of light and high-strength kraft liner, which is produced by utilizing in-house kraft pulp.

As for white paperboard, our coated whiteboard brand "JET STAR", which is used, for example, as paper boxes for foods and pharmaceuticals, is highly acclaimed in areas such as quality and its sales have grown steadily. We intend to **raise its brand value leveraging such strengths for future sales expansion**.

Another significant initiative to execute is **the reduction of production costs**. At the Yoshinaga Mill, we wholly shifted the fuels used for production processes from heavy oil to biomass fuel. In June 2013, we will convert the fuel used for pulp production from heavy oil to oil coke at the Akita Mill to reduce production costs. Aiming to **become an enterprise primarily selected by customers**, the Company intends to continuously refine its cost performance, product quality and services.

## Pulp and Paper

## Household paper products: Summary of Business Strategy

- Adjust to reasonable prices, reduce costs and deploy high-value-added items for household paper products
- Promote sales of healthcare products



Interview with the key person in the household paper products business:

**Break away from the price competition and expand in the healthcare products sector that contribute to the aging society**

**Yasunori Nanri**

President and Representative Director  
of Nippon Paper Crecia Co., Ltd.

The household paper products business of Nippon Paper Crecia, features the most familiar access to consumer markets among Group companies and high name recognition of its two global brands Kleenex® and Scottie®. The Poise® products to care for light incontinence address the convenience of many middle- and old-aged persons, thereby presenting high growth potential.

My mission as the new President of Nippon Paper Crecia is to **take over the three ongoing targets—structural reforms, operating efficiency improvement and growth strategy**—and additionally **launch the fourth arrow of “reform awareness of employees and combine strengths.”**

As for the structural reforms, the **effects of productivity improvement and cost reduction** through the consolidation of production facilities have emerged. In FY2013, we intend to promote the adjustment to reasonable prices for household paper products. To this end, we will emphasize reasonable prices without pursuing the growth in volume for mass-market commodity items. Meanwhile, we will **focus on the development of high-value-added products that offer improved functionality** and conduct sales activity by drawing on the power of our brands.

Next, regarding operating efficiency improvement, our major initiatives include **the rationalization of logistics**, as well as stock adjustment.

**Taking into account the stabilized earnings and business structure**, we will **proactively invest in growth businesses**.

The central domain of our growth strategy is healthcare items. We will **develop products to address comfortable care in line with an aging society**. We aim to expand the healthcare products business with measures such as extending the Poise® lineup, reinforcing ads and publicity.

## Paper-Related

## Processed paper products: Summary of Business Strategy

- Reinforce development of products such as new-type, high-speed filling machines and packs with new functions
- Raise quality and cost competitiveness by utilizing the Group's collective strengths



Interview with the key person in the processed paper products business:

**Focus on developing such new products as filling machines and containers to develop new markets and increase market share**

**Tetsuya Oichi**

Executive Officer  
General Manager of Paper-Pak Division

The strength of our business, of which the mainstay product is liquid-packaging cartons, is **to comprehensively provide packaging materials, filling machines and maintenance services**. Continuous transaction relations are therefore guaranteed by proposing to customers the provision of abundant know-how, about packing systems.

In FY2012, **net sales exceeding the previous year's performance were achieved** with efforts aiming for the recovery of market share, which had declined due to the temporary shutdown of production following the Great East Japan Earthquake.

We intend to **increase market share by grasping customer needs** with efforts in **new product development for filling machines and liquid-packaging cartons**. In particular, the NS-Fuji pak system, which is an aseptic filling system to enable long-life storage of beverages at room temperature, excels in compact packaging.

With these products and technologies, we intend to respond to the need for small-volume products such as functional beverages, for which demand is expected to rise along with the increasing number of the elderly.

As a new product deployment, we have developed a new **65ml NS-Fuji pak container** in cooperation with SHIKOKU KAKOKI, an alliance partner, and a **non-aluminum NS-Fuji pak container** as our original product. Recycling and reduction in product cost can be pursued without using aluminum foil.

Regarding gable top cartons, for which we have the top domestic market share, we will **maximally draw on the Group's overall technologies and development capability** to raise our competitiveness in the pursuit of a higher market share.

We will also reform our sales structure. We will **increase order-receiving opportunities** by consolidating the sales systems for liquid-packaging cartons and for paper containers and films, as well as **by deeply studying customer needs**. **At the same time, we will accelerate new market deployment**.

## Future Business Strategy

### Paper-Related

#### Chemical products and functional materials: Summary of Business Strategy

- Increase production of dissolving pulp and the lineup of high-value-added products
- Expand the functional film business, the wood chemical products business and the functional coating resins business

Interview with the key person in the chemical products and functional materials business:

Open up new future possibilities by reinforcing development and production via proactive investments in the four mainstay fields

#### Masami Yamaki

Senior Managing Executive Officer  
General Manager of Chemicals Division



In FY2012, the chemical products and functional materials business was largely affected by the impact of the sharply deteriorated international market conditions of dissolving pulp (DP). To alleviate the impact of market fluctuations, we are **active in developing high-value-added DP products**. The Gotsu Works has already succeeded in improving its quality and expands sales of the new product from FY2013. Meanwhile, the Kushiro Mill has begun producing DP and plans to increase the volume.

LCD optical films have grown as one of the pillars of our business. In FY2012, **a new film coater began operation, leading to record high net sales**. Given the trend of expanding demand, **we carefully monitor the market to prepare for flexible responses** because **the market might change rapidly** as seen in the explosive expansion of smartphone and tablet device markets.

As for wood-derived, functional chemical products, an extension of production facilities is under way toward their start scheduled in May 2014 to meet the **ongoing rise in demand**. The fields of application have been extended to include food applications such as dietary fibers, mixtures of raw materials with resins and industrial-use filter aid.

Demand for functional coating resins **has increased mainly in automobile applications**. In the future, we **intend to strengthen our sales overseas in line with the global expansion of automobile production**. At present, our production capability is being reinforced to meet this demand.

As for chemical products, we are establishing a new system toward further expansion of sales through proactive investments that started last year. **We intend to find new business pillars by reinforcing our R&D capabilities and concurrently grow our four existing core businesses**.



The Nippon Paper Group values ties with its stakeholders and local communities as it fulfills its social responsibility in the development of businesses.

## Sustainability

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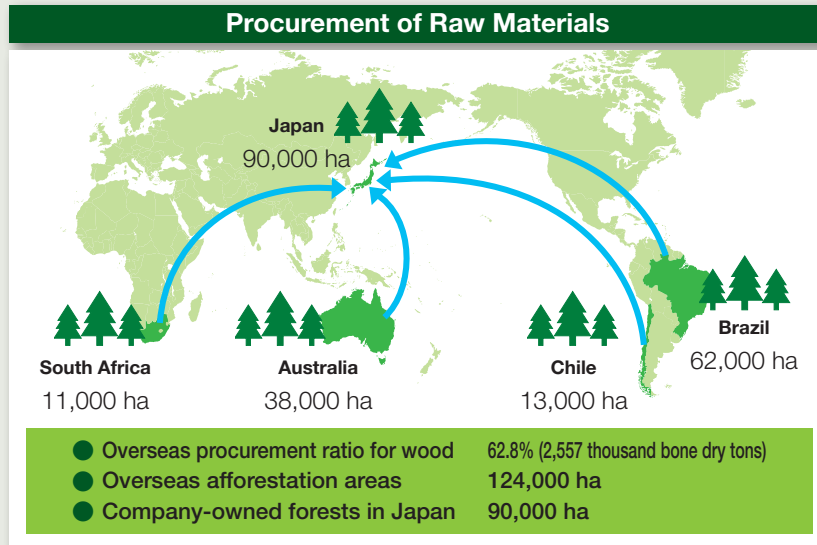
For more detailed CSR information, visit:

**our Environmental and Corporate Social Responsibility (CSR) website**

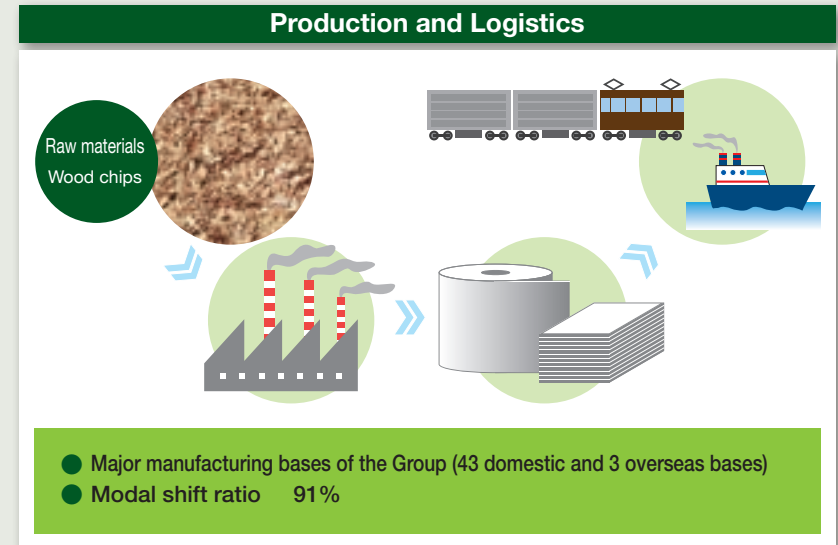
<http://www.nipponpapergroup.com/e/csr/index.html>

The Nippon Paper Group's CSR efforts throughout its value chain

Given the need for sustainable society development, the Group contributes to the establishment of a sustainable society through its core business activities.



Responsibilities (Core themes under the ISO26000)	The Group's Initiatives throughout Its Value Chain
	<b>Procurement of raw materials</b>
<b>Managerial</b> (Governance and fair business practice)	<ul style="list-style-type: none"> <li>● Ensure corporate governance, CSR management, compliance and information disclosure, and promote dialogues with stakeholders</li> </ul>
<b>Environment Procurement of Raw Materials</b> (Environment)	<ul style="list-style-type: none"> <li>● Sustainable procurement of forest resources</li> <li>● Protect and develop Company-owned forests in Japan</li> </ul>
<b>To Customers</b> (Consumer issues)	<ul style="list-style-type: none"> <li>● Address climate change</li> <li>● Promote appropriate information disclosure, communication and environmental educational activities</li> </ul>
<b>Human Rights, Employment and Labor</b> (Human rights and labor practice)	<ul style="list-style-type: none"> <li>● Check how suppliers are addressing human rights</li> <li>● Respect for human rights in the management of the forests</li> </ul>
<b>To Communities and the Society</b> (Community)	<ul style="list-style-type: none"> <li>● Facilitate symbiosis with afforestation areas</li> <li>● Promote appropriate information disclosure and communication</li> </ul>

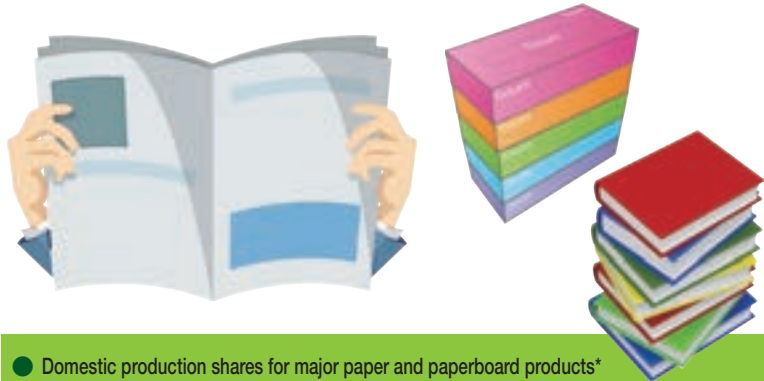


The Group's Initiatives throughout Its Value Chain	
Production	Logistics
<ul style="list-style-type: none"> <li>● Ensure corporate governance, CSR management, compliance and information disclosure, and promote dialogues with stakeholders</li> </ul>	
<ul style="list-style-type: none"> <li>● Address climate change</li> <li>● Reduce the environmental impact</li> <li>● Manage chemicals appropriately</li> </ul>	<ul style="list-style-type: none"> <li>● Improve load efficiency</li> <li>● Shorten transportation distance</li> </ul>
<ul style="list-style-type: none"> <li>● Strive for the stable supply of products</li> <li>● Ensure the high quality and safety of products</li> </ul>	
<ul style="list-style-type: none"> <li>● Address climate change</li> <li>● Promote information disclosure, communication and environmental educational activities</li> </ul>	
<ul style="list-style-type: none"> <li>● Respect basic human rights</li> <li>● Respect human rights in the employment of the Group</li> <li>● Ensure the diversity of human resources</li> <li>● Develop and nurture human resources</li> <li>● Ensure occupational safety and prevent disasters</li> </ul>	<ul style="list-style-type: none"> <li>● Ensure safety in the transportation of products</li> </ul>
<ul style="list-style-type: none"> <li>● Facilitate symbiosis with local communities near the manufacturing bases</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce the impact of transportation</li> </ul>
<ul style="list-style-type: none"> <li>● Promote appropriate information disclosure and communication</li> </ul>	

To be continued on page 46.



### Sales and Uses



● Domestic production shares for major paper and paperboard products\*

Newsprint	35.4%	Printing and business communication	29.0%
Household paper products	11.8%	Paperboard	15.3%

\*Source: 2012 Annual Review of Pulp and Paper Statistics of Japan Paper Association

### Sorting, Collection, Recycling and Disposal



● Wastepaper recycling ratio (In Japan)

Paper	41%
Paperboard	89%

Responsibilities (Core themes under the ISO26000)	The Group's Initiatives throughout Its Value Chain <b>Sales and Uses</b>
<b>Managerial</b> (Governance and fair business practice)	● Ensure corporate governance, CSR management, compliance and information disclosure and promote dialogues with stakeholders
<b>Environment Procurement of Raw Materials</b> (Environment)	● Offer environmentally-friendly products
<b>To Customers</b> (Consumer issues)	<ul style="list-style-type: none"> <li>● Ensure that the products are safe when used</li> <li>● Enhance customer satisfaction</li> <li>● Promote disclosure of information related to products</li> <li>● Address consultations, complaints and opinions from customers</li> <li>● Promote information disclosure, communication and environmental educational activities</li> </ul>
<b>Human Rights, Employment and Labor</b> (Human rights and labor practice)	● Manage customers' personal information
<b>To Communities and the Society</b> (Community)	● Promote information disclosure and communication

The Group's Initiatives throughout Its Value Chain <b>Sorting, Collection, Recycling, Disposal</b>
● Ensure corporate governance, CSR management, compliance and information disclosure and promote dialogues with stakeholders
<ul style="list-style-type: none"> <li>● Promote the use of wastepaper</li> <li>● Promote wastepaper collection</li> </ul>
● Promote wastepaper collection with customers
<ul style="list-style-type: none"> <li>● Promote wastepaper collection with communities</li> <li>● Promote information disclosure and communication</li> </ul>

## Basic Structure for Corporate Governance

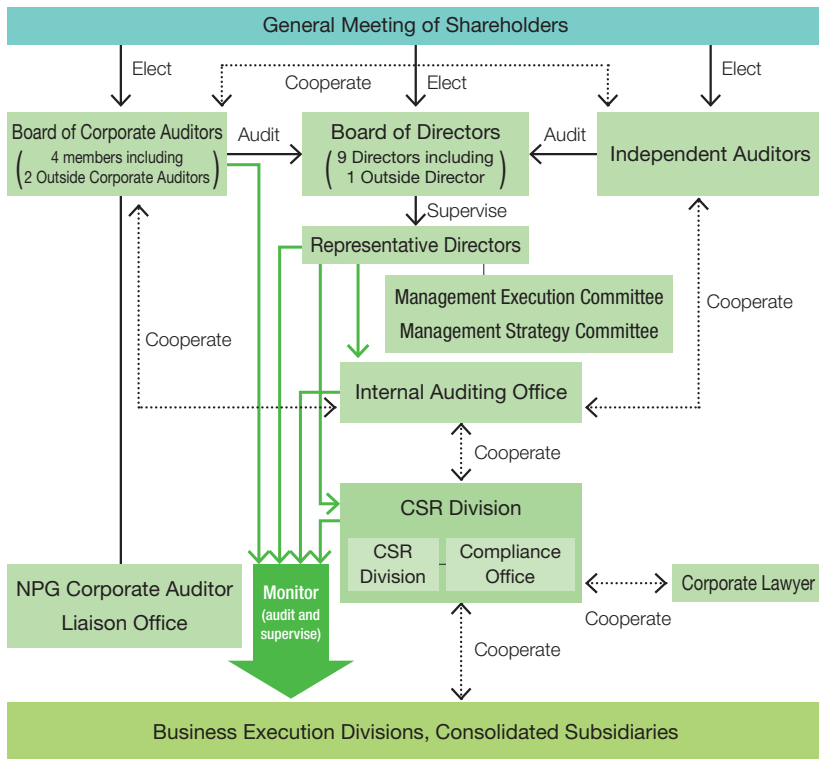
### Shift to an Operating Holding Company and Adoption of an Executive Officer System

The Company prioritizes fair management with enhanced transparency toward shareholders and other stakeholders.

With its reorganization as of April 1, 2013, the Company shifted from a pure holding company to the operating holding company. The Company will maintain and continue its various functions as the controller of management of the group by monitoring—auditing and supervising—group companies’ activities and promoting compliance as well as through promotion of growth strategies of the Group, building on its experience as a pure holding company. To separate management functions from business execution, the Company introduced the executive officer system. In addition, in June 2013, one Outside Director was elected to enhance and clarify management supervision function.

Through these measures, the Company is strengthening corporate governance to raise the reliability of management.

### Corporate Governance Structure (As of July 1, 2013)



### Roles of Each Office and Division

#### ● Board of Directors

The Company’s Board of Directors consists of nine Directors, of which eight are internal Directors and one is an Outside Director (as of July 1, 2013). The Board of Directors determines basic policies for the management of the Company and the Nippon Paper Group, matters related to stipulations in laws, regulations and the Articles of Incorporation of the Company and other important managerial matters. The board also supervises the business execution of the Group.

Activities during FY2012 (Nippon Paper Group, Inc.)  
Meetings of Board of Directors: 15

#### ● Management Execution Committee and Management Strategy Committee

In line with the shift to an operating holding company and the adoption of an executive officer system, in place of the Group Management Committee, the Management Execution Committee and the Management Strategy Committee are placed under the Board of Directors.

Activities during FY2012  
Meetings of Group Management Committee: 40

The Management Execution Committee meets once a week to assist the business execution of the Representative Directors and deliberate on important business executions. The Management Strategy Committee meets as necessary to deliberate on management strategies by business segment and other important matters related to the Group.

#### ● Board of Corporate Auditors

The Board of Corporate Auditors consists of four Corporate Auditors including two Outside Corporate Auditors. Of the four Corporate Auditors of the Company, three have finance and accounting-related professional knowledge. Corporate Auditors attend important meetings such as meetings of the Board of Directors, the Management Execution Committee and the Management Strategy Committee, strictly supervise Directors’ business executions and strictly audit the Company’s overall business activities to ensure their legality and fairness.

The Board of Corporate Auditors presides over the NPG Corporate Auditor Liaison Office and holds meetings regularly to discuss audit policies and methods and exchange information with corporate auditors at each Group company to reinforce the alliance and audit functions of the Group.

#### ● Internal Auditing Office

The Internal Auditing Office, which is directly under the President’s control and consists of 15 members, conducts an internal audit of the Company and each company of the Group and a comprehensive evaluation of the internal control reporting system regarding financial reporting. The internal audits are conducted in terms of legality and fairness from fair and independent perspectives.

## Enhancement of the Transparency of Management

### Executive Compensation

The standard amounts of compensation for Directors are determined according to their duties at the Company. Fixed compensation accounts for 70% of such amounts and variable compensation based on the previous year's earnings performance, in principle, accounts for 30%.

Compensation for Corporate Auditors is determined by negotiations with the auditors based on their responsibilities, not linked to earnings performance.

The payment of compensation to Directors and Corporate Auditors is held within a total compensation limit approved by the General Meetings of Shareholders of the Company.

#### Executive compensation limits

Executive category	Compensation limit
Directors:	¥800 million per year
Corporate Auditors:	¥120 million per year

### Basic Policy Concerning the Control of a Company

Although the Company believes that the persons who control the decisions on the financial and business policies of the Company should be the ones who contribute to ensuring and improving the Company's corporate value and the common interests of shareholders, the final decision on the ideal persons to control a company should be left to the shareholders.

However, among the actions to acquire large-scale shares of the Company and such proposals, some could significantly harm our corporate value and the common interests of shareholders in light of their purposes and after-acquisition management policies. Some entail the risk of shareholders actually being forced to sell their stock. Some do not provide enough time and/or information for shareholders to check and assess the purchase conditions and/or the Board of Directors of Company to present an alternative proposal to shareholders. There are cases that require negotiation with the purchaser to make the proposed purchase conditions more favorable.

The Company judges such persons who try to conduct a harmful acquisition to be inappropriate to control the decisions on the financial and business policies of the Company.

As a preventive system, we formulated a countermeasure policy to ensure the time and information that are necessary for shareholders to appropriately judge whether to accept a large-scale acquisition by a purchaser or for the Board of Directors of the Company to present an alternative proposal to shareholders.

### IR Activities

The Company promotes IR activities, aiming for fair and timely information disclosure. Through such opportunities as shareholders' meetings, briefings and press conferences, we explain the current status of management and operations directly to shareholders and investors, listen to their opinions and requests and reflect them in our management.

To ensure attendance by as many shareholders as possible, the Company holds its annual general meeting of shareholders at a convenient venue in Tokyo. We facilitate the execution of voting rights for shareholders by sending a convocation notice in English and establishing a service that allows shareholders to exercise their rights online. We also hold regular briefings for institutional investors and analysts to explain the outline of operating results and medium- to long-term management strategies.

With the exception of quiet periods, the Company responds positively to requests for individual meetings with institutional investors and analysts throughout the year, being cognizant of maintaining fairness in the provision of information.



#### Activities during FY2012

- 2 operating results briefings
- 2 operating results conference calls
- 298 individual meetings

### Socially Responsible Investment (SRI)

Based on evaluation of the Group's social contribution by external entities, the Company has been selected as the benchmark of Socially Responsible Investment, which were set by investment trusts.

As for domestic SRI, the Company has continually been listed in the Morningstar Socially Responsible Investment Index (MS-SRI) as of April 1, 2013.

MS-SRI is the stock price index comprising 150 domestic listed companies that are selected by Morningstar Japan as socially superior companies.

As for overseas SRI, in February 2013, the Company was selected as a member of the Ethibel EXCELLENCE Investment Register, which is the investment universe of Forum ETHIBEL—a Belgium-based consultancy agency for CSR and SRI. The criteria for selection cover human rights, environment, corporate governance, business behavior, community involvement and human resources. The Company was evaluated on all these criteria and recognized as performing above average in its industry.



### Information Disclosure

To disclose the status of the Company's management and activities widely to stakeholders is an important responsibility of a company. The Group discloses its corporate information pursuant to the Group's Action Charter, thereby enhancing the soundness and transparency of management. As our guideline, we formulated the Nippon Paper Group Disclosure Policy ("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 might not be required under applicable laws, regulations or prompt disclosure rules as quickly and accurately as possible if deemed to be of interest to our stakeholders and other members of society.

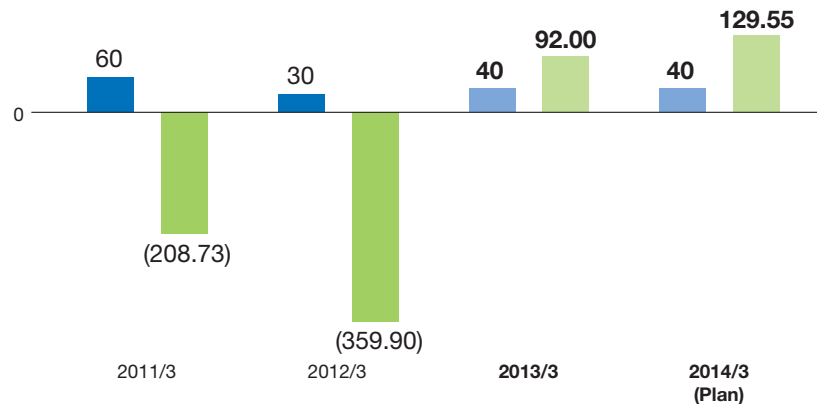
Information Disclosure Policy ▶ <http://www.nipponpapergroup.com/e/ir/policy.html>

### Basic Policy for Profit Distribution to Shareholders

The Company strives to reinforce its management base, improve profitability and secure the sustainable growth of its corporate value to fulfill the expectations of shareholders.

Our basic dividend distribution policy is to provide steady cash dividend payments when possible based on a comprehensive assessment of the Group's performance while ensuring retained earnings and pay interim and year-end dividends, in principle. Interim dividends are determined by resolution of the Board of Directors and year-end dividends at the general meeting of shareholders.

■ Dividend per share (yen) ■ Net income (loss) per share (yen)



Chairman and Representative Director  
**Masatomo Nakamura**  
Number of the Company's shares held: 20,178 shares



**Brief History**  
1941 Born  
1963 Joined Jujo Paper Co., Ltd.  
2005 Appointed President and Representative Director of Nippon Paper Group, Inc. (NPG)  
President and Representative Director of Nippon Paper Industries Co., Ltd. (NPI)  
2008 Appointed Chairman of NPG  
2013 Appointed Chairman and Representative Director of NPI

President and Representative Director  
**Yoshio Haga**  
Number of the Company's shares held: 18,222 shares



**Brief History**  
1949 Born  
1974 Joined Jujo Paper Co., Ltd.  
2008 Appointed President and Representative Director of NPG  
Appointed President and Representative Director of NPI (current position)  
**Responsibility and important positions:**  
• Chief Executive Officer  
• Director of Lee & Man Paper Manufacturing Limited  
• Chairman of Japan Paper Association

Executive Vice President and Representative Director  
**Hironori Iwase**  
Number of the Company's shares held: 12,897 shares



**Brief History**  
1949 Born  
1974 Joined Jujo Paper Co., Ltd.  
2009 Appointed President and Representative Director of Nippon Daishowa Paperboard Co., Ltd.  
Appointed Director of NPG  
2013 Appointed Executive Vice President and Representative Director of NPI (current position)  
**Responsibility and important positions:**  
• General Manager of Paperboard Division  
• Executive Vice President and Executive Officer

Executive Vice President and Representative Director  
**Masaru Motomura**  
Number of the Company's shares held: 11,891 shares



**Brief History**  
1950 Born  
1974 Joined Jujo Paper Co., Ltd.  
2005 Appointed Director of NPG  
2013 Appointed Executive Vice President and Representative Director of NPI (current position)  
**Responsibility and important positions:**  
• General Manager of Financial Division and General Manager of CSR Division  
• Executive Vice President and Executive Officer

Director  
**Fumio Manoshiro**  
Number of the Company's shares held: 8,955 shares



**Brief History**  
1953 Born  
1975 Joined Jujo Paper Co., Ltd.  
2009 Appointed Director of NPG  
2013 Appointed Director of NPI (current position)  
**Responsibility and important positions:**  
• General Manager of Corporate Planning Division and in charge of Associated Companies  
• Managing Executive Officer  
• Audit & Supervisory Board Member of Lintec Corporation

Director  
**Shuhe Marukawa**  
Number of the Company's shares held: 8,763 shares



**Brief History**  
1951 Born  
1975 Joined Jujo Paper Co., Ltd.  
2008 Appointed Director of NPG  
2013 Appointed Director of NPI (current position)  
**Responsibility and important positions:**  
• General Manager of Personnel & General Affairs Division  
• Managing Executive Officer

<p>Director <b>Kazufumi Yamasaki</b></p> <p>Number of the Company's shares held: 5,946 shares</p>		<p><b>Brief History</b> 1955 Born 1980 Joined Sanyo-Kokusaku Pulp Co., Ltd. 2012 Appointed Director of NPG 2013 Appointed Director of NPI (current position)</p> <p><b>Responsibility and important positions:</b></p> <ul style="list-style-type: none"> <li>• General Manager of Technical &amp; Engineering Division, General Manager of Energy Business Division and in charge of Research &amp; Development Division</li> <li>• Executive Officer</li> </ul>
<p>Director <b>Haruo Fujisawa</b></p> <p>Number of the Company's shares held: 3,594 shares</p>		<p><b>Brief History</b> 1954 Born 1979 Joined Sanyo-Kokusaku Pulp Co., Ltd. 2013 Appointed Director of NPI (current position)</p> <p><b>Responsibility and important positions:</b></p> <ul style="list-style-type: none"> <li>• General Manager of Raw Material &amp; Purchasing Division</li> <li>• Executive Officer</li> </ul>
<p>Outside Director <b>Yoshimitsu Aoyama</b></p> <p>Number of the Company's shares held: 0 share</p>		<p><b>Brief History</b> 1939 Born 1977 Professor, Faculty of Law, The University of Tokyo 1999 Vice President, The University of Tokyo 2001 Professor Emeritus, The University of Tokyo 2007 Chairman, Legislative Council of the Ministry of Justice 2013 Appointed Director of NPI (current position)</p> <p><b>Responsibility and important positions:</b></p> <ul style="list-style-type: none"> <li>• Specially-appointed Professor, Law School, Meiji University</li> </ul>
<p>Senior Corporate Auditor <b>Akito Hamashima</b></p> <p>Number of the Company's shares held: 3,020 shares</p>		<p><b>Brief History</b> 1949 Born 1972 Joined Jujo Paper Co., Ltd. 2012 Appointed Corporate Auditor of NPI (current position)</p>
<p>Standing Corporate Auditor <b>Makoto Terao</b></p> <p>Number of the Company's shares held: 5,990 shares</p>		<p><b>Brief History</b> 1952 Born 1974 Joined Daishowa Paper Manufacturing Co., Ltd. 2011 Appointed Corporate Auditor of NPI (current position)</p>
<p>Outside Corporate Auditor <b>Seiichi Fusamura</b></p> <p>Number of the Company's shares held: 0 share</p>		<p><b>Brief History</b> 1947 Born 1971 Assistant Judge, Kyoto District Court 2006 President, Saitama District Court 2009 Chief Justice, Sendai High Court 2011 Chief Justice, Nagoya High Court 2012 Appointed Corporate Auditor of NPI (current position)</p> <p><b>Responsibility and important positions:</b></p> <ul style="list-style-type: none"> <li>• Lawyer</li> <li>• Chairman, Public Security Examination Commission of the Ministry of Justice</li> <li>• Public member of the Labor Relations Commission, Tokyo Metropolitan Government (Deputy Chairman)</li> </ul>
<p>Outside Corporate Auditor <b>Kunio Sakamoto</b></p> <p>Number of the Company's shares held: 0 share</p>		<p><b>Brief History</b> 1948 Born 1994 Registered as Certified Public Accountant and started practicing 2005 Partner, Ernst &amp; Young Japan (currently Ernst &amp; Young ShinNihon LLC) 2010 Senior Partner, Ernst &amp; Young ShinNihon LLC 2012 Appointed Corporate Auditor of NPI (current position)</p> <p><b>Responsibility and important positions:</b></p> <ul style="list-style-type: none"> <li>• Certified Public Accountant and President, Kunio Sakamoto Certified Tax Accountant Office</li> </ul>

Note: The above "Number of the Company's shares held" is the number as of March 31, 2013.



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For more detailed financial information, see the "IR Library" under "INVESTORS" on the website of Nippon Paper Industries.  
<http://www.nipponpapergroup.com/e/ir/library.html>

## Nippon Paper Group, Inc. and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars	
	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2013/3
<b>Fiscal year</b>							
Net sales	¥ 1,211,682	¥1,188,136	¥1,095,233	¥1,099,817	¥1,042,436	<b>¥1,025,078</b>	<b>\$10,905,085</b>
Cost of sales	969,466	958,464	844,033	854,238	803,653	<b>796,411</b>	<b>8,472,457</b>
Operating income	32,834	19,951	43,149	35,608	36,524	<b>25,145</b>	<b>267,500</b>
Ordinary income	32,800	17,944	37,547	31,599	6,057	<b>23,081</b>	<b>245,543</b>
Net income (loss)	5,661	(23,330)	30,050	(24,172)	(41,675)	<b>10,652</b>	<b>113,319</b>
Capital investment	121,190	64,940	35,587	46,591	57,172	<b>53,323</b>	<b>567,266</b>
Depreciation	74,791	83,294	81,943	78,639	74,352	<b>64,903</b>	<b>690,457</b>
Free cash flow	(44,491)	18,988	45,974	21,987	13,488	<b>4,212</b>	<b>44,809</b>
<b>End of fiscal year</b>							
Total assets	¥ 1,625,571	¥1,492,027	¥1,500,246	¥1,560,592	¥1,527,635	<b>¥1,497,729</b>	<b>\$15,933,287</b>
Total current assets	485,822	436,021	450,529	515,392	546,344	<b>507,335</b>	<b>5,397,181</b>
Property, plant and equipment, net	892,012	851,921	837,698	798,482	752,501	<b>747,423</b>	<b>7,951,309</b>
Other fixed assets	247,736	204,083	212,017	246,718	228,789	<b>242,970</b>	<b>2,584,798</b>
Liabilities	1,145,812	1,067,475	1,040,267	1,151,829	1,160,983	<b>1,101,269</b>	<b>11,715,628</b>
Net assets	479,758	424,551	459,978	408,762	366,652	<b>396,460</b>	<b>4,217,660</b>
Interest-bearing debt	785,322	784,333	762,899	832,347	838,285	<b>830,220</b>	<b>8,832,128</b>
<b>Per share data</b>							
						Yen	U.S. dollars
Net income (loss)	¥ 5,200.50	¥ (208.60)	¥ 264.03	¥ (208.73)	¥ (359.90)	<b>¥ 92.00</b>	<b>\$ 0.98</b>
Net assets	407,492.96	3,601.71	3,940.06	3,496.49	3,135.48	<b>3,391.59</b>	<b>36.08</b>
Cash dividends	8,000.00	80.00	80.00	60.00	30.00	<b>40.00</b>	<b>0.43</b>
<b>Ratios</b>							
						%	
Operating income margin	2.7%	1.7%	3.9%	3.2%	3.5%	<b>2.5%</b>	
Net income (loss) to net sales	0.5	(2.0)	2.7	(2.2)	(4.0)	<b>1.0</b>	
Equity ratio	28.0	27.0	30.4	25.9	23.8	<b>26.2</b>	
Return on equity (ROE)	1.3	(5.4)	7.0	(5.6)	(10.9)	<b>2.8</b>	
Return on invested capital (ROIC)	3.4	2.4	4.0	3.5	1.5	<b>2.9</b>	
Return on assets (ROA)	2.6	1.9	3.2	2.7	1.2	<b>2.3</b>	
Debt/equity ratio (times)	1.7	1.9	1.6	1.8	1.9	<b>1.9</b>	
Number of employees	13,666	13,088	14,210	13,834	13,407	<b>13,052</b>	

Note: Amounts in US dollars are included solely for convenience and are translated at a rate of Y94 = US\$1.00, the approximate rate of exchange on March 31, 2013.

- Interest-bearing debt = Short-term borrowings + Long-term debt
- Free cash flow = Cash flows from operating activities + Cash flows from investing activities
- Return on equity (ROE)  
= Net income (loss) / [Average of beginning and end of year (Shareholders' equity + Accumulated other comprehensive income)] × 100
- Return on invested capital (ROIC)  
= (Ordinary income + Interest expense) / (Year-end shareholders' equity + Year-end accumulated other comprehensive income + Year-end balance of interest-bearing debt) × 100
- Return on assets (ROA) = (Ordinary income + Interest expense) / Total assets × 100
- Debt / equity ratio = (Interest-bearing debt - Cash and deposits) / Shareholders' equity
- We conducted a split of shares of common stock (a 100-to-1 split) effective as of January 4, 2009

Financial Position

Consolidated assets decreased ¥29,906 million from ¥1,527,635 million at the end of fiscal 2011 to ¥1,497,729 million at the end of fiscal 2012. This was mainly due to a decrease in current assets.

Current assets decreased ¥39,009 million year-on-year to ¥507,335 million. This was mainly due to a decrease in cash and deposits of ¥8,451 million, which had previously increased since the Great East Japan Earthquake, and a decrease in inventories of ¥5,594 million.

Property, plant and equipment decreased ¥5,077 million to ¥747,423 million, reflecting the restricted capital investment amount within the scope of depreciation.

Other fixed assets increased ¥14,181 million year-on-year to ¥242,970 million, supported by the rise in domestic stock prices. This was mainly due to an increase of investments in securities.

Current and long-term liabilities decreased ¥59,714 million year-on-year to ¥1,101,269 million, partly due to the repayment of borrowings.

Net assets were up ¥29,807 million year-on-year to ¥396,460 million. This was mainly because retained earnings increased and translation adjustments increased due to the advanced depreciation of the yen.

As a result, the equity ratio increased 2.4 percentage points from 23.8% to 26.2%.

Cash Flows

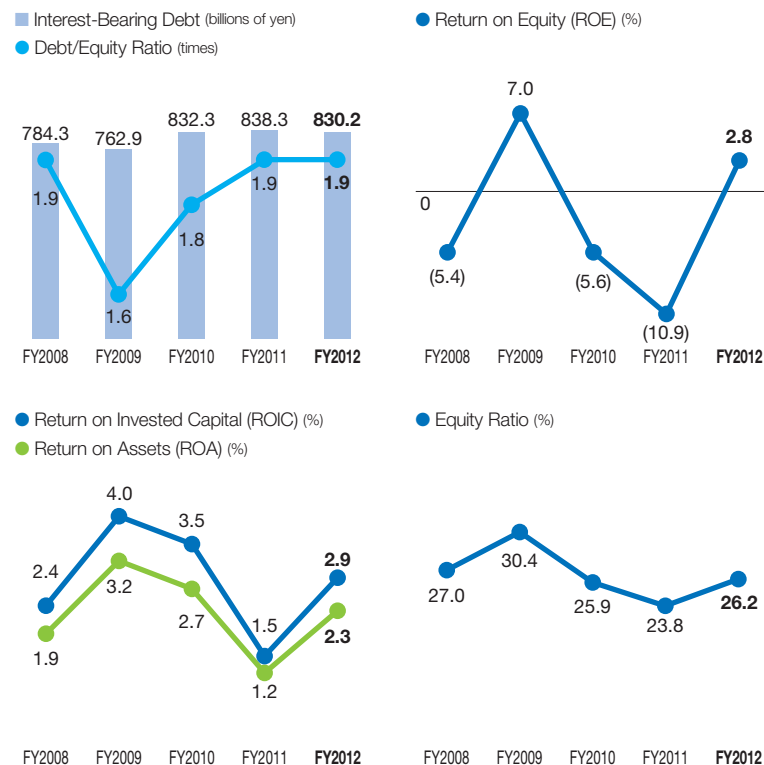
Consolidated cash and cash equivalents decreased ¥8,452 million from the end of fiscal 2011 to ¥110,813 million at the end of fiscal 2012.

Net cash provided by operating activities increased ¥5,864 million year-on-year to ¥65,978 million, mainly due to income before income taxes and minority interests in consolidated subsidiaries of ¥16,045 million and depreciation of ¥64,903 million.

Net cash used in investing activities increased ¥15,140 million year-on-year to ¥61,766 million. Major details of investing activities were purchases of property, plant and equipment of ¥58,048 million.

Net cash used in financing activities increased ¥16,037 million year-on-year to ¥14,385 million. A major detail of financing activities was the repayment of interest-bearing debt.

Trends in Nippon Paper Group's cash flow indicators are presented at right.



	FY2008	FY2009	FY2010	FY2011	FY2012
Equity ratio (%)	27.0	30.4	25.9	23.8	<b>26.2</b>
Equity ratio based on market capitalization (%)	17.9	18.6	13.1	13.1	<b>11.3</b>
Interest-bearing debt/cash flow (times)	9.3	6.5	7.2	13.9	<b>12.6</b>
Interest coverage ratio (times)	7.8	10.8	10.2	5.1	<b>5.4</b>

- Equity ratio = (Year-end shareholders' equity + Year-end accumulated other comprehensive income) / Year-end total assets × 100
- Equity ratio based on market capitalization = Market capitalization / Year-end total assets × 100
- Interest-bearing debt / cash flow = Interest-bearing debt / Operating cash flow
- Interest coverage ratio = Operating cash flow / Interest paid

Notes:

1. All indicators are calculated based on consolidated financial figures.
2. Market capitalization is calculated by multiplying the closing share price at year-end by the number of shares outstanding at year-end, not including treasury shares.
3. Calculations that include operating cash flow use cash flow from operating activities as recorded in the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheets on which the Company is paying interest. Calculations that include interest paid use interest expense as recorded in the consolidated statements of cash flows.

The Group has identified the following factors as risks that could affect Nippon Paper Group's business performance and financial position:

### (1) Product demand and market conditions

Nippon Paper Group engages in the mainstay pulp and paper, paper-related, wood products and construction related, and other businesses. The Group is at risk of fluctuations in demand for its products and product prices in the context of economic conditions and other factors. Such fluctuations could affect the Group's business performance and financial position.

### (2) Manufacturing conditions

Nippon Paper Group's production activity is based on the estimated demand and production capacity of existing facilities. The Group carries out regular preventive inspections and other maintenance checks, but is at risk of a reduction in supply capability due to fires, accidents and other problems occurring at facilities, and interruptions in procurement, as well as the delivery of raw materials and fuel. Such fluctuations could affect the Group's business performance and financial position.

### (3) Foreign exchange

Nippon Paper Group is at risk of foreign exchange rate fluctuations associated with import and export transactions. Because the Group's imports of raw materials and fuel (wood chips, heavy oil, coal and chemicals) exceed its product exports, yen depreciation against the U.S. dollar and the Australian dollar has a negative impact on business performance. The Group hedges against this risk by means such as forward contracts.

### (4) Raw material and fuel prices

Nippon Paper Group purchases raw materials and fuels such as wood chips, waste paper, heavy oil, coal and chemicals to manufacture and sell products such as paper, pulp and others. The Group is thus at risk of input price fluctuations in domestic and international markets. Such fluctuations could affect the Group's business performance and financial position.

### (5) Stock prices

Nippon Paper Group holds marketable shares in partner and affiliated companies and is thus at risk of share price fluctuations that could affect the Group's business performance and financial position. Such fluctuations could also affect retirement benefit expenses because of their impact on pension assets.

### (6) Interest rates

Nippon Paper Group is at risk of interest rate fluctuations affecting its interest expense regarding interest-bearing debt, etc. Such fluctuations could affect the Group's business performance and financial position.

### (7) Overseas businesses

Nippon Paper Group manufactures pulp and paper and operates forestry plantations and other businesses overseas in North America, South America, Scandinavia, China, Southeast Asia and Australia, etc. Although the Group takes the utmost care to minimize overseas business risk, unforeseen circumstances in those locations could affect the Group's business performance and financial position.

### (8) Litigation

Nippon Paper Group takes the utmost care to comply with laws and regulations in the course of doing business, but is nonetheless at risk of litigation associated with criminal or civil affairs, taxation, antitrust law, product liability law, intellectual property rights and environmental and labor issues. As a result, such litigation could affect the Group's business performance and financial position.

### (9) Impairment of fixed assets

Nippon Paper Group owns fixed assets such as production facilities and land and is at risk of a fall in the value of these assets, which could affect the Group's business performance and financial position.

### (10) Natural disasters

In the wake of major natural disasters, including earthquakes, occurring near production and sales sites, Nippon Paper Group's performance and financial position could be negatively affected by unanticipated costs associated with repairing damage to production equipment or facilities and distribution infrastructure, as well as opportunity losses from production shutdowns and damage to products, merchandise and raw materials.

### (11) Credit risk

Nippon Paper Group takes care to limit its credit risk, but tardy or uncollectible receivables from the operating deficiencies or bankruptcy of customers could affect the Group's business performance and financial position.

### (12) Other risks associated with changes in business conditions, etc.

Nippon Paper Group is subject to the risk of changes in business and economic conditions and other similar circumstances arising from contingencies, which could affect the Group's business performance and financial position.



## Consolidated Balance Sheets

As of March 31, 2012 and 2013

	Millions of yen		Thousands of
	March 31,		U.S. dollars
	2012	2013	March 31,
			2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	¥ 119,363	¥ 110,911	\$ 1,179,904
Notes and accounts receivable-trade	205,182	198,916	2,116,128
Merchandise and finished goods	84,875	81,175	863,564
Work in process	18,935	17,739	188,713
Raw materials and supplies	51,087	50,388	536,043
Deferred tax assets	24,958	7,970	84,787
Other current assets	42,708	40,883	434,926
Allowance for doubtful receivables	(765)	(650)	(6,915)
<b>Total current assets</b>	<b>546,344</b>	<b>507,335</b>	<b>5,397,181</b>
<b>Noncurrent assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	478,844	487,605	5,187,287
Accumulated depreciation	(330,600)	(341,162)	(3,629,383)
Buildings and structures, net	148,244	146,442	1,557,894
Machinery, equipment and vehicles	2,084,731	2,118,113	22,533,117
Accumulated depreciation	(1,762,573)	(1,794,789)	(19,093,500)
Machinery, equipment and vehicles, net	322,158	323,323	3,439,606
Land	224,301	225,729	2,401,372
Construction in progress	27,721	19,437	206,777
Other	89,789	92,161	980,436
Accumulated depreciation	(59,713)	(59,671)	(634,798)
Other, net	30,075	32,490	345,638
<b>Total property, plant and equipment</b>	<b>752,501</b>	<b>747,423</b>	<b>7,951,309</b>
<b>Intangible assets</b>			
Goodwill	17,094	15,955	169,734
Other	6,694	6,768	72,000
<b>Total intangible assets</b>	<b>23,789</b>	<b>22,724</b>	<b>241,745</b>
<b>Investments and other assets</b>			
Investments in securities	184,358	197,323	2,099,181
Deferred tax assets	7,571	7,613	80,989
Other	14,576	16,301	173,415
Allowance for doubtful receivables	(1,505)	(992)	(10,553)
<b>Total investments and other assets</b>	<b>205,000</b>	<b>220,246</b>	<b>2,343,043</b>
<b>Total noncurrent assets</b>	<b>981,291</b>	<b>990,393</b>	<b>10,536,096</b>
<b>Total assets</b>	<b>¥ 1,527,635</b>	<b>¥ 1,497,729</b>	<b>\$15,933,287</b>

	Millions of yen		Thousands of
	March 31,		U.S. dollars
	2012	2013	March 31,
			2013
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and account payable-trade	¥ 127,975	¥ 137,861	\$ 1,466,606
Short-term loans payable	212,231	248,235	2,640,798
Current portion of bonds payable	20,000	—	—
Accrued income taxes	5,799	3,501	37,245
Allowance for loss on seismic disaster	10,026	—	—
Other	121,744	86,989	925,415
<b>Total current liabilities</b>	<b>497,777</b>	<b>476,588</b>	<b>5,070,085</b>
<b>Long-term liabilities</b>			
Bonds payable	48,000	48,000	510,638
Long-term loans payable	555,724	531,992	5,659,489
Deferred tax liability	20,336	5,627	59,862
Accrued retirement benefits	29,274	29,252	311,191
Accrued environmental costs	599	539	5,734
Other	9,270	9,268	98,596
<b>Total long-term liabilities</b>	<b>663,205</b>	<b>624,680</b>	<b>6,645,532</b>
<b>Total liabilities</b>	<b>1,160,983</b>	<b>1,101,269</b>	<b>11,715,628</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	55,730	55,730	592,872
Capital surplus	266,252	266,249	2,832,436
Retained earnings	50,849	60,705	645,798
Treasury stock, at cost	(1,307)	(1,308)	(13,915)
<b>Total shareholders' equity</b>	<b>371,524</b>	<b>381,376</b>	<b>4,057,191</b>
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gain on other securities	1,866	4,708	50,085
Net deferred gain on hedges	376	1,810	19,255
Translation adjustments	(10,700)	4,811	51,181
<b>Total accumulated other comprehensive income</b>	<b>(8,458)</b>	<b>11,330</b>	<b>120,532</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>3,586</b>	<b>3,753</b>	<b>39,926</b>
<b>Total net assets</b>	<b>366,652</b>	<b>396,460</b>	<b>4,217,660</b>
<b>Total liabilities and net assets</b>	<b>¥1,527,635</b>	<b>¥1,497,729</b>	<b>\$15,933,287</b>

## Consolidated Statements of Operations

Fiscal Years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2012	FY2012
<b>Net sales</b>	<b>¥1,042,436</b>	<b>¥1,025,078</b>	<b>\$10,905,085</b>
<b>Cost of sales</b>	<b>803,653</b>	<b>796,411</b>	<b>8,472,457</b>
<b>Gross profit</b>	<b>238,783</b>	<b>228,667</b>	<b>2,432,628</b>
<b>Selling, general and administrative expenses</b>			
Freightage related expenses	57,495	58,940	627,021
Sales related expenses	63,303	65,481	696,606
Salaries and allowances	46,147	44,737	475,926
Other	35,312	34,362	365,553
<b>Total selling, general and administrative expenses</b>	<b>202,259</b>	<b>203,521</b>	<b>2,165,117</b>
<b>Operating income</b>	<b>36,524</b>	<b>25,145</b>	<b>267,500</b>
<b>Other income</b>			
Interest income	375	420	4,468
Dividend income	2,070	1,851	19,691
Rent income	1,849	1,572	16,723
Equity in earnings of affiliates	—	4,316	45,915
Reversal profit of loss on seismic disaster	—	3,035	32,287
Other	2,950	3,906	41,553
<b>Total other income</b>	<b>7,245</b>	<b>15,103</b>	<b>160,670</b>
<b>Other expenses</b>			
Interest expense	11,964	12,038	128,064
Equipment rental expense	1,558	1,219	12,968
Equity in losses of affiliates	21,919	—	—
Loss on subleasing of vehicles	309	2,107	22,415
Other	1,960	1,801	19,160
<b>Total other expenses</b>	<b>37,713</b>	<b>17,167</b>	<b>182,628</b>
<b>Ordinary income</b>	<b>6,057</b>	<b>23,081</b>	<b>245,543</b>
<b>Extraordinary income</b>			
Subsidy	—	566	6,021
Gain on sales of investments in securities	613	470	5,000
Gain on sales of noncurrent assets	4,448	360	3,830
Other	947	215	2,287
<b>Total extraordinary income</b>	<b>6,010</b>	<b>1,613</b>	<b>17,160</b>
<b>Extraordinary loss</b>			
Business restructuring expenses	29,201	2,244	23,872
Loss on retirement of noncurrent assets	1,485	1,699	18,074
Impairment loss	779	1,072	11,404
Loss on seismic disaster	19,329	—	—
Other	2,357	3,632	38,638
<b>Total extraordinary loss</b>	<b>53,153</b>	<b>8,649</b>	<b>92,011</b>
<b>Income (loss) before income taxes and minority interests in consolidated subsidiaries</b>	<b>(41,086)</b>	<b>16,045</b>	<b>170,691</b>
<b>Income taxes—current</b>	<b>6,853</b>	<b>4,830</b>	<b>51,383</b>
<b>Income taxes—deferred</b>	<b>(6,205)</b>	<b>559</b>	<b>5,947</b>
<b>Total income taxes</b>	<b>647</b>	<b>5,389</b>	<b>57,330</b>
<b>Income (loss) before minority interests</b>	<b>(41,733)</b>	<b>10,655</b>	<b>113,351</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>(58)</b>	<b>2</b>	<b>21</b>
<b>Net income (loss)</b>	<b>¥ (41,675)</b>	<b>¥ 10,652</b>	<b>\$ 113,319</b>

## Consolidated Statements of Comprehensive Income

Fiscal Years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2012	FY2012
<b>Income (loss) before minority interests</b>	<b>¥(41,733)</b>	<b>¥10,655</b>	<b>\$113,351</b>
<b>Other comprehensive income</b>			
Net unrealized holding gain (loss) on other securities	8,713	2,728	29,021
Net deferred gain (loss) on hedges	346	625	6,649
Translation adjustments	(7,053)	10,232	108,851
Share of other comprehensive income of affiliates accounted for using the equity method	249	6,311	67,138
<b>Total other comprehensive income</b>	<b>2,255</b>	<b>19,897</b>	<b>211,670</b>
<b>Comprehensive income</b>	<b>¥(39,477)</b>	<b>¥30,553</b>	<b>\$325,032</b>
(Details)			
Comprehensive income attributable to shareholders	¥(39,321)	¥30,299	\$322,330
Comprehensive income attributable to minority interests	(156)	254	2,702

## Consolidated Statements of Changes in Net Assets

Fiscal Years ended March 31, 2012 and 2013

	Millions of yen				
	Number of shares of issued common stock	Shareholders' equity			
		Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost
<b>Balance at April 1, 2011</b>	116,254,892.00	¥55,730	¥266,254	¥ 95,014	¥(1,296)
Changes of items during the period					
Cash dividends paid	—	—	—	(3,475)	—
Net income (loss)	—	—	—	(41,675)	—
Purchase of treasury stock	—	—	—	—	(12)
Disposition of treasury stock	—	—	(1)	—	6
Changes in scope of consolidation	—	—	—	193	(3)
Changes in scope of equity method application	—	—	—	792	(0)
Changes in treasury stock due to changes in equity in affiliates accounted for by equity method	—	—	—	—	(0)
Changes in items other than shareholders' equity, net	—	—	—	—	—
Total changes of items during the period	—	—	(1)	(44,165)	(10)
<b>Balance at March 31, 2012</b>	116,254,892.00	¥55,730	¥266,252	¥ 50,849	¥(1,307)
<b>Balance at April 1, 2012</b>	116,254,892.00	¥55,730	¥266,252	¥ 50,849	¥(1,307)
Changes of items during the period					
Cash dividends paid	—	—	—	(3,475)	—
Net income (loss)	—	—	—	10,652	—
Purchase of treasury stock	—	—	—	—	(8)
Disposition of treasury stock	—	—	(2)	—	7
Changes in scope of consolidation	—	—	—	2,678	—
Changes in items other than shareholders' equity, net	—	—	—	—	—
Total changes of items during the period	—	—	(2)	9,856	(1)
<b>Balance at March 31, 2013</b>	116,254,892.00	¥55,730	¥266,249	¥ 60,705	¥(1,308)

	Thousands of U.S. dollars			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost
<b>Balance at April 1, 2012</b>	\$592,872	\$2,832,468	\$540,947	\$(13,904)
Changes of items during the period				
Cash dividends paid	—	—	(36,968)	—
Net income (loss)	—	—	113,319	—
Purchase of treasury stock	—	—	—	(85)
Disposition of treasury stock	—	(21)	—	74
Changes in scope of consolidation	—	—	28,489	—
Changes in items other than shareholders' equity, net	—	—	—	—
Total changes of items during the period	—	(21)	104,851	(11)
<b>Balance at March 31, 2013</b>	\$592,872	\$2,832,436	\$645,798	\$(13,915)

	Millions of yen						
	Total shareholders' equity	Accumulated other comprehensive income				Minority interests in consolidated subsidiaries	Total net assets
		Net unrealized holding gain (loss) on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Total accumulated other comprehensive income		
	¥415,701	¥(6,873)	¥ (84)	¥ (3,851)	¥(10,808)	¥3,870	¥408,762
Changes of items during the period							
Cash dividends paid	(3,475)	—	—	—	—	—	(3,475)
Net income (loss)	(41,675)	—	—	—	—	—	(41,675)
Purchase of treasury stock	(12)	—	—	—	—	—	(12)
Disposition of treasury stock	4	—	—	—	—	—	4
Changes in scope of consolidation	189	—	—	—	—	—	189
Changes in scope of equity method application	791	—	—	—	—	—	791
Changes in treasury stock due to changes in equity in affiliates accounted for by equity method	(0)	—	—	—	—	—	(0)
Changes in items other than shareholders' equity, net	—	8,739	461	(6,849)	2,350	(283)	2,066
Total changes of items during the period	(44,177)	8,739	461	(6,849)	2,350	(283)	(42,110)
<b>Balance at March 31, 2012</b>	<b>¥371,524</b>	<b>¥ 1,866</b>	<b>¥ 376</b>	<b>¥(10,700)</b>	<b>¥ (8,458)</b>	<b>¥3,586</b>	<b>¥366,652</b>
<b>Balance at April 1, 2012</b>	<b>¥371,524</b>	<b>¥ 1,866</b>	<b>¥ 376</b>	<b>¥(10,700)</b>	<b>¥ (8,458)</b>	<b>¥3,586</b>	<b>¥366,652</b>
Changes of items during the period							
Cash dividends paid	(3,475)	—	—	—	—	—	(3,475)
Net income (loss)	10,652	—	—	—	—	—	10,652
Purchase of treasury stock	(8)	—	—	—	—	—	(8)
Disposition of treasury stock	4	—	—	—	—	—	4
Changes in scope of consolidation	2,678	—	—	—	—	—	2,678
Changes in items other than shareholders' equity, net	—	2,842	1,433	15,512	19,788	166	19,955
Total changes of items during the period	9,851	2,842	1,433	15,512	19,788	166	29,807
<b>Balance at March 31, 2013</b>	<b>¥381,376</b>	<b>¥ 4,708</b>	<b>¥1,810</b>	<b>¥ 4,811</b>	<b>¥ 11,330</b>	<b>¥3,753</b>	<b>¥396,460</b>

	Thousands of U.S. dollars						
	Total shareholders' equity	Accumulated other comprehensive income				Minority interests in consolidated subsidiaries	Total net assets
		Net unrealized holding gain (loss) on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Total accumulated other comprehensive income		
	\$3,952,383	\$19,851	\$ 4,000	\$(113,830)	\$( 89,979)	\$38,149	\$3,900,553
Changes of items during the period							
Cash dividends paid	(36,968)	—	—	—	—	—	(36,968)
Net income (loss)	113,319	—	—	—	—	—	113,319
Purchase of treasury stock	(85)	—	—	—	—	—	(85)
Disposition of treasury stock	43	—	—	—	—	—	43
Changes in scope of consolidation	28,489	—	—	—	—	—	28,489
Changes in items other than shareholders' equity, net	—	30,234	15,245	165,021	210,511	1,766	212,287
Total changes of items during the period	104,798	30,234	15,245	165,021	210,511	1,766	317,096
<b>Balance at March 31, 2013</b>	<b>\$4,057,191</b>	<b>\$50,085</b>	<b>\$19,255</b>	<b>\$ 51,181</b>	<b>\$120,532</b>	<b>\$39,926</b>	<b>\$4,217,660</b>

## Consolidated Statements of Cash Flows

Fiscal years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2012	FY2012
<b>Operating activities</b>			
Income (loss) before income taxes and minority interests in consolidated subsidiaries	¥(41,086)	¥ 16,045	\$ 170,691
Depreciation	74,352	64,903	690,457
Amortization of goodwill	1,433	1,433	15,245
Increase (decrease) in allowance for doubtful receivables	113	(169)	(1,798)
Increase (decrease) in allowance for loss on seismic disaster	(36,018)	(10,026)	(106,660)
Increase (decrease) in accrued retirement benefits	(1,688)	(271)	(2,883)
Increase (decrease) in accrued environmental costs	(2)	(60)	(638)
Interest and dividend income	(2,445)	(2,271)	(24,160)
Interest expense	11,964	12,038	128,064
Equity in (earnings) losses of affiliates	21,919	(4,316)	(45,915)
Net loss (gain) on sales of noncurrent assets	(4,448)	(360)	(3,830)
Net gain on sales of investments in securities	(613)	(470)	(5,000)
Net loss on disposal of noncurrent assets	1,485	1,699	18,074
Business restructuring expenses	29,201	2,244	23,872
Impairment loss	779	1,072	11,404
Decrease (increase) in receivables	6,580	8,028	85,404
Decrease (increase) in inventories	(14,144)	8,722	92,787
Increase (decrease) in payables	17,040	8,486	90,277
Other	7,380	(24,256)	(258,043)
<b>Subtotal</b>	<b>71,804</b>	<b>82,470</b>	<b>877,340</b>
Interest and dividends received	3,906	4,026	42,830
Interest paid	(11,749)	(12,133)	(129,074)
Payments for supplementary retirement benefits	(2,346)	(3,256)	(34,638)
Payments for loss on disaster	(38)	—	—
Income taxes paid	(1,461)	(5,128)	(54,553)
<b>Net cash provided by (used in) operating activities</b>	<b>¥ 60,114</b>	<b>¥ 65,978</b>	<b>\$ 701,894</b>

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2012	FY2012
<b>Investing activities</b>			
Purchases of time deposits	¥ (99)	¥ (98)	\$ (1,043)
Withdrawals of time deposits	89	97	1,032
Purchases of noncurrent assets	(46,236)	(58,048)	617,532
Proceeds from sales of noncurrent assets	5,479	1,390	14,787
Purchases of investments in other securities	(9,527)	(1,823)	(19,394)
Proceeds from sales of investments in other securities	1,662	677	7,202
Decrease (increase) in short-term loans receivable	507	(1,358)	(14,447)
Payments of long-term loans receivable	(1,079)	(267)	(2,840)
Collection of long-term loans receivable	224	370	3,936
Other	2,351	(2,705)	(28,777)
<b>Net cash provided by (used in) investing activities</b>	<b>(46,626)</b>	<b>(61,766)</b>	<b>(657,085)</b>
<b>Financing activities</b>			
Increase (decrease) in short-term loans payable	(65,503)	12,551	133,521
Proceeds from long-term loans payable	138,597	43,043	457,904
Repayment of long-term loans payable	(39,853)	(45,058)	(479,340)
Redemption of bonds	(20,000)	(20,000)	(212,766)
Purchases of treasury stock	(12)	(8)	(85)
Proceeds from sales of treasury stock	2	2	21
Cash dividends paid	(3,492)	(3,488)	(37,106)
Repayment to minority shareholders	(126)	(81)	(862)
Finance lease principal payments	(7,959)	(1,345)	(14,309)
<b>Net cash provided by (used in) financing activities</b>	<b>1,652</b>	<b>(14,385)</b>	<b>(153,032)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(619)</b>	<b>990</b>	<b>10,532</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>14,520</b>	<b>(9,183)</b>	<b>(97,691)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>104,739</b>	<b>119,265</b>	<b>1,268,777</b>
<b>Increase due to inclusion of certain subsidiaries in consolidation</b>	<b>6</b>	<b>731</b>	<b>7,777</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥119,265</b>	<b>¥110,813</b>	<b>\$1,178,862</b>



## Corporate Data

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## Corporate Profile (As of April 1, 2013)

Corporate Data

<b>Company name:</b>	Nippon Paper Industries Co., Ltd.
<b>Head Office:</b>	4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo 101-0062, Japan
<b>Establishment:</b>	August 1, 1949
<b>Number of employees:</b>	5,121 (non-consolidated) 13,052 (consolidated) (As of March 31, 2013)
<b>Capital:</b>	¥104,873 million

### Corporate history:

<b>February 1873</b>	Established Shoshi Kaisha
<b>November 1893</b>	Shoshi Kaisha changed its trade name to Oji Paper Company
<b>June 1938</b>	Established Kokusaku Pulp Co., Ltd.
<b>September 1938</b>	Daishowa Paper Manufacturing Co., Ltd., started operation.
<b>November 1946</b>	Established Sanyo Pulp Co., Ltd.
<b>August 1949</b>	Established Jujo Paper Co., Ltd., due to dissolution of Oji Paper
<b>March 1972</b>	Sanyo Pulp merged with Kokusaku Pulp into Sanyo-Kokusaku Pulp Co., Ltd.
<b>April 1993</b>	Jujo Paper merged with Sanyo-Kokusaku Pulp into Nippon Paper Industries Co., Ltd.
<b>March 2001</b>	Nippon Paper Industries and Daishowa Paper Manufacturing integrated management and established Nippon Unipac Holding
<b>October 2004</b>	Nippon Unipac Holding changed its trade name to Nippon Paper Group, Inc.
<b>April 2013</b>	Nippon Paper Group, Inc. merged with Nippon Paper Industries and started operation as Nippon Paper Industries.

## Pulp &amp; Paper

Consolidated Subsidiaries	Capital (¥ million)	Location	Ratio of voting rights (%)
Nippon Paper Crecia Co., Ltd.	3,067	Japan	100.00
Nippon Paper Papylia Co., Ltd.	3,949	Japan	100.00
Paper Australia Pty Ltd. (and its 7 subsidiaries)	AUD1,000,000 662	Australia	100.00
NP Trading Co., Ltd.	1,000	Japan	98.35
Kokuei Paper Co., Ltd.	100	Japan	100.00
SUN OAK CO., LTD.	75	Japan	100.00
Kitakami Paper Co., Ltd.	300	Japan	62.90
Daishowa North America Corporation	CAD1,000 165,800	Canada	100.00
Nippon Paper Industries USA Co., Ltd.	USD1,000 53	U.S.A.	100.00
Dyna Wave Holding Asia	HKD 1,493	The British Cayman Islands	100.00
Equity-method Affiliates			
North Pacific Paper Corporation	USD1,000 28	U.S.A.	50.00
Daishowa-Marubeni International Ltd.	CAD1,000 262,000	Canada	50.00
Lee & Man Paper Manufacturing Limited	HKD1,000 117,240	The British Cayman Islands	15.32
YFY Cayman	USD1,000 309,918	The British Cayman Islands	20.35
Kyodo Paper Holdings Co., Ltd.	2,381	Japan	31.04

## Paper-Related

Consolidated Subsidiaries	Capital (¥ million)	Location	Ratio of voting rights (%)
Sakurai Co., Ltd.	120	Japan	54.49
Nippon Seitai Corporation	424	Japan	100.00
Flowric Co., Ltd.	172	Japan	100.00
Equity-method Affiliates			
Daishowa Paper Converting Co., Ltd.	235	Japan	44.68
Dixie Japan Co., Ltd.	1,059	Japan	44.44
Nippon Tokan Package Co., Ltd.	700	Japan	45.00
Lintec Corporation	23,201	Japan	29.93

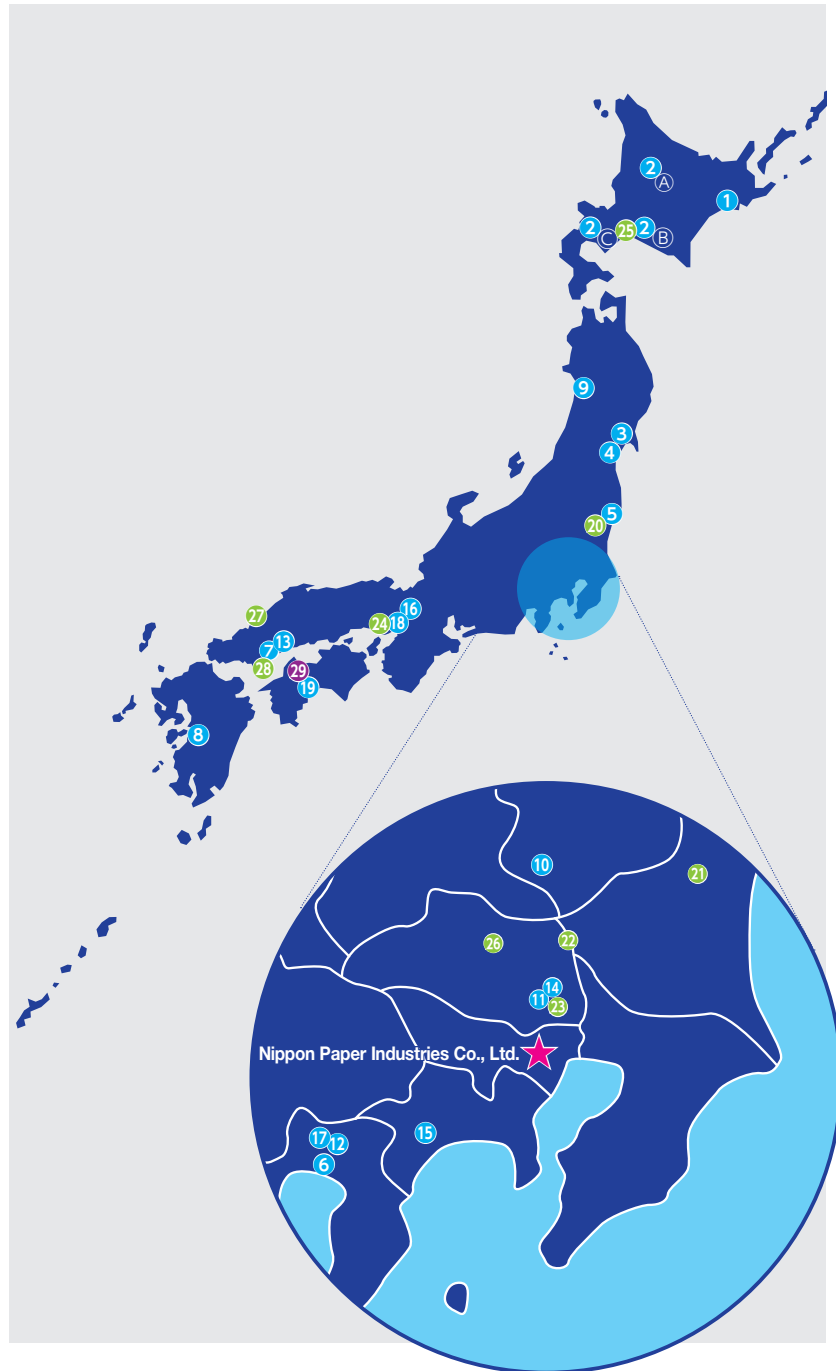
## Wood Products and Construction Related

Consolidated Subsidiaries	Capital (¥ million)	Location	Ratio of voting rights (%)
Nippon Paper Lumber Co., Ltd.	440	Japan	100.00
Nippon Paper Unitec Co., Ltd.	40	Japan	100.00
Kokusaku Kiko Co., Ltd.	60	Japan	100.00
Nippon Paper Ishinomaki Technology Co., Ltd.	40	Japan	100.00
Kunimoku House Co., Ltd.	20	Japan	100.00
PAL Wood Material	50	Japan	100.00
PAL Co., Ltd.	50	Japan	100.00
N&E Co., Ltd.	3,750	Japan	70.00
Daishowa Uniboard Co., Ltd.	490	Japan	100.00
South East Fibre Exports Pty. Ltd.	AUD1,000 7,500	Australia	62.50
Nanei Co., Ltd.	30	Japan	100.00
Nichimoku Fancy Materials Co., Ltd.	50	Japan	100.00
Nippon Paper Resources Australia Pty. Ltd.	AUD1,000 26,500	Australia	100.00

## Other

Consolidated Subsidiaries	Capital (¥ million)	Location	Ratio of voting rights (%)
Nanko Unyu Co., Ltd.	160	Japan	100.00
Kyokushin Transport Co., Ltd.	80	Japan	100.00
Nippon Paper Logistics Co., Ltd.	70	Japan	100.00
Hotoku Co., Ltd.	25	Japan	100.00
Shikoku Coca-Cola Bottling Co., Ltd. (and its 6 subsidiaries)	5,576	Japan	100.00
Nippon Paper Development Co., Ltd.	710	Japan	100.00
GAC CO., LTD.	480	Japan	100.00
Equity-method Affiliates			
Resources Co., Ltd.	40	Japan	44.00
Chiyoda SVAC CO., LTD.	200	Japan	32.50

Major Subsidiaries and Manufacturing Bases (As of April 1, 2013)



Pulp and Paper

**Nippon Paper Industries Co., Ltd.**

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
101-0062, Japan  
Tel: +81-3-6665-1111

- 1 Kushiro Mill (Hokkaido)
- 2 Hokkaido Mill (Hokkaido)
- A Asahikawa
- B Yufutsu
- C Shiraoui
- 3 Ishinomaki Mill (Miyagi)
- 4 Iwanuma Mill (Miyagi)
- 5 Nakoso Mill (Fukushima)
- 6 Fuji Mill (Shizuoka)
- 7 Iwakuni Mill (Yamaguchi)
- 8 Yatsushiro Mill (Kumamoto)
- 9 Akita Mill (Akita)
- 10 Ashikaga Mill (Tochigi)
- 11 Soka Mill (Saitama)
- 12 Yoshinaga Mill (Shizuoka)
- 13 Otake Mill (Hiroshima)

**Nippon Paper Crecia Co., Ltd.**

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
101-0062, Japan  
Tel: +81-3-6665-5300, Fax: +81-3-6665-0370

- 14 Tokyo Mill (Saitama)
- 15 Kaisei Mill (Kanagawa)
- 16 Kyoto Mill (Kyoto)

**Nippon Paper Papylia Co., Ltd.**

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
101-0062, Japan  
Tel: +81-3-6665-5800, Fax: +81-3-3251-1878

- 17 Harada Mill (Shizuoka)
- 18 Suita Mill (Osaka)
- 19 Kochi Mill (Kochi)

**NP Trading Co., Ltd.**

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
101-0062, Japan  
Tel: +81-3-6665-7032

Paper-Related

- 20 NAKOSO FILM CO., LTD. (Fukushima)
- 21 ISHIOKA KAKO CO., LTD. (Ibaraki)
- 22 EGAWA PAPER-PAK CO., LTD. (Ibaraki)
- 23 SOKA PAPER-PAK CO., LTD. (Saitama)
- 24 MIKI PAPER-PAK CO., LTD. (Hyogo)

**Chemical Division, Nippon Paper Industries Co., Ltd.**

- 25 Yufutsu Works (Hokkaido)
- 26 Higashimatsuyama Works (Saitama)
- 27 Gotsu Works (Shimane)
- 28 Iwakuni Works (Yamaguchi)

Wood Products and Construction Related

**Nippon Paper Lumber Co., Ltd.**

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
101-0062, Japan  
Tel: +81-3-6665-7500, Fax: +81-3-6665-0390

Other

**SHIKOKU COCA-COLA BOTTLING CO., LTD.**

1378 Kasuga-cho, Takamatsu, Kagawa  
761-0197, Japan  
Tel: +81-87-841-9191, Fax: +81-87-841-5292  
29 SHIKOKU COCA-COLA PRODUCTS CO., LTD. (Ehime)

**Nippon Paper Development Co., Ltd.**

1-9, Horifune 1-chome, Kita-ku, Tokyo  
114-8555, Japan  
Tel: +81-3-3914-6161, Fax: +81-3-3914-3706

Overseas Branches and Offices (As of April 1, 2013)



Pulp and Paper

**Nippon Paper Industries Co., Ltd.**

**1 Longview Office**

P.O.Box 699, 3001 Industrial Way, Longview, WA 98632, U.S.A.  
Tel : +1-360-636-6400  
Fax : +1-360-423-1514

**2 Bangkok Representative Office**

161/1 SG. Tower 12th Fl., #1202, Soi Mahadlek Luang 3, Rajdamri Rd., Lumpini, Pathumwan, Bangkok, 10330, Thailand  
Tel : +66-0-2651-8093  
Fax : +66-0-2651-9954

**3 China Office**

Room 313, Tianxiang Building, No. 1068, Maotai Road, Changning District, Shanghai, 200336, China  
Tel : +86-21-6145-3235  
Fax : +86-21-6145-3237

**4 Concepción Office**

Cochrane 361, Concepción, Chile  
Tel : +56-41-2-244300  
Fax : +56-41-2-259541

**5 Pietermaritzburg Office**

Suite C1, Regal House, No.7 Montrose Park Boulevard, Victoria Country Club Estate, Montrose, Pietermaritzburg, 3201, Republic of South Africa  
Tel : +27-33-347-0231  
Fax : +27-33-347-0231

**6 Europe Office**

Hellersbergstr.2.41460 Neuss  
Postfach 101247.41412 Neuss, Germany  
Tel : +49-21-31-16-98-0  
Fax : +49-21-31-16-98-31

**NP Trading Co., Ltd.**

**7 Jakarta Office**

Nusantara Building 4th Floor, Jl.MH Thamrin No.59, Jakarta 10350, Indonesia  
Tel : +62-21-3193-5434  
Fax : +62-21-3193-5572

**8 Malaysia Office**

B-3A-26, Jalan Tropicana Selatan 1, Merchant Square, 47410, Petaling Jaya, Selangor, Malaysia  
Tel : +60-3-7885-8990  
Fax : +60-3-7885-8229

**9 Hochiminh Office**

Hochiminh Representative Office Unit 1001, 10Th Floor, ZEN PLAZA, 54-56 Nguyen Trai Street, District 1, Ho Chi Minh City VIETNAM  
Tel : +84-8-3926-0358  
Fax : +84-8-3926-0359

**10 Taiwan Office**

Taiwan Representative Office(Unified Business No.53014714)#2.10F No.77 Sec.2 Chungwa E.RD. Tainan Taiwan R.O.C  
Tel : +886-6-335-0318  
Fax : +886-6-290-6475

Major Overseas Subsidiaries and Affiliates (As of April 1, 2013)



ASIA

**1 Nippon Paper-Pak Trading Shanghai Co., Ltd.**

Room 203, No.4 Building, No.641 Tianshan Road, Changning District, Shanghai, 200336, China  
Tel : +86-21-3253-3901  
Fax : +86-21-3253-3903

**2 Everwealth Paper Industries (Shanghai) Co., Ltd.**

589 Qianpu Rd., Songjiang E. Development Zone, Songjiang District, Shanghai, 201612, China  
Tel : +86-21-5764-5189  
Fax : +86-21-5764-5118

**Nippon Paper Industries Trading (Shanghai) Co., Ltd.**

**3 Shanghai Office**

Room 313, Tianxiang Building, No. 1068, Maotai Road, Changning District, Shanghai, 200336, China  
Tel : +86-21-6145-3260  
Fax : +86-21-6145-3237

**4 Beijing Office**

Room 1311, Air China Plaza, No.36 Xiao Yun Road, Chaoyang District, Beijing,100027, China  
Tel : +86-10-6566-7148  
Fax : +86-10-6566-7145

**5 Paper Products Marketing (Singapore) Pte. Ltd.**

237 Alexandra Road #04-05 The Alexcier, Singapore 159929  
Tel : +65-6220-2488  
Fax : +65-6226-4483

**6 Paper Products Marketing Pte. Ltd. (Malaysia Branch)**

B-3A-26, Merchant Square, Jalan Tropicana Selatan 1, 47410 Petaling Jaya, Selangor, Malaysia  
Tel : +60-3-7885-0583  
Fax : +60-3-7885-0587

**7 Paper Products Marketing (Hong Kong) Ltd.**

Unit A&B 15/F Yue Hing Bldg., 103 Hennessy Rd, Wanchai, Hong Kong  
Tel : +852-2528-6113  
Fax : +852-2528-6066

**8 Paper Products Marketing (Taiwan) Ltd.**

8F-5-2, No.51, Sec.2, Keelung Rd, Taipei, Taiwan  
Tel : +886-2-2739-8607  
Fax : +886-2-2737-2344, +886-2-2738-1537

**9 San-Mic Trading Co., (H.K.) Ltd.**

13/F.Yue Hing Building, 103 Hennessy Road, Wanchai, Hong Kong  
Tel : +852-2504-5995  
Fax : +852-2504-1953

**10 San-Mic Trading Co., (S) Pte. Ltd.**

#04-04/05 The Alexcier NO.237 Alexandra 159929, Singapore  
Tel : +65-6222-0318  
Fax : +65-6225-1978

**11 San-Mic Trading (Thailand) Co., Ltd.**

SG Tower, 161/1 Floor 12, Room 1202, Soi Mahadlek Luang 3, Rajdamri Road, Lumpini, Pathumwan, Bangkok, Thailand,10330  
Tel : +66-2651-8091  
Fax : +66-2651-9954

**12 San-Mic Trading Co., (Shenzhen) Ltd.**

Room 2811, News Building 1st, No. 1002 Shen Nan Zhong Rd., Futian Area, Shenzhen city P.R.O., China  
Tel : +86-755-2595-1177  
Fax : +86-755-2595-1186

**13 Siam Nippon Industrial Paper Co., Ltd.**

19 Moo 19 Saeng-Xuto Road, Tambol Thapa, Amphure Ban Pong, Ratchaburi 70110, Thailand  
Tel : +66-3220-0746-60  
Fax : +66-3220-1212





## OCEANIA

- 1 South East Fibre Exports Pty. Ltd.**  
P.O.Box 189, Jews Head, Edrom Road, Eden, N.S.W.  
2551, Australia  
Tel : +61-2-6496-0222  
Fax : +61-2-6496-1204
- 2 Nippon Paper Resources Australia Pty. Ltd.**  
307 Ferntree Gully Road, Mt Waverley, Victoria, 3149,  
Australia  
Tel : +61-3-8540-2599  
Fax : +61-3-8540-2590
- 3 Paper Australia Pty. Ltd.**  
307 Ferntree Gully Road, Mt Waverley, Victoria, 3149,  
Australia  
Tel : +61-3-8540-2300  
Fax : +61-3-8540-2280
- 4 Paper Products Marketing Pty. Ltd.**  
307 Ferntree Gully Road, Mt Waverley, Victoria, 3149,  
Australia  
Tel : +61-3-8540-2391  
Fax : +61-3-8540-2292



## NORTH AND SOUTH AMERICA

- 1 North Pacific Paper Corporation**  
P.O.Box 2069, 3001 Industrial Way, Longview,  
WA 98632, U.S.A.  
Tel : +1-360-636-6400  
Fax : +1-360-423-1514
- 2 Nippon Paper Industries USA Co., Ltd.**  
1815 Marine Drive, Port Angeles,  
WA 98363, U.S.A.  
Tel : +1-360-457-4474  
Fax : +1-360-452-6576
- 3 Daishowa North America Corporation**  
Suite 700-510 Burrard Street, Vancouver, B.C.  
V6C 3A8, Canada  
Tel : +1-604-801-6628  
Fax : +1-604-801-6658
- 4 Daishowa-Marubeni International Ltd.**  
Suite 700-510 Burrard Street, Vancouver, B.C.  
V6C 3A8, Canada  
Tel : +1-604-684-4326  
Fax : +1-604-684-0512
- 5 Paper Products Marketing (USA) Inc.**  
Suite 370, 4380 S.W. Macadam Avenue, Portland,  
Oregon, 97239, USA  
Tel : +1-503-227-6615  
Fax : +1-503-222-6417
- 6 Volterra S.A.**  
Cochrane 361, Concepción, Chile  
Tel : +56-41-2-244300  
Fax : +56-41-2-259541
- 7 Amapa Florestal e Celulose S.A.**  
Rua Claudio Lucio Monteiro, S/N,  
68925-000, Santana AP, Brazil  
Tel : +55-96-3281-8004  
Fax : +55-96-3281-8039



## EUROPE

- 1 Jujo Thermal Oy**  
P.O. Box 92, FI-27501 Kauttua, Finland  
Tel : +358-10-303-200  
Fax : +358-10-303-2419
- 2 Fröhlen-Reddemann GMBH**  
Hellersbergstr.2. 41460 Neuss  
Postfach 101247. 41412 Neuss, Germany  
Tel : +49-21-31-16-98-0  
Fax : +49-21-31-16-98-31



## AFRICA

- 1 Nippon-SC Tree Farm S.A. (Pty) Ltd.**  
P.O.Box 2253, Parklands 2121, Republic  
of South Africa  
Tel : +27-11-784-9120  
Fax : +27-11-784-9122

**Shares**

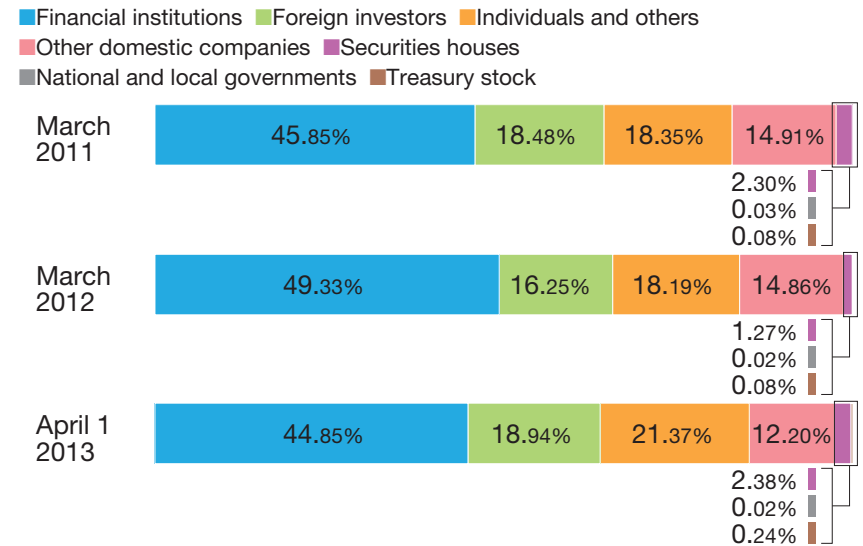
Number of shares authorized to be issued: 300,000,000 shares  
 Number of shares issued: 116,254,892 shares  
 (Including 273,664 shares of treasury stock)  
 Number of shareholders: 73,471

**Major Shareholders**

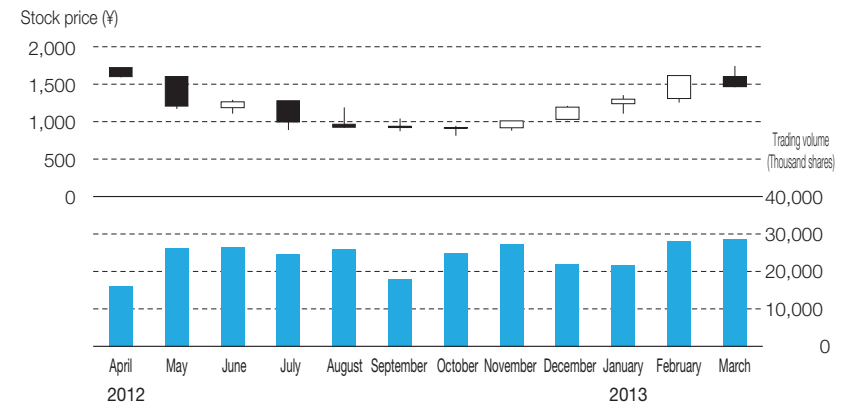
Name	Shares held (Thousand shares) <sup>1</sup>	Shareholding ratio (%) <sup>2</sup>
Japan Trustee Services Bank, Ltd. (Trust Account)	10,858	9.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,422	4.68
THE BANK OF NEW YORK – JASDECTREATY ACCOUNT	3,642	3.14
Nippon Life Insurance Company	3,434	2.96
Rengo Co., Ltd.	3,351	2.89
Nippon Paper Industries Employee Share Ownership	3,199	2.76
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	2,366	2.04
Mitsui Life Insurance Company Limited	2,258	1.95
Mizuho Corporate Bank, Ltd.	2,195	1.89
Mizuho Bank, Ltd.	2,146	1.85

1. Amounts less than a thousand shares held are truncated.  
 2. The shareholding ratio was calculated deducting treasury stock of 273,664 shares.

**Share ownership by shareholder category**



**Stock price and trading volume trends**

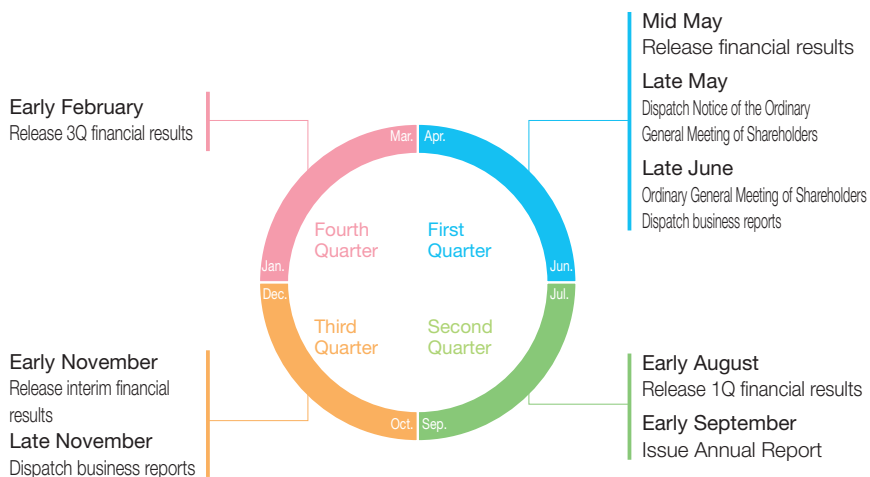


## Investor Information

Company name	Nippon Paper Industries Co., Ltd.
Company code	3863
Listings	Tokyo Stock Exchange
Fiscal year	April 1 to March 31
Ordinary General Meeting of Shareholders Season of the meeting	Within three months of the day following the fiscal year-end
Register and transfer agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Stock Transfer Agency Department
Contact for inquiry and mailing address	Sumitomo Mitsui Trust Bank, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan Phone: 0120-78-2031 (Toll free in Japan)
Independent auditor	Ernst & Young ShinNihon LLC

## IR calendar

\*These schedules may change without notice.



## IR Website

The Investor Information page of our Website includes various types of information that are useful for investment-related judgments such as the latest IR information and an archive of past releases. Visit:



<http://www.nipponpapergroup.com/e/ir/index.html>



Registration

### IR Mail

Nippon Paper Group's latest press releases and Website updates are available via e-mail notices. You may subscribe to the e-mail notices by registering on our Investor Information page at our IR Website.



### Members who supported restoration of the Nippon Paper Industries Ishinomaki Mill

Commemorative ceremony for resumption of operation of the Ishinomaki Mill (August 30, 2012)

**Cover: Esprit C Bulky W**  
160.0g/m<sup>2</sup>  
**Text: b7 Bulky** 95.0g/m<sup>2</sup>  
(Nippon Paper Industries Co., Ltd.)

The b7 Bulky used in the text pages of the Annual Report was developed and manufactured at the Ishinomaki Mill of Nippon Paper Industries Co., Ltd. That was the first paper produced following the damage from the Great East Japan Earthquake using the paper machine 8, the operation of which was first resumed at the Mill.

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