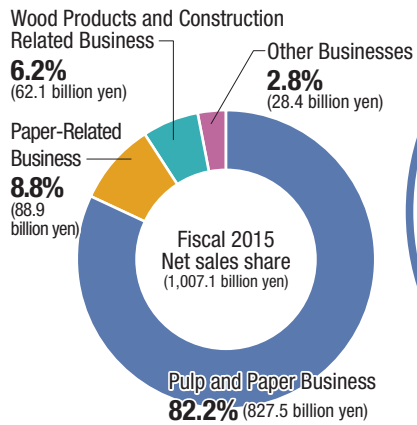


NIPPON PAPER GROUP
Sustainability Report
2016



The Nippon Paper Group uses renewable wood resources to pursue a diversity of businesses. From paper and paperboard, and household paper, to paper containers, chemicals, and housing construction materials, we provide a wide range of products indispensable for daily life.



Paper Media

Product Examples




Newsprint

Printing paper

Packaging

Product Examples




Linerboard and corrugated medium

Beverage containers

Pulp and Paper Business

Business Description

Various paper, paperboard and household paper products in this core 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 for paper and paperboard, especially in Asia and the Pacific Rim. Significant attention is also being devoted to the application of in-house power generation know-how to produce and sell electricity.

Principal Customers

Newspaper, publishing, printing, and stationery companies; public offices, paper manufacturers, electric utilities, and general consumers

Healthcare

Product Example



Household paper products

Special Function Papers


Product Example



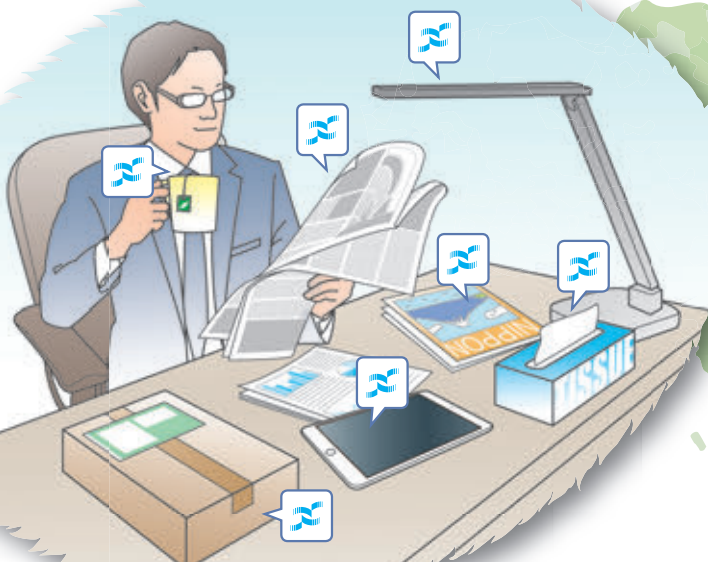
Specialty paper
(teabags and other products)

Energy

Business Example



Power generation business



Paper-Related Business

Business Description

Comprising this business are three segments, including paper-processing operations, which add various forms of value to paper as a raw material; the chemical products segment, which applies all wood components fully in the manufacture and sale of various types of products; and the functional film segment, which makes the most of its clean coating technology.

Principal Customers

Manufacturers of beverages, food, chemicals and other products, and various types of paper processing companies

Chemicals

Product Examples



Coating materials



Food additives



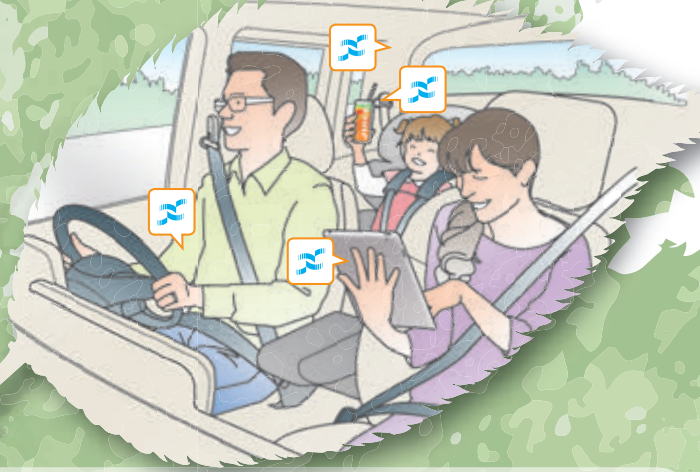
Material for LCDs



Raw material for rayon



Concrete dispersant



Wood Products and Construction Related Business

Business Description

The lumber segment of this business has the advantage of using Japanese timber obtained by the same expertise we use to procure wood resources for making paper. It also strives to use Japanese timber for construction materials and finished products. The civil-engineering-related segment makes use of the technologies we have amassed for maintaining facilities at our paper mills.

Principal Customers

Construction materials, housing and construction companies, general consumers, and public offices

Housing and Construction

Product Examples



Lumber



Interior decoration materials

Other Businesses

Business Description

Included here are segments that put biotechnology expertise developed in afforestation R&D to work in agricultural pursuits; apply real estate and other Group assets in sports and leisure operations; and handle product and material logistics for Group companies.

Principal Customers

Businesses and general consumers

Agriculture

Business Example



Agricultural businesses

Sports & Leisure

Business Example



Leisure business

Group Companies

	Japan	North America	Australia	Asia	Europe	South America	Africa	Total
Consolidated subsidiaries	24	3	4	4	3	0	0	38
Non-consolidated subsidiaries	69	1	1	7	1	2	0	81
Affiliates	32	2	0	3	1	1	1	40
Equity-method affiliates	7	2	0	1	0	0	0	10

Production Sites

Pulp and Paper Business

● Nippon Paper Industries Co., Ltd.

- 1 Kushiro Mill
- 2 Hokkaido Mill (Asahikawa)
- 3 Hokkaido Mill (Yufutsu)
- 4 Hokkaido Mill (Shiraoi)
- 5 Akita Mill
- 6 Ishinomaki Mill
- 7 Iwanuma Mill
- 8 Nakoso Mill
- 9 Ashikaga Mill*
- 10 Soka Mill*
- 11 Fuji Mill
- 12 Otake Mill
- 13 Iwakuni Mill
- 14 Yatsushiro Mill

◆ Nippon Paper Crecia Co., Ltd.

- 15 Tokyo Mill
- 16 Kaisei Mill
- 17 Kyoto Mill
- 18 Koyo Mill

■ Nippon Paper Papylia Co., Ltd.

- 19 Harada Mill
- 20 Suita Mill
- 21 Kochi Mill

▲ Kitakami Paper Co., Ltd.

- 22 Ichinoseki Mill

● Nippon Paper Industries USA Co., Ltd.

- 23 Port Angeles Mill

● Paper Australia Pty Ltd.

- 24 Maryvale Mill

● Jujo Thermal Oy

- 25 Kauttua Mill

● Siam Nippon Industrial Paper Co., Ltd.

* Renamed the "Kanto Mill" after an operational consolidation in April 2016.

Paper-Related Business

● Nippon Paper Industries Co., Ltd. (Paper-Pak Division)

- 1 SOKA PAPER-PAK CO., LTD.
- 2 EGAWA PAPER-PAK CO., LTD.
- 3 MIKI PAPER-PAK CO., LTD.
- 4 ISHIOKA KAKO CO., LTD.
- 5 Nakoso Film Co., Ltd.

◆ Nippon Paper Industries Co., Ltd. (Chemical Division)

- 6 Gotsu Mill
- 7 Iwakuni Mill
- 8 Higashimatsuyama Mill
- 9 Yufutsu Mill

■ Nippon Seitai Corporation

- 10 Asahikawa Mill
- 11 Maebashi Mill
- 12 Saitama Mill
- 13 Niigata Mill
- 14 Kyoto Mill
- 15 Kyushu Mill

▲ Akita Jujo Chemicals Co., Ltd.

- 16 Head Office Plant

Wood Products and Construction Related Business

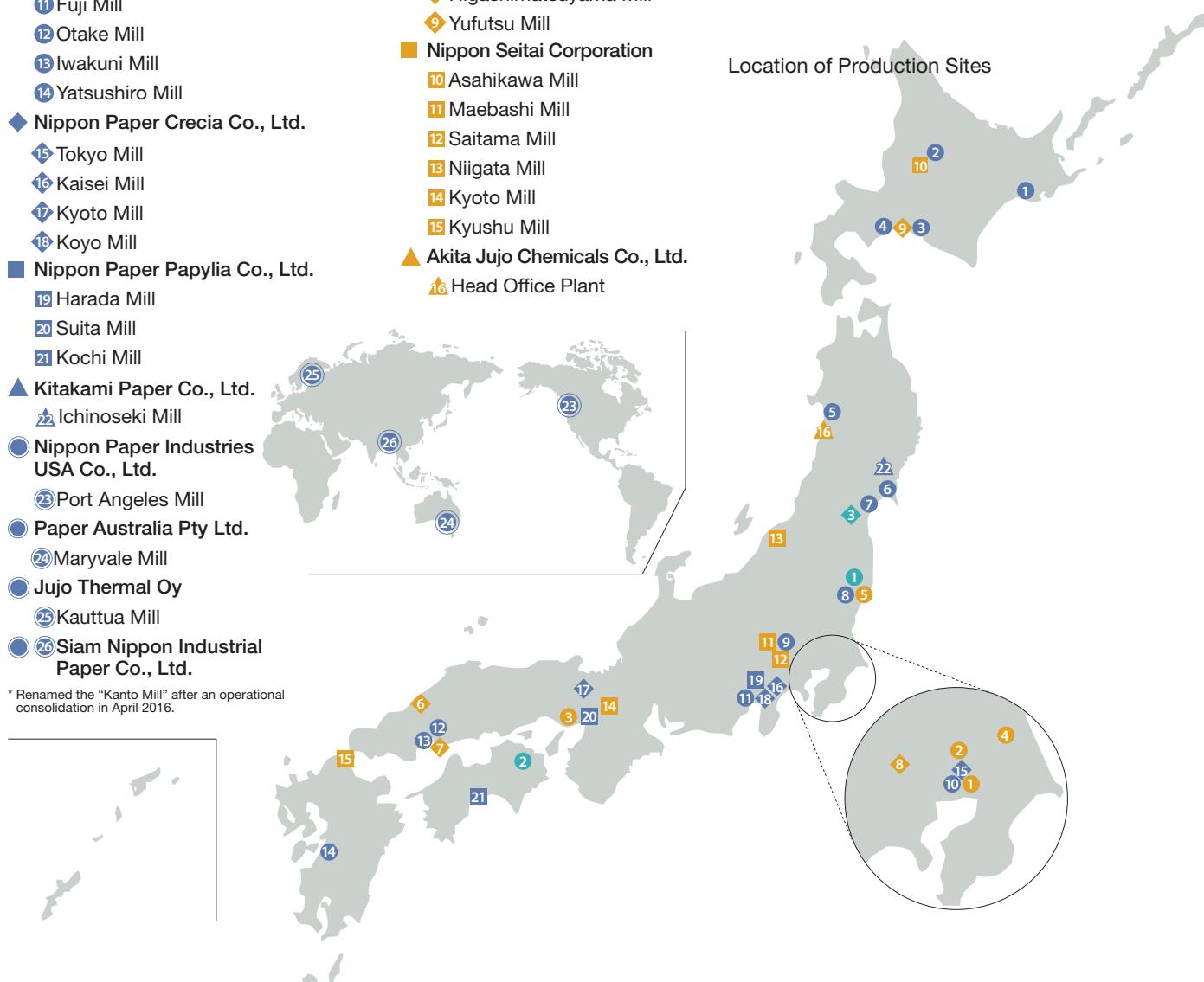
● Nippon Paper Lumber Co., Ltd.

- 1 Iwaki Mill
- 2 N&E Co., Ltd.

◆ Daishowa Uniboard Co., Ltd.

- 3 Miyagi Mill

Location of Production Sites



Editorial Policy

The Nippon Paper Group publishes its sustainability report to provide stakeholders with a broad overview of what we are doing to meet our corporate social responsibilities (CSR). The Group also publishes an annual report to provide information on its financial aspects and results of operations.

This report was prepared in accordance with the core option of the fourth update of the GRI Sustainability Reporting Guidelines (G4).

Period Covered

Fiscal 2015: April 1, 2015–March 31, 2016

Includes information from before April 1, 2015 and after March 31, 2016. Dates are indicated in such cases.

Scope of Organizations Covered

The reporting entity is Nippon Paper Industries Co., Ltd. Data, however, were compiled as of March 31, 2016 for Nippon Paper Industries Co., Ltd. and all 38 of its consolidated subsidiaries.

Scope of Environmental Coverage

The scope of the report covers the basic environmental policies, systems, environmental accounting and environment performance and other data for the 19 companies, including 5 non-consolidated subsidiaries with production facilities, named below. All major production locations are included.

Consolidated: Nippon Paper Industries Co., Ltd.; Nippon Paper Crecia Co., Ltd.; Nippon Paper Papyrus Co., Ltd.; Paper Australia Pty Ltd.; Kitakami Paper Co., Ltd.; Nippon Paper Industries USA Co., Ltd.; Jujo Thermal Oy; Siam Nippon Industrial Paper Co., Ltd.; Nippon Seitai Corporation; Nippon Paper Lumber Co., Ltd.; N&E Co., Ltd.; Daishowa Uniboard Co., Ltd.; Nippon Paper Development Co., Ltd.; GAC CO., LTD.

(The contribution to total consolidated sales of the companies listed here was 94%.)

(Sales data for trading companies that are members of the Nippon Paper Group and sell products made by the Group to outside buyers are included.)

Non-consolidated: SOKA PAPERPAK CO., LTD.; EGAWA PAPER-PAK CO., LTD.; MIKI PAPER-PAK CO., LTD.; ISHIOKA KAKO CO., LTD.; Akita Jujo Chemicals Co., Ltd.

Referenced Guidelines

- *Environmental Reporting Guidelines (2012)* of the Ministry of the Environment
- *Sustainability Reporting Guidelines (Version 4)* issued by the Global Reporting Initiative (GRI)
- United Nations Global Compact
- ISO 26000, etc.

Disclaimer

This report includes not only statements of fact and historical data but also plans, forecasts and estimates (forward-looking statements) based on the business plans and policies of the Nippon Paper Group. These forward-looking statements are the result of assumptions or judgments based on currently available information as this report was prepared. It should be noted that forward-looking statements may differ significantly from actual results due to the impacts of a number of important factors.

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The Nippon Paper Group, as a comprehensive biomass enterprise shaping the future with trees, is constantly creating new value and contributing to better living and cultural progress.

To grow our business over the long term, the Nippon Paper Group will continue to be an enterprise that is indispensable to society.

The Nippon Paper Group is a comprehensive biomass enterprise with strengths in core technologies for making paper from trees, and in the wood science technologies that derive from these core technologies. We are pursuing a wide array of businesses by practicing sustainable stewardship of forests and effectively applying every bit of the biomass resources forests produce.

Trees absorb and sequester CO₂, and continue to hold it, even after they have been processed into lumber. Using wood resources, therefore, contributes to the fight against global warming. Wood resources, as woody biomass fuel - a substitute for fossil fuels - also play a role in preventing resource depletion. The Nippon Paper Group practices sustainable forest management at its company-owned forests and overseas afforestation areas to preserve ecosystems and biodiversity, and conducts natural environment education programs on a regular basis.

The Nippon Paper Group's business model, as that of a comprehensive biomass enterprise, is sustainable and contributes to the development of society while making effective use of sustainable assets and resources. Practicing CSR activities closely linked to the unique characteristics of our business and to our business strategies will allow the Nippon Paper Group to continue to be an enterprise that is indispensable to society.

Working as a unified whole we will make the most of growth opportunities and create new fields of business.

The Nippon Paper Group is implementing its Fifth Medium-Term Business Plan, covering fiscal 2015 to 2017. The plan's objective is to accelerate our transformation to a business structure that applies our advanced wood-related technologies, developed in papermaking operations, and abundant woody biomass resources to provide products closely linked to people's daily lives. In fiscal 2015, results were slow to emerge due to the impacts of an economic slowdown, but steady progress was achieved in laying the groundwork for future earnings growth.

In our energy business, we have begun to use biomass

for 100% of the fuel to generate electricity at the Yatsushiro Mill, started operations at the Komatsushima Solar Power Plant, and embarked on investments in power generation facilities at the Fuji, Ishinomaki, and Akita mills. Furthermore, we have decided to proceed with the construction of a production test facility for a new type of woody biomass solid fuel in Thailand. In the area of cellulose nanofiber - a promising new material made from wood fiber - the first products applying this material have been introduced in the field of healthcare, and we have decided to go ahead with the construction of what will be one of the world's largest cellulose nanofiber production facilities. This facility, which will have an annual capacity of 500 tons, will be located at the Ishinomaki Mill. Meanwhile, in the packaging business, we have established a new organization to lead marketing and overseas business development efforts, and have acquired the liquid packaging board business of Weyerhaeuser Company of the US.

While there has been no change in our fundamental commitment to contribute to cultural development through paper, our plans for the future call for accelerating our business structure transformation and developing businesses that support prosperity in daily life.

We aim to achieve sustainable development for society and the Nippon Paper Group by responding to the needs of all of our stakeholders.

The Nippon Paper Group, through its management of vast tracts of forest and operation of large-scale production sites, has the potential to impact local areas and their residents significantly. Accordingly, paying attention to local environmental needs and maintaining safe operations are critical to fulfilling our responsibilities as a manufacturer, and what enable us to be a part of the communities where we operate. Regarding local environmental needs, for example, we listen to the expectations and demands expressed in communications with local residents and customers, and reflect them in our medium-term environmental action plan. In fiscal 2016, we are beginning work to achieve the fiscal 2020 objectives of our new environmental action plan. This work, which impacts all aspects of the value chain, from product development to procurement, production, transportation, product use, and recycling, is pursued with the intent of taking in highly effective action for the



Group Mission

Mission

The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.

Vision

1. Drive social sustainability through our business
2. Delight our customers
3. Instill pride in employees
4. Give back to society

Value

Challenge : Embrace new challenges

Fairness : Be fair

Teamwork : Champion teamwork

environment. It is also an implementation of the environmental management principles embodied in the Nippon Paper Group Environmental Charter, which we are committed to steadily advancing.

One of the Vision statements of our Group Mission calls for us to instill pride in employees. That requires a developed corporate culture in which the organization and people function well and employees who act based on a clear understanding of their role within the organization. And all of this must be underpinned by health and safety. The Nippon Paper Group, which owns numerous production facilities, is dedicated to preventing accidents and will spare no effort in ensuring that its workplaces are safe.

This attitude underlies the participation of Nippon Paper Industries Co., Ltd. in the United Nations Global Compact, which sets out ten principles with respect to human rights, labor standards, the environment, and the prevention of corruption.

To help ensure ongoing growth for the Nippon Paper Group and enhance corporate value over the medium-to-long term, the Corporate Governance Policy was implemented in November 2015. Established by Nippon Paper Industries Co., Ltd., this policy serves to affirm the great importance we place on further enhancing management transparency for the

benefit of shareholders and other stakeholders, and engaging in fair business practices.

This report focuses on describing how our sustainable business model, as that of a comprehensive biomass enterprise, is intimately connected to problem resolution and ongoing development for society, and how we will continue to pursue our business in coexistence with local communities. In grasping the issues we must address toward that end, we place great importance on stakeholder opinions, and have included conversations with a customer and supplier to illustrate their value.

The Nippon Paper Group will keep working in ways that promote the development of a sustainable society, based on the needs of stakeholders. We invite everyone to read this report, and we welcome candid feedback on its contents.

Fumio Manoshiro
President
Nippon Paper Industries, Co., Ltd.

The Sustainable Business Model of a Comprehensive Biomass Enterprise

The Nippon Paper Group is a comprehensive biomass enterprise that, while sustainably managing forests, effectively uses and recycles the abundant biomass resources they produce. We practice CSR activities consistent with our business characteristics and business strategies.

Helping to fight global warming, protect biodiversity, and prevent resource depletion

Three Cycles Contributing to Sustainable Development

1 Sustainable Forest Management

179,000 hectares of company-owned forests worldwide*

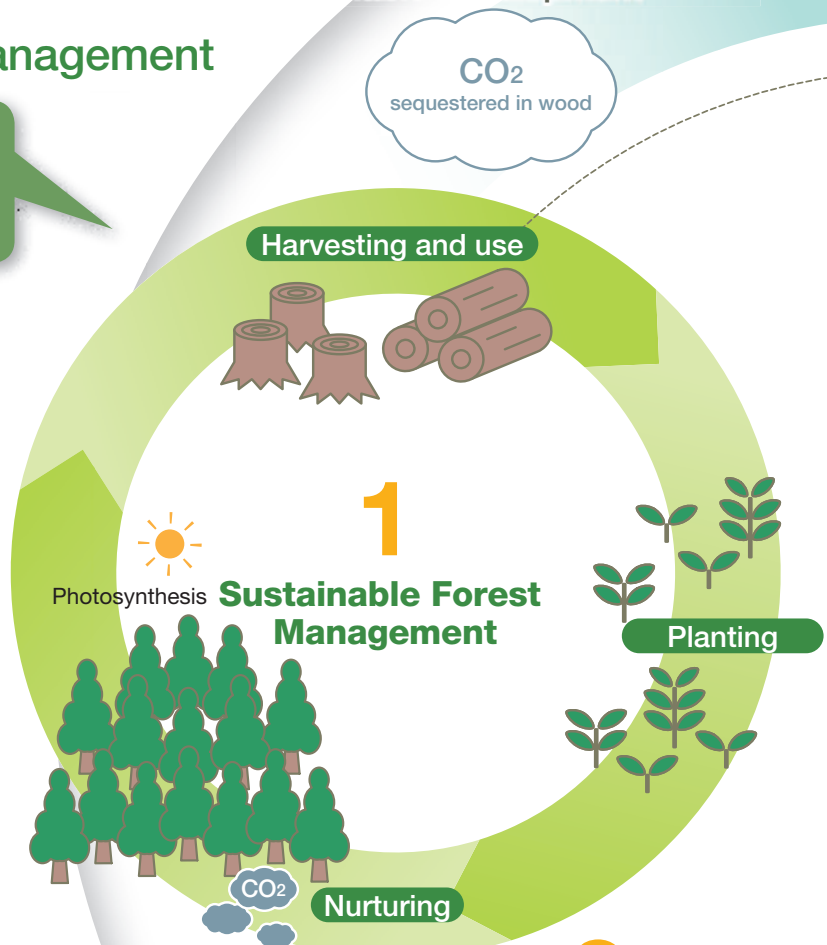
* Reflects a decline from 204,000 hectares in fiscal 2015, due to the sale of plantations in light of lower paper demand.

In addition to preventing global warming and protecting watersheds, forests perform a wide variety of functions such as providing shelter for diverse living creatures. After harvesting, steps are taken to regenerate forests and ensure that forests under our stewardship thrive indefinitely.

Preserving biodiversity

Nippon Paper Industries has designated approximately 20% of its Japanese forest as "environmental forest areas." In these areas, logging for commercial purposes is prohibited and forest ecosystems and water resources are protected. These environmental forest areas include national park lands in Akan, Nikko, and other places as well.

Environmental forest areas:
18,000 hectares
About 20% of forests owned in Japan



2 Carbon Neutrality (Preventing Global Warming through the Carbon Cycle)

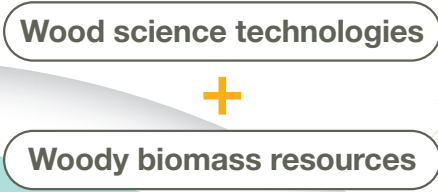
CO2 sequestered in company-owned forests worldwide: 32 million tons

Trees, the principal raw material used by the Nippon Paper Group, absorb and hold CO₂ from the atmosphere as they grow. It is believed, therefore, that the release of CO₂ when wood resources are burned results in no net increase in atmospheric CO₂. The ongoing effective use of wood resources from properly managed, sustainable forests constitutes a carbon-neutral cycle that adds no carbon to the atmosphere.

Carbon Neutrality (Carbon Cycle)

CO2 absorption from the growth of plants and trees

Toward greater use of trees

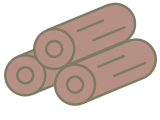


- New business creation → PP.10-11
- Expansion of product applications to growth areas → PP.10-11

Making full use of trees as a biomass resource

Cascade use of wood

Unprocessed wood



Use as a material

Paper and construction materials and various other products



CO₂ emission from burning

Use as a fuel

Black liquor, construction waste, logging residue, and other forms of biomass fuel



Use

3

Recycling of Paper Products

Separation and collection

Production of recycled paper

Pulp production from wastepaper

Cascade use of wood

While constantly building upon its wealth of wood science technologies, the Nippon Paper Group uses every harvested tree in a cascade of applications.

Prevention of resource depletion

Of the energy used by the Nippon Paper Group, 47% is comprised of black liquor from the pulp-making process, wood construction waste and other biomass fuels, and fuels derived from discarded tires, RPF, and other waste materials.

The Group is also making advances in the development of biomass fuel that can be used in place of fossil fuels.

Non-fossil energy* as a percent of total energy usage:

47%

* Non-fossil energy = biomass energy + waste energy

3 Recycling of Paper Products

Recycled paper utilization rate

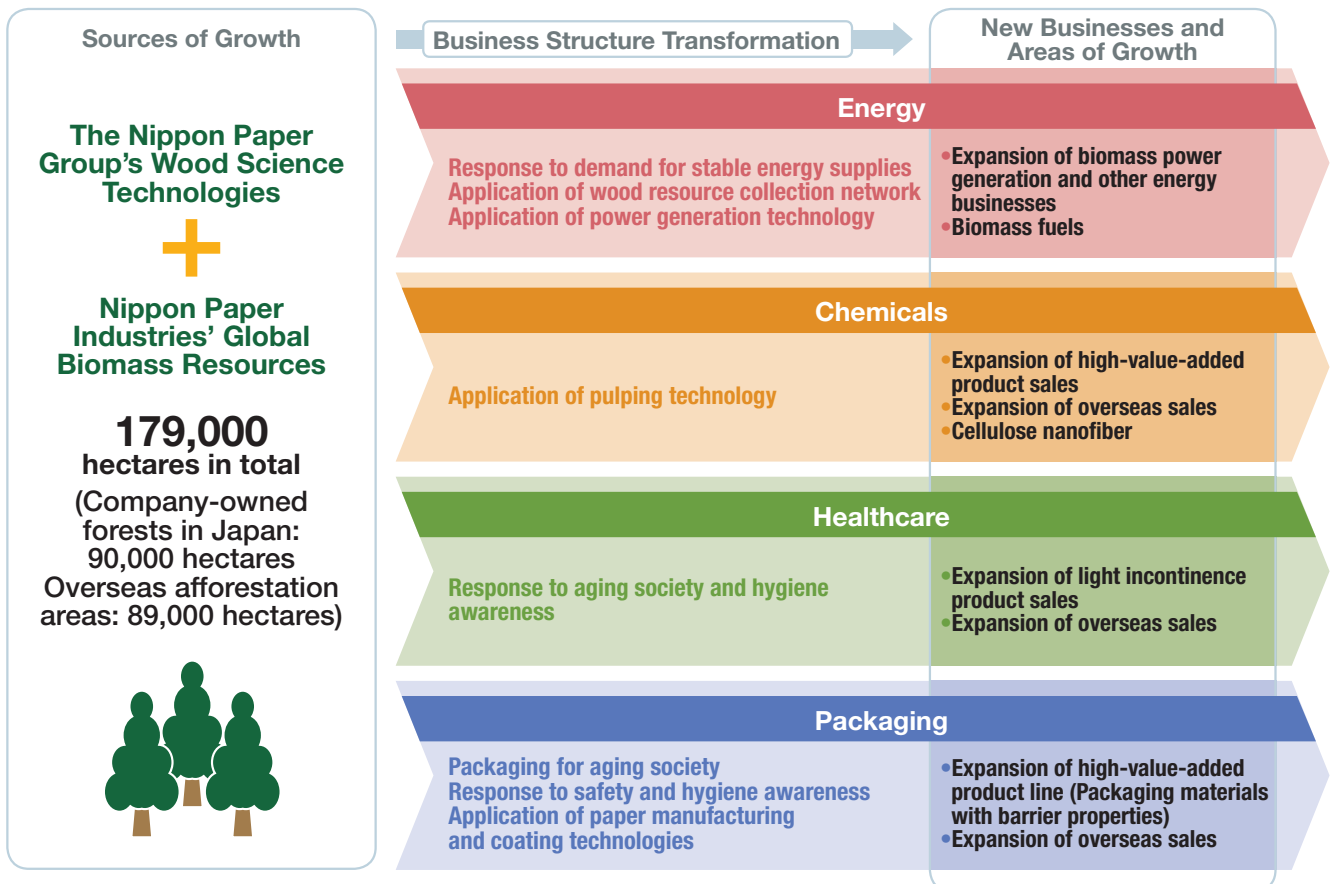
Paper **38%** Paperboard **89%**

The Nippon Paper Group is working diligently to increase the waste paper collection rate with the support of customers and the general public. In addition to bolstering its recycled paper processing capabilities, the Group is striving to expand the range of applications for pulp made from wastepaper.

Business Strategy Aiming to Create New Value

Working from a base of enhancing profitability in the domestic and overseas paper and paperboard businesses, the Nippon Paper Group is expanding businesses in growth areas by transforming the business structure, and creating new value as a comprehensive biomass enterprise shaping the future with trees.

Fifth Medium-Term Business Plan



Enhance Competitiveness of Existing Businesses

Business Alliance with Tokushu Tokai Paper Co., Ltd.

Nippon Paper Industries Co., Ltd. and Tokushu Tokai Paper Co., Ltd. agreed to enter into a business alliance* concerning containerboard, and sack and general-purpose kraft paper, businesses. Under the agreement, an efficient sales system will be established by consolidating sales functions in a joint sales company to be newly established. Furthermore, Tokushu Tokai Paper will spin off its Shimada Mill, which will then be operated with production know-how from both companies for enhanced competitiveness.

* The business alliance is scheduled to take effect on October 1, 2016. Nippon Paper Industries Co., Ltd. will hold 65% of the shares of the new joint sales company, Nippon Tokai Industrial Paper Supply Co., Ltd., while Shin Tokai Paper Co., Ltd., the company created to take over operation of the Shimada Mill, holds the remaining 35%.

New Business Creation and Expansion of Product Applications to Growth Areas

1 Energy

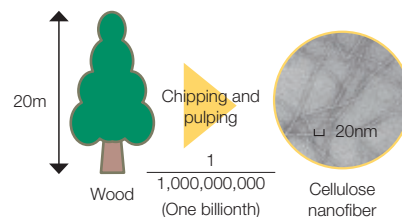
Nippon Paper Industries Co., Ltd. is focusing on the use of renewable energy in its power generation business, where it has established the goal of achieving ¥50 billion in annual sales as early as possible. The mega solar plant in Komatsushima City, Tokushima Prefecture, and the Yatsushiro Mill's biomass power plant, fueled entirely with unused woody materials, are presently operating as expected. In addition, wind power generation is scheduled to get underway on a site adjacent to the Akita Mill, in January 2018, and a cutting-edge thermal power plant capable of using biomass fuel, including unused woody material, at rates of up to 30% is expected to come online in March of the same year at the Ishinomaki Mill's Hibarino site.



Komatsushima Solar Power Plant (Module capacity of 21,000 KW)

2 Cellulose Nanofiber (CNF)

Cellulose nanofiber (CNF) is wood fiber (pulp) that has been refined down to a nano-level scale and is the world's most advanced biomass material. In 2013, Nippon Paper Industries Co., Ltd. established Japan's first test facility for CNF production at the Iwakuni Mill, and now we are working on a new CNF production facility at the Ishinomaki Mill. With an annual capacity of 500 tons, this plant will be among the world's largest facilities of its kind, and plans are to have it in operation by April 2017.



In 2015, the Nippon Paper Group completed development work on sheets using CNF that has been treated so that its surface is coated with silver and other metal ions. These sheets offer outstanding antibacterial and deodorant properties, and they are being used in Nippon Paper Crecia Co., Ltd.'s Hada Care Acty® brand of adult diapers and other products in the Hada Care series - the world's first applications of functional CNF. Looking to the future, consideration is being given to offering not only CNF but also items such as resin and rubber primary processed products reinforced with CNF, and packaging, functional paper, and filters applying the transparency, gas-barrier, and other properties of CNF.

* "Nano" = one billionth.

3 Healthcare

The healthcare business is viewed as a promising growth area and management resources will be allocated to it with the goal of achieving a medium-term target of ¥20 billion in annual sales. Nippon Paper Crecia will complete capacity expansion work at its Kyoto Mill and strengthen its sales operations. In addition, through the offering of products such as the Poise® Hada Care Pad and the Hada Care Acty® series, Nippon Paper Crecia is offering new value that responds to the needs of an aging society.



Poise® Hada Care Pad Regular
20 pads



Hada Care Acty® Soft Fit
Comfortable thin pants
M-L size, 22 count

4 Packaging

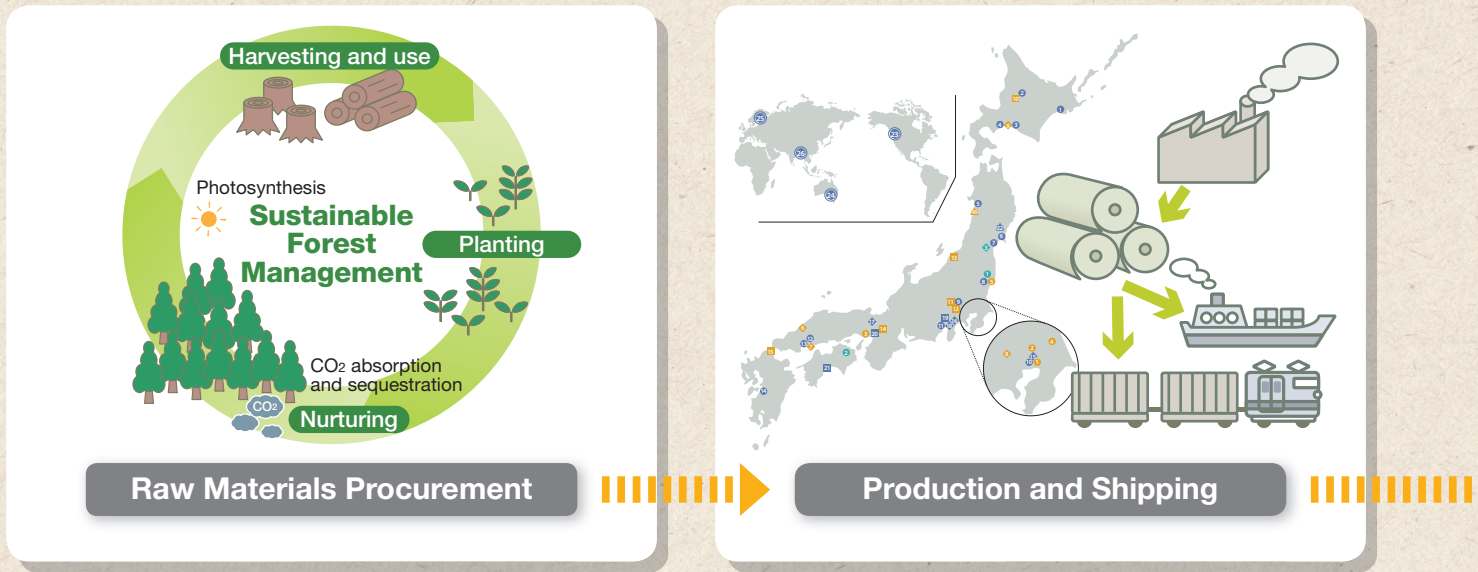
In April 2016, Nippon Paper Industries Co., Ltd. established the Packaging Communication Center, to perform marketing and proposal functions, and the Packaging Research Laboratory, to develop packaging materials and technologies. The Company also entered into a licensing agreement with Elopak AS, a Norwegian company, in March 2016. Under the agreement, Nippon Paper Industries will become the first company in Japan to manufacture and sell the chilled liquid cartons Elopak provides around the world. In a separate deal, Nippon Paper Industries acquired the liquid packaging board business of Weyerhaeuser Company in the US.

Through the measures mentioned above, Nippon Paper Industries aims to pursue global business development as a total liquid carton system supplier with integrated operations spanning everything from the production of liquid packaging board, to processing, new carton development, and sales.



Various types of paper containers and packaging

Social Issues and the Nippon Paper Group's Value Creation Flow



Addressing Social Issues in Our Value Chain

Social Issues	ISO 26000 Core Subjects	Pages in Sustainability Report 2016	Raw Material Procurement
Management Responsibility	Organizational Governance, Fair Operating Practices	PP.15-24	←
Forest Management, Raw Material Procurement, and Environmental Responsibility	The Environment	PP.25-50	<ul style="list-style-type: none"> • Sustainable procurement of raw materials (Efforts to procure certified material, confirm legitimacy, pursue afforestation overseas, obtain certifications for company-owned forests, and use domestic materials) • Protection and nurturing of company-owned forests in Japan (Preserving biodiversity and other efforts to maintain the diversity of roles played by forests)
Responsibility to Customers	Consumer Issues	PP.51-56	←
Human Rights, Employment and Labor Responsibility	Human Rights, Labor Practices	PP.57-64	<ul style="list-style-type: none"> • Confirmation of suppliers' actions in respecting human rights • Respect for human rights in the company's forest management (Respect for indigenous people, prohibitions against forced labor and child labor, etc.)
Responsibility to Communities	Community Involvement and Development	PP.65-69	<ul style="list-style-type: none"> • Coexistence with communities adjacent to overseas afforestation areas (Job creation, education support, cultural preservation, contributions to local environments, preserving biodiversity, promotion of safety and disaster preparedness, etc.) • Contributions that make use of company-owned forests for the benefit of local areas and communities (Environmental education that makes use of company-owned forests, etc.)



Sales and Usage



Separation, Collection, Recycling, and Disposal

Materiality

Initiatives in Our Value Chain

Production	Shipping	Sales and Usage	Separation, Collection, Recycling, and Disposal
<p>Corporate governance, CSR management, thorough compliance, appropriate information disclosure, personal information management, and dialogue with stakeholders</p>			
<ul style="list-style-type: none"> Climate change initiatives Reduction of environmental impacts (Water and air pollutants, waste, noise, vibration, odor, chemical substances, etc.) Development and manufacturing of environmentally and socially conscious products 	<ul style="list-style-type: none"> Increase in load efficiency (Promotion of modal shifts) Shortening of transportation distances (Pursuit of direct delivery and reorganization of distribution warehouses) 		<ul style="list-style-type: none"> Promotion of wastepaper collection Promotion of recycled paper usage (Strengthening of waste paper processing capacity, expansion of use of unutilized waste paper, improvement of recycled paper pulp quality)
<ul style="list-style-type: none"> The stable supply of products Ensuring quality and safety 		<ul style="list-style-type: none"> Providing environmentally and socially conscious products Ensuring safety in use Pursuing customer satisfaction Appropriate disclosure of product information Addressing customer questions and opinions 	<ul style="list-style-type: none"> Promotion of wastepaper collection together with customers (Support for recycling organizations, establishment of waste paper collection facilities, etc.)
<p>Climate Change Initiatives Appropriate information disclosure, promotion of communication, and environmental education activities</p>			
<ul style="list-style-type: none"> Hiring practices that respect human rights Securing diversity in the workforce Human resource development Ensuring occupational safety and health, and disaster prevention 	<ul style="list-style-type: none"> Ensuring safety in shipping (Promotion of transportation safety) 		
<p>Respect for basic human rights</p>			
<ul style="list-style-type: none"> Coexistence with areas surrounding mills (Job creation, education support, contributions to local environments, cultural preservation, promotion of safety and disaster prevention, etc.) 	<ul style="list-style-type: none"> Reduction of impacts of shipping (Promotion of transportation safety, adoption of low emission vehicles, promotion of noise abatement measures) 		<ul style="list-style-type: none"> Working with local communities to promote wastepaper collection
<p>Promotion of appropriate information disclosure and communication</p>			

CSR Materiality at the Nippon Paper Group

CSR Materiality Items among Initiatives in Our Value Chain (Addressed on pages 12-13)

ISO 26000 Core Subjects	Materiality	Scope of External Impacts	Indicators
Organizational Governance, Fair Operating Practices (Management Responsibility)	<ul style="list-style-type: none"> • Dialogue with stakeholders 	Society	P.15
The Environment (Forest Management, Raw Material Procurement, and Environmental Responsibility)	<ul style="list-style-type: none"> • Sustainable procurement of raw materials • Climate change initiatives • Reduction of environmental impacts • Wastepaper collection and use • Preserving biodiversity 	Production sites, people living near company-owned forests, and suppliers	P.25 P.33
Consumer Issues (Responsibility to Customers)	<ul style="list-style-type: none"> • Providing environmentally and socially conscious products 	Customers	P.51
Human Rights, Labor Practices (Human Rights, Employment and Labor Responsibility)	<ul style="list-style-type: none"> • Occupational safety and health 	Subcontractors, suppliers	P.57
Community Involvement and Development (Responsibility to Communities)	<ul style="list-style-type: none"> • Coexistence with local communities and society at large 	Production sites and people living near company-owned forests	P.65

The Nippon Paper Group, working from a foundation of sustainable forest management, contributes to better living and cultural progress as a comprehensive biomass enterprise making full use of, and recycling, renewable wood resources.

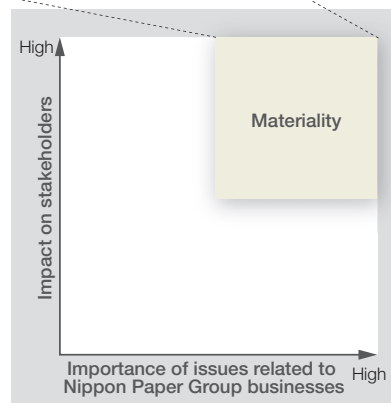
Proper management can make forests into sustainable resources and enable the preservation of biodiversity. Sequestering CO₂ in forests and using wood resources helps to fight global warming. And using renewable wood resources prevents resource depletion.

Creating new products and expanding our activities as a comprehensive biomass enterprise, we manage and operate expansive forests and large-scale production sites. We, therefore, have a significant impact on the local areas and people who work there. Coexistence with these communities, as well as reducing environmental impacts and securing the safety and health of our local employees, therefore, are critical to our own continued existence.

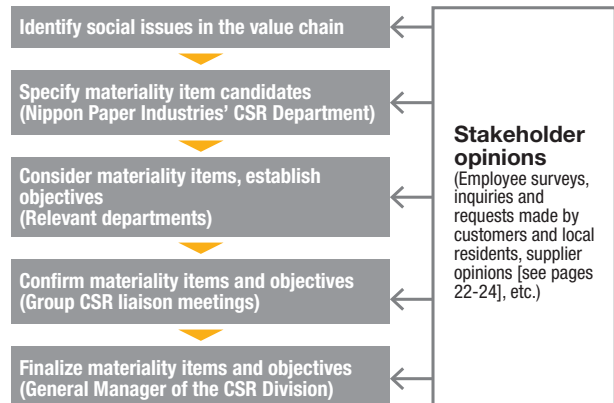
Moreover, the opinions of our stakeholders serve as valuable opportunities to grasp issues that are important for coexisting and growing with society in a sustainable way.

Therefore, the materiality items given above are of particular importance among our initiatives addressing social issues in our value chain (see pages 12–13).

We identify materiality items as described in the diagram to the right.



Process for Identifying Materiality Items



Management Responsibility

The opinions of stakeholders are important for bringing attention to issues that could affect the Nippon Paper Group's coexistence with society and efforts to grow sustainably.



Investor briefings

Indicators	Key Objective	Performance (fiscal 2015)
<p>Materiality: Dialogue with Stakeholders</p>		
[Shareholders and Other Investors] Constructive Dialogue	Strive to gain understanding of the Nippon Paper Group's corporate strategies and policies, listen to shareholder opinions and to the business analysis views of capital providers, and reflect these perspectives in management	Held four briefings on operating results and management, and 219 individual meetings
[Suppliers] Surveys of main raw material (chips and pulp) suppliers, field interviews	Exercise due consideration of human rights, worker rights, local community needs, biodiversity, and legality	Conducted surveys (20 chip suppliers, 10 pulp suppliers), and noted no problems in field interviews
[Customers] Responses to customer questionnaires and inquiries	Respond rapidly and accurately	Responded rapidly and accurately to questionnaires and routine inquiries
[Employees, subcontractors, and others] System for strictly protecting the privacy of whistleblowers, and preventing retaliation against them	Ensure that potential whistleblowers can have confidence to report their concerns internally	Clearly stated in the rules governing the Group help line system that whistleblowers will be protected and that anonymous reports will be accepted under certain conditions. Received 19 whistleblower reports in fiscal 2015
[Local Residents] Dialogue and disclosure of environmental information via risk communication meetings and other means	Promote mutual understanding of risk control measures	Provided information and gathered opinions in 52 risk communication meetings

Group Governance and Information Disclosure

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Group Governance and Information Disclosure

Further enhancing transparency and practicing fair management, while pursuing sustainable growth and increasing corporate value

Basic Stance

Striving to achieve sustainable growth and increases in corporate value

Nippon Paper Industries Co., Ltd. established its Corporate Governance Policy on November 5, 2015 to achieve sustainable growth and medium-to-long-term increases in corporate value for the Nippon Paper Group in ways that are consistent with the Group Mission (see page 7). As of June 29, 2016, Nippon Paper Industries Co., Ltd. is acting in accordance with all of the fundamental principles of Japan's Corporate Governance Code.

The Company's highest management priority is to achieve even greater transparency toward shareholders and other stakeholders and engage in fair business practices. The Company has adopted an executive officer system and is working to strengthen the oversight function of its Board of Directors to ensure the separation of business execution and management oversight. In addition, as the leader of the Nippon Paper Group, the company is implementing growth strategies, monitoring businesses under its control, and promoting compliance.

 **Corporate Governance Policy**
<http://www.nipponpapergroup.com/english/ir/governance/>

Corporate Governance Structure

Working to enhance management efficiency and credibility

The company's Board of Directors is comprised of seven internal directors and two outside directors, for a total of

nine directors, as of June 29, 2016. By combining internal directors with outstanding track records and management capabilities in the operations they oversee, and outside directors with high levels of knowledge and experience, the Company has assembled a diverse Board of Directors that is exceptionally well-balanced in terms of knowledge, experience, and capabilities.

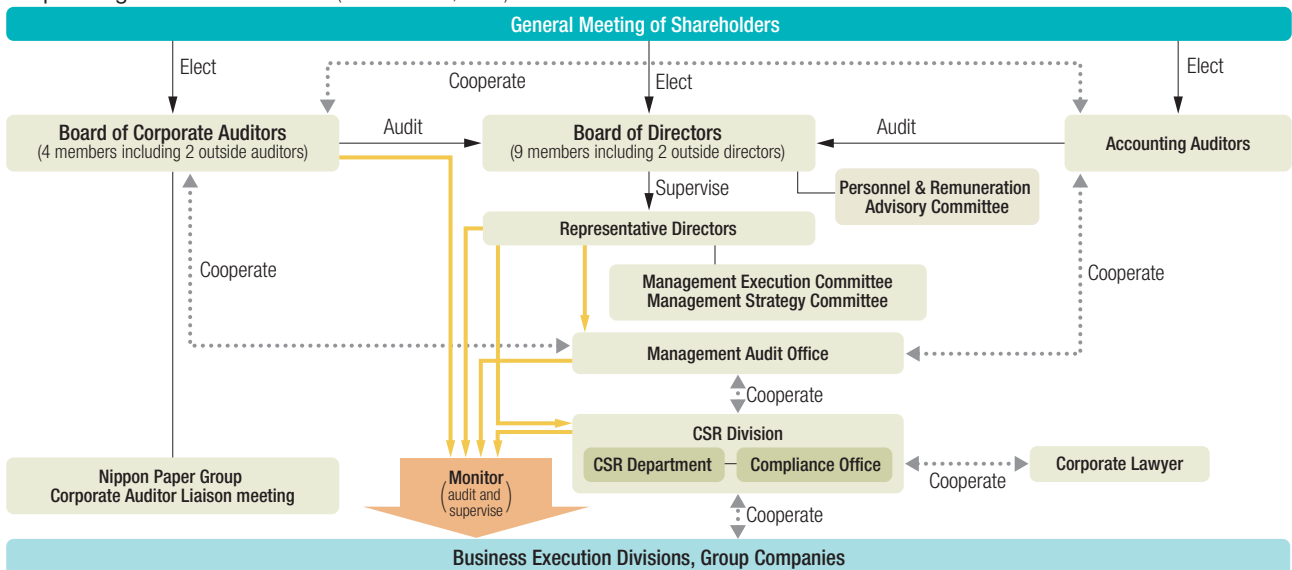
The Management Execution Committee meets weekly to support the business execution activities of the president, and undertake discussions of important operational matters. The Management Strategy Committee meets as needed to discuss management strategies for particular business areas, and other matters of importance for the Group.

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

● Increase in Independent Outside Directors

In light of their importance, Nippon Paper Industries nominated an additional independent outside director who was approved at the General Meeting of Shareholders held on June 29, 2016. Of the Company's two independent outside directors, one is an expert in legal matters, while the other began his career in government before going on to accumulate considerable experience in corporate management. Both independent outside directors will apply their expertise, experience, broad perspectives, and understanding of international affairs in overseeing, and providing advice on, the directors' performance of their duties.

Corporate governance structure (as of June 29, 2016)



■ Compensation Paid to Directors

Determined on the basis of responsibilities and performance

Nippon Paper Industries Co., Ltd. has set forth the following policy on officer remuneration in its Corporate Governance Policy.

••• Corporate Governance Policy (excerpt) •••

Article 8 (Policy for deciding compensation, etc. of directors and statutory auditors)

- For directors, the Company shall set guidelines for purchasing and holding treasury shares in order to give them an incentive to increase shareholder value by having management conscious of the need to increase medium- to long-term corporate value. Directors shall, based on the said guidelines, apply a certain amount of their monthly compensation to contribute to the Directors' Shareholding Association for acquiring treasury shares. The shares so acquired shall be held throughout their tenure of office.
- Regarding a director's monthly compensation, his/her base compensation shall be decided according to his/her job responsibilities in the Company. Of that, 70% shall be fixed and the remaining 30% shall be paid with increases or decreases based on the preceding business year's business performance. Meanwhile, they shall receive neither bonuses nor directors' retirement benefits.
- Regarding outside directors and outside statutory auditors, monthly compensation shall be fixed. Meanwhile, in view of their job responsibilities, contributions to the Directors' Shareholding Association shall be left to their discretion.

Fiscal 2015 total remuneration¹ for directors and corporate auditors

Officer class	Number of officers	Total remuneration for all members of the officer class
Directors	11 ²	¥401 million per year
Corporate auditors	4	¥61 million per year

¹ Rounded down to the nearest million yen.

² Includes 3 directors who resigned during the fiscal year ended March 31, 2016.

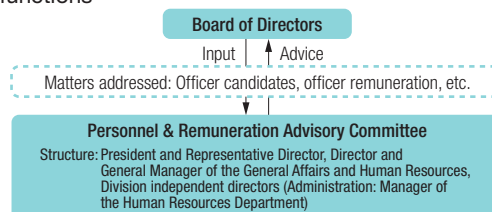
■ Personnel & Remuneration Advisory Committee

Working to enhance management transparency

To further enhance corporate governance, Nippon Paper Industries Co., Ltd. established the Personnel & Remuneration Advisory Committee in April 2016. Created as an advisory body to the Board of Directors, the committee is structured to include outside directors as key members.

With input from the Board of Directors on matters such as the process for nominating director and corporate auditor candidates, candidate qualities and nomination rationale, independence criteria for outside directors, and the officer remuneration system, the committee undertakes deliberations with appropriate involvement and recommendations by outside committee members. Using the committee's advice, the Board of Directors then makes decisions on matters including director and corporate auditor nominations, and director remuneration.

Personnel & Remuneration Advisory Committee structure and functions



■ Evaluating the Effectiveness of the Board of Directors

Increasing the effectiveness of the Board of Directors

In fiscal 2015, Nippon Paper Industries Co., Ltd. began to have its Board of Directors engage in self-evaluations of its effectiveness. The purpose of this initiative is to continuously strengthen the functions of the Board of Directors.

Once each year, the administrative office supporting the Board of Directors asks each director and corporate auditor to complete a survey on matters such as board operations and deliberations. The Board of Directors discusses, analyzes, and evaluates the results of the survey and then uses what it has learned to improve the board's effectiveness.

Comment

Helping to strengthen corporate governance

Yoshimitsu Aoyama, Outside Director, Nippon Paper Industries Co., Ltd.

I believe the purpose of corporate governance is to promote transparent management decision-making that helps the Company increase its corporate value and pay returns to shareholders, create comfortable work environments where employees feel that what they do is valuable, and enhance its credibility as a member of society. It is from this perspective that I, as an outside director, intend to contribute the views of an outsider to oversight of the Company's management.



Group Governance and Information Disclosure

Revision of the Rules Governing the Board of Directors

Working to strengthen the oversight function of the Board of Directors

In April 2016, Nippon Paper Industries Co., Ltd. revised the rules governing the Board of Directors to strengthen the board's oversight function.

In doing this, efforts were focused on modifying the types of matters that should be taken up by the board, given its responsibilities. Furthermore, materiality standards were revised and action was taken to clearly separate business operations from management oversight by devolving decision-making authority on certain matters, such as capital investments, to the president or other executive officers.

The revised rules governing the Board of Directors will serve as a foundation for further strengthening deliberation and reporting on matters concerning management plans and policies, and corporate governance.

Internal Control System

Complying with statutory and regulatory requirements

In accordance with Japan's Companies Act and related laws and regulations, Nippon Paper Industries Co., Ltd.'s Board of Directors approved the Basic Policy for Establishing the Internal Control System in 2006 and has revised it as necessary since then. As called for by the basic policy, systems that are required for the Board of Directors to perform its duties in accordance with laws and regulations, and with the Company's Articles of Incorporation, and systems that are required for the Nippon Paper Group to properly pursue its business activities have been established and are being used.

Financial reporting internal controls

To comply with the internal control reporting system requirements stipulated under the Financial Instruments and Exchange Act of Japan, the Management Audit Office assesses the status and operation of financial reporting internal controls. Based on these assessments, it has been determined that effective financial reporting internal controls were in place at Nippon Paper Industries Co., Ltd., and 21 consolidated subsidiaries, as of March 31, 2015.

Position on Information Disclosure

Enhancing management transparency through active information disclosure

The Nippon Paper Group constantly strives to enhance the soundness and transparency of its management by disclosing company information in accordance with our Action Charter

(see page 19). This policy is provided in the Nippon Paper Group Disclosure Policy adopted 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 disclose information in a timely manner, standing on the principles of transparency, fairness and continuity. Furthermore, we disclose information that may not be required under applicable laws, regulations, or timely disclosure rules, when deemed to be of interest to our stakeholders and other members of society.



Information Disclosure Policy

<http://www.nipponpapergroup.com/english/ir/disclosure/policy/>

Participating in Organizations in Japan and Abroad

Seeking to connect to and work with external parties

The Nippon Paper Group strives to share information with other companies, international organizations, governmental institutions, labor organizations, and NGOs in countries around the world, and contribute to various activities together with these partners.

The United Nations Global Compact

Nippon Paper Industries Co., Ltd. announced its decision to support the 10 principles covering the four fields of human rights, labor, environment and anti-corruption and joined the United Nations Global Compact as a signatory in November 2004.



United Nations Global Compact

<https://www.unglobalcompact.org/>

Principle organization memberships

(as of July 2016)

Organization	Position
Japan Paper Association	Chairman
Japan Tappi	Vice President
Forest Management Association	Director
Japan Overseas Plantation Center for Pulpwood	Director
Japan Woody Bioenergy Association	Director
Paper Recycling Promotion Center	Vice President
Japan Paper Exporters' Association	Chairman
Japan Paper Importers' Association	Vice Chairman
Japan Association of Milk Packaging and Machinery	Vice Chairman
Committee for Milk Container Environmental Issues	Vice Chairman
Association of Large-scale On-site Power-plant Owners	Managing Director
National Institute of Advanced Industrial Science and Technology Nanocellulose Forum	Chair

CSR Management

Advancing CSR activities that help to build a sustainable society through business endeavors

Management Structure

Overseeing corporate social responsibility through the CSR Division

Nippon Paper Industries Co., Ltd. established the CSR Division to oversee the CSR activities of the Group as a whole. The CSR Department and Public Relations Office were set up within the CSR Division. The CSR Department promotes CSR activities based on the Action Charter and works closely with the various divisions and departments.

... The Nippon Paper Group's ... Action Charter

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

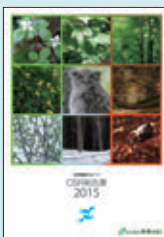
Case

Nippon Paper Group Sustainability Report 2015 awarded special prize for excellence

Nippon Paper Group Sustainability Report 2015, issued by Nippon Paper Industries Co., Ltd. in September 2015, was awarded a special prize for excellence in biodiversity reporting at the 19th Environmental Communication Awards, co-organized by Japan's Ministry of the Environment and by the Global Environmental Forum.

The purpose of the Environmental Communication Awards is to recognize outstanding environmental reporting and, thereby, encourage companies and other organizations to engage in environmental management and environmental communication initiatives, and improve the quality of environmental information disclosures.

The Nippon Paper Group is honored to have had its sustainability report recognized for excellence and will now work even harder in the pursuit of CSR activities and information disclosures that are substantial and easily understandable.



Nippon Paper Group Sustainability Report 2015

Supporting CSR activities by Group companies

Nippon Paper Industries Co., Ltd.'s CSR Department hosts regular CSR liaison meetings with personnel in charge of CSR at principal Group companies. These meetings are held to communicate directions being taken with regard to CSR matters and to share opinions. They are also used as opportunities to hear discussions of CSR activity trends by invited consultants, and to hold workshops.



CSR liaison meeting

Meeting social responsibilities through business activities

The Nippon Paper Group, as a comprehensive biomass enterprise shaping the future with trees, aims to contribute to the development of a sustainable society through its business activities. Toward that end, we are committed to grasping the expectations and demands of our stakeholders, and fulfilling our social responsibilities from the perspectives of business management; forest management and the procurement of raw materials; the environment; customers; human rights, employment, and labor; and local communities.

Meeting social responsibilities through business activities



Compliance

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

Compliance Structure

Promoting compliance throughout the Group

The CSR Division of Nippon Paper Industries Co., Ltd. serves as a facilitator and driving force behind efforts to achieve and reinforce understanding of compliance throughout the Nippon Paper Group.

Each Group company appoints a person to be in charge of compliance within its organization, and Nippon Paper Industries' Compliance Office actively hosts Group Compliance Liaison Meetings to provide all employees in charge of compliance with information on important policies and measures, opportunities to share information, and advice on education and training activities.

● Implementing compliance education

The Nippon Paper Group conducts training on an ongoing basis to further enhance compliance awareness and understanding. We, together with a consultant from outside the Group, conduct practical training that involves group discussions and is tailored to the specific needs of production sites and sales offices.

Education on compliance is also provided through avenues such as e-learning, new-hire training, and training for newly appointed managers.



Compliance training

In fiscal 2015, basic training was conducted for 650 employees; training on the Antimonopoly Act, for 800 employees; and seminars on current issues, for 920 employees.

Personal Information Protection

Maintaining a systematic structure and rules

Nippon Paper Industries has taken steps to ensure clear understanding of the structure and rules applicable to the handling of personal information. The personal information of customers, business partners and employees is controlled by clearly stated rules and a manual, and is tracked and managed in control ledgers by individual related departments as required by the Private Information Protection Law. These ledgers contain details of the dates when personal information was obtained and the purposes for holding it, and are reviewed annually to eliminate data for which the holding period has expired and take other actions, as well, to ensure that information is handled properly.

Group Internal Whistleblower System

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

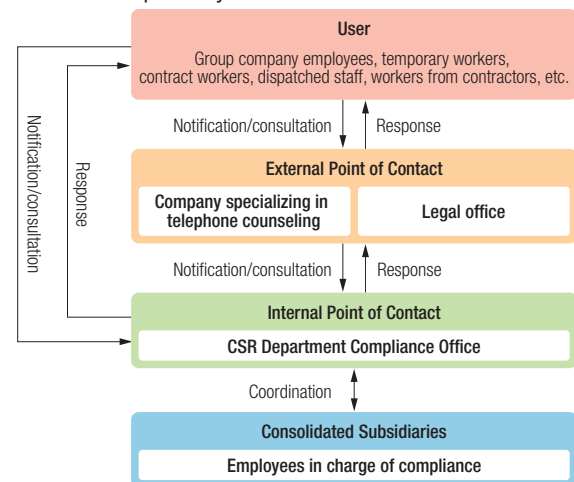
The Nippon Paper Group has established its help line system to allow any employee of the Group to provide direct notification of, or seek advice outside the chain-of-command on, any action in the workplace that could violate laws, social norms or corporate ethics. The Compliance Office located within the CSR Department serves as a point of contact within the Group. We have also established points of contact outside the Group for use by employees as appropriate.

The help line system guarantees the privacy of whistleblowers and takes steps to ensure that they do not suffer because they have reported questionable activity or have sought advice.

Trends in the number of notifications received by the help line

Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
13	21	26	19

Flow of the help line system



Respect for Intellectual Property

Heightening respect for intellectual property and ensuring compliance with all applicable laws through education programs

The Nippon Paper Group's emphasis on intellectual property is evident not only in research and development but also in all of its business activities, and the Group adheres strictly to all applicable laws and regulations. Members of the Intellectual Property Department of Nippon Paper Industries, and outside patent attorneys, conduct intellectual property education programs for the benefit of Group company employees.

A total of 326 employees attended the 10 programs in fiscal 2015.

Dialogue with Stakeholders

Actively creating opportunities for dialogue to promote coexistence with society

Basic Stance

Actively promoting dialogue

The Nippon Paper Group manages broad areas of forest and operates large-scale production sites. Coexistence with the places where we pursue business activities, and with society at large, therefore, is in our own vital interest, and dialogue with stakeholders is critical for understanding what coexistence demands.

In this context, we actively establish contact points and opportunities for direct dialogue with all stakeholders while regularly providing information on our operations and promoting the exchange of opinions. Each of our business locations actively creates opportunities for regular communication on risks and other matters. And stakeholder opinions are received through channels such as our website and ShikiOrii, the CSR communication magazine we publish to provide plain and simple explanations of our CSR initiatives.

Stakeholder opinions are carefully considered and reflected in management decision making aimed at enabling the mutually beneficial ongoing development of society and the Nippon Paper Group.



CSR communication magazine ShikiOrii

IR Activities

Promoting dialogue with shareholders and investors

Nippon Paper Industries Co., Ltd. strives to gain understanding of the Group's business direction by engaging shareholders and other investors in constructive dialogue. Furthermore, we reflect the opinions of investors and the business analysis perspectives of capital providers in our management to promote sustainable growth and medium-to-long-term increases in corporate value for the Group.

Results of activities in fiscal 2015

Operating results and management briefings	1 time
Operating results briefings (Teleconference)	3 times
Individual meetings	219 times

Tours and other events

Every opportunity is taken to promote a deeper understanding of the Nippon Paper Group and its activities.



Tours of Nippon Paper Industries' Iwanuma Mill

Annual plant tours are one example. The tours of Nippon Paper Industries' Iwanuma Mill in fiscal 2015 attracted considerable praise from participants.

Trends in dividends per share

Company name	Fiscal year end	Interim dividend	Period-end dividend
Nippon Paper Group, Inc.	March 2013	10	—
	March 2014	—	30
Nippon Paper Industries Co., Ltd.*	March 2014	10	30
	March 2015	20	30
	March 2016	30	30

* Nippon Paper Industries Co. Ltd. and Nippon Paper Group, Inc. merged on April 1, 2013.

Contact points for dialogue with stakeholders

Stakeholder	Major point of contact	Means of communication
Employees (executives, permanent employees, part-time employees, employee families)	Human resource sections	Labor-management councils, labor-management committees, etc.
Customers (business enterprises, consumers, etc.)	Sales sections Product safety sections Customer assistance channels	Individual interviews, inquiries to customer relations sections, etc.
Society and local residents (local communities, NPOs/NGOs, municipalities, the media, students, etc.)	Responsible sections within mills and branches	Environmental explanatory meeting, risk communication, environmental monitoring system, mill presentation meetings, etc.
	Responsible sections within each business segment	Interviews, etc.
	Social contribution sections	Social contribution activities, etc.
Business partners (suppliers, subcontractors, etc.)	Public relations sections	Press releases, interviews, etc.
	Procurement sections Human resource sections	Individual interviews, supplier surveys, etc.
Shareholders (shareholders, investors, etc.)	General affairs sections IR sections	General shareholders' meetings, shareholder communications, explanatory meetings, annual reports, IR site, IR information mail, etc.

Dialogue with Stakeholders

■ Reviewing Initiatives on Materiality Items

Working to identify issues concerning coexistence with society and sustainable growth

In reviewing the initiatives the Nippon Paper Group has pursued to address materiality items, we asked stakeholders to contribute their opinions to our efforts to shape improvements going forward and identify new materiality items.

Dialogue with a customer provided an opportunity to rediscover the value of paper, the Group's core product, in contributing to cultural progress, in accordance with our Group Mission (see page 7). It has also allowed us to see

that paper, through its use in providing environmentally and socially conscious products (see page 14), can contribute to the building of a sustainable society.

In dialogues with suppliers (see page 24), we have asked what is necessary to promote the sustainable procurement of raw materials – one of our materiality items – and have reviewed the Nippon Paper Group's initiatives to date.

Dialogue with a Customer

On the Current and Future Value of Paper

We talked with Hirohito Shibata, a researcher using scientific methods to evaluate paper at Fuji Xerox Co., Ltd. - a Nippon Paper Group customer - about the benefits and the future of paper as a communication medium.



Hirohito Shibata, Ph.D.

Senior Research Principal,
Research and Technology Group
Fuji Xerox Co., Ltd.
Part-time Lecturer at Tokyo University of
Technology

Research Areas: User interface design, cognitive science, creativity support

Publications

- 1 Shibata Hirohito: Where Can Paper Continue to be Used? Paper Times Co., Ltd. ed. "Paper Pulp 2020 A Discussion of the Near Future with Experts" PP:52-61 (2015)
- 2 Shibata Hirohito: A Consideration of Media and Work Styles of the Future Pulp and Paper Technology Times Vol.57, No.1, PP:61-70 (2014)

Paper as a tool for creating opportunities to think

Kumagai To begin with, could you tell me how you came to evaluate paper and how you do it?

Shibata I examine the value of paper Fuji Xerox handles in its copying machine and other businesses in order to understand the future of this paper. I prepare research reports based on objective data and facts and submit them for peer review to show that my findings are credible.

K I understand that you compare paper to electronic media. Recently, I heard that some companies that had been distributing internal newsletters electronically have gone back to paper. Also, though it's been said that paper advertisements displayed in commuter trains will disappear, they're still being used. What are the benefits of paper that distinguish it from electronic media?

S Using paper to distribute a company newsletter provides a trigger to read it. And as for ads, paper allows commuters to choose those they want to look at, look at them as long as they want, and look at them again later; with an electronic device, ads are displayed automatically without reader involvement. In other words, with paper, the reader can exercise more degrees of freedom in choosing what they read and when they want to read it.

Electronic media have the advantage of being able to display high volumes of information, but there is the tendency of readers to become passive. If we look at a learning situation as an example, electronic media can offer links to related information to help the reader understand difficult material. That would seem to result in understanding deeper than what would be possible with paper. Links, however, disturb concentration on the original material and lead the reader to believe that, having read the related information, they now understand the original material, without reviewing it. In one university experiment, students were divided into one group that took lecture notes by hand and another that used PCs for the same purpose. The students' performance was then compared by examining their class grades. Students who took notes by hand were found to have written down their own interpretations or summaries, as well, while students who took notes on PCs simply entered what they had heard. The students who used PCs recorded more information, but the students



(Left) Takashi Kumagai, Business Communication and Industrial Paper Sales Division, Nippon Paper Industries Co., Ltd.
(Right) Hirohito Shibata, Research and Technology Group, Fuji Xerox Co., Ltd.

coming out with the better grades were the ones who took notes by hand, and by thinking. The same experiment was also performed after telling students about these tendencies and here, too, it was the students who took notes by hand who got the better grades. Human thought, in other words, is affected by the tools they use to record information.

K There is a movement to create electronic versions of schoolbooks, but is it up to our generation, which understands the characteristics of both paper and electronic media, to teach children the benefits of using paper?

S I think we should teach children to use both properly, without favoring either. Video content enhances learning, and web-based English-language instruction is effective. However, simply searching on the internet for an answer and writing it down tends to involve no thinking. And in business settings, using PowerPoint to create a beautiful presentation with a summary of main points and a diagram, though they could be easily shown using paper, can very well eat up a lot of time in adjusting line angles and thicknesses – things that have nothing to do with the essential task. In meetings, as well, rather than electronic media, the operation of which is distracting, it is paper, which is easily handled, that leads to greater eye contact, participation, and discussion among participants. And probably all of us have found it difficult at one time or another to talk with a doctor who was paying more attention to a screen than to us.

Value in ease of handling

K Users can easily handle paper by using their fingers to keep materials open to a certain page, turn pages, or go back to a page. They can also handle paper materials while talking. A display, on the other hand, requires that certain procedures be used to show a particular bit of information, and, with a tablet, in particular, accidentally touching the screen, while pointing at it can have the unfortunate result of causing the display to change.

S With electronic media, users must learn how to use the operating system for each type of device and even spend time familiarizing themselves with newer, different features of operating system updates. Paper, the other hand, is something everyone gets used to handling almost from the time they're born. And that ease of handling leads to greater speed and accuracy in error detection when editing a document, and the ability to quickly return to a previously reviewed section, the position of which is physically remembered. Given that people often read while using a finger to trace a line of text, or while making notes in the margin, paper is, indeed, read with the hands; the ability to freely touch it is perhaps the greatest characteristic of paper.

Bad for the environment?

K Some people make the argument that paper should not be used because it is bad for the environment. The raw material for paper, however, comes from trees - a renewable resource – and we engage in sustainable forest management to ensure that our access to an abundant supply of this resource will continue. As they grow, trees absorb CO₂ and, therefore, are a resource the use of which does not add carbon to the atmosphere.

S I wonder if it is generally understood that over half of the

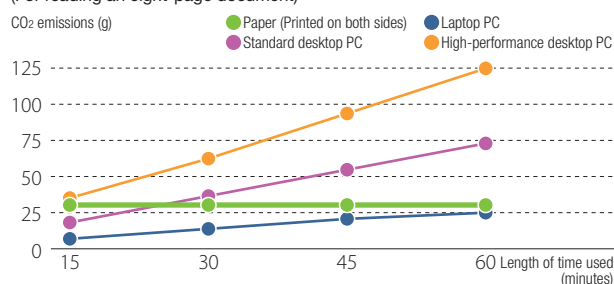
paper manufactured in Japan is made from recycled material. Furthermore, calculations based on data from the Japan Environmental Management Association for Industry show that using printed paper emits less CO₂ than does the use of either a computer display or a projector to present the same information for a long meeting (Graph 1) or for a meeting with a small number of participants (Graph 2). I think this kind of objective information would be very effective in promoting the value of paper from an environmental perspective.

Comparison of CO₂ emissions (Total from manufacturing and use)

(Calculated based on data from the Japan Environmental Management Association for Industry for products manufactured in 2008 or later)

Graph 1: Breakdown by Length of Time Used

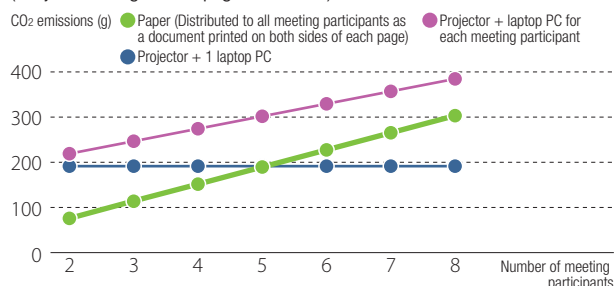
(For reading an eight-page document)



* A "standard desktop PC" is equipped with an Intel Core processor and 4GB or less of memory. A "high-performance desktop PC" is equipped with an Intel Core processor and more than 4GB of memory.

Graph 2: Breakdown by number of meeting participants

(For joint viewing of a 10-page document)



Using paper and electronic media for different purposes

K What is the future of paper as a medium of communication?

S In comparisons with electronic media, the term "paperless" is stressed. However, there is no all-purpose medium. Chefs and carpenters use different tools for different purposes, and the same approach can be taken with electronic media and paper, the former being good for archiving, and the latter, for meetings. The strengths of each should be applied where appropriate. And this will get easier as it becomes possible to print documents in very little time and connectivity between different types of media improves. I would very much like to see greater pursuit of the possibilities of paper.

K Thank you very much for this conversation. Hearing your perspective on the value of paper has further strengthened my view of our role in providing products that make the most of the benefits of paper, and of the need for promoting them.

Dialogue with Stakeholders

Dialogue with a Supplier

On Sustainable Procurement of Raw Materials

A Nippon Paper Group procurement specialist visited NCT Forestry Co-operative Limited, an overseas company supplying chips to the Group, to talk with its president, Patrick Kime. In their conversation, the two talked about initiatives in areas such as human rights, coexistence with local communities, and biodiversity, all of which are concerns that must be addressed for the ongoing pursuit of a forest-related business.



(Left)
Patrick Kime

President, NCT

(Right)
Takahiro Sato
South Africa
representative, Nippon
Paper Industries Co., Ltd.

Supplier Profile

Company name: NCT Forestry Co-operative Limited (NCT)

Location: Pietermaritzburg, South Africa

Main businesses: Production and sale of hardwood chips, management of afforested areas

Relationship with Nippon Paper Industries Co., Ltd.

Nippon Paper Industries has been purchasing hardwood chips from NCT continuously since 1975.



Chip plant manager (left) and employee (right) wearing safety gear

Sato What are the factors necessary for the ongoing operation of your company?

Kime Keeping costs of forest operations within the range of economic feasibility. Also, maintaining a customer base that will purchase products at market prices.

S Does Nippon Paper Industries have an impact on the sustainability of forests related to your business?

K Through its consistent purchases at fair prices over the years - which account for about half of NCT's sales volume - Nippon Paper Industries has been a long-term, indirect supporter of private timber companies. Our strong, long-term relationship with Nippon Paper Industries has provided a tremendous sense of security to the timber companies that make up NCT's members.

S What kinds of measures does your company take in terms of safety, labor, and other areas of human rights?

K In our plant and in forested areas, we operate in compliance with the strict standards that must be maintained for the FSC® certification (see page 28), which we have gained. We have also established policies for protecting human rights, which we thoroughly implement through education and through clearly stated terms in employment contracts covering all of our employees.

S Are employees satisfied with employment terms and working conditions?

K Since about 10 years ago, we have had an outside consultant conduct satisfaction surveys of our workers every two years, and our scores have been high relative to

those of other companies. In addition, we use the feedback gained through these surveys to make improvements that have gradually increased worker satisfaction over the years.

S Is your company pursuing initiatives aimed at promoting coexistence with local communities?

K We are contributing to local communities primarily through employment. However, we also use 1% of our pretax profits to help local communities. Using this money, we have undertaken 26 projects, in which we've done things such as purchasing musical instruments for economically needy local schools and providing rainwater storage tanks for areas suffering from drought. To ensure that our support activities are effective, we visit the places we intended to help to check whether the outcomes envisioned were actually achieved.

S Could you talk a little bit about what NCT does to protect biodiversity?

K About 30% of NCT's afforested areas have been set aside for the protection of vegetation. That means we've gone beyond what the law requires in our attempts to preserve or restore the diversity of native species. This is useful for maintaining our FSC® certification, but more than that, we are aiming to manage our afforested areas in ways that are sensitive to biodiversity and that allow NCT members to say with pride that these are their lands.

S Do the attitudes or stances of Nippon Paper Industries, as demonstrated, for example, in annual surveys on human rights, coexistence with local communities, and biodiversity, have any impact on NCT's efforts?

K Among our customers are some companies that know nothing about their suppliers and have no interest in them. Having a customer, such as Nippon Paper Industries, that has supplier selection standards and policies increases our motivation to be a morally upright supplier.

S What does NCT expect of Nippon Paper Industries?

K We would like for Nippon Paper Industries to continue to be a stable, reliable customer and to continue to make regular purchases that we can plan on. We also welcome some degree of flexibility in response to droughts and other unforeseeable conditions that affect suppliers. Our relationship has been strong until now and we look forward to continuing it into the future.

Forest Management and Raw Material Procurement Responsibility

The Nippon Paper Group, as a comprehensive biomass enterprise pursuing business endeavors that are founded on sustainable forest management and promote sustainable growth by using, and later recycling, every bit of the renewable wood resources it harvests, contributes to better living and cultural progress.

With sustainable forest management, biodiversity can be protected. Because forests act to sequester CO₂, using wood resources actually helps to prevent global warming.



Sudagai company-owned forest
(Gunma Prefecture, Japan)

Indicators	Key Objectives	Performance (fiscal 2015)
● Materiality: Sustainable Procurement of Raw Materials		
Maintenance of forest certifications for all company-owned forests inside and outside Japan	100% of company-owned forests	100%
Procurement of imported hardwood chips made with timber from certified forests	100% of imported hardwood chips	100%
Overseas chip and pulp supplier questionnaires	100% of chip and pulp suppliers	100% (20 chip suppliers, seven pulp suppliers)

Policy and Management

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Current Status of Raw Materials Procurement

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Sustainable Procurement of Raw Materials

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Protecting and Nurturing Japan's Wood Resources

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Overseas Afforestation

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Policy and Management

Practicing sustainable procurement of raw materials in ways that consider environmental and social concerns in line with our philosophy and basic policy

Basic Stance

Pursuing sustainable and stable wood resources procurement

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

Accordingly, we have built and implemented a structure and framework that will allow us to sustainably procure renewable wood resources.

Philosophy and Basic Policy

Philosophy and basic policy reflecting the opinions of stakeholders

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

Sustainable Forest Management

Practicing proper planning and management

Forestry management considers not only economic, but also environmental and social sustainability. The Nippon Paper Group defines sustainable forest management as:

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

Proper planning and management are important factors in the sustainable management of forests. A considerable amount of time is required to cultivate trees to their maturity. In putting together a viable sustainable forest management plan, it is important to consider factors including the areas allocated to afforestation and harvesting, the rate of growth, the surrounding environment and the impact on society. Landscape concerns related to efforts to protect waterside forests and address other such needs must also be examined. Taking full advantage of its expertise in forest management, the Group is promoting proper planning and management.

Framework for Promoting Raw Materials Procurement Management

Overseeing raw material procurement for the entire Group

The Nippon Paper Group established the Raw Materials Committee, chaired by the general manager of the Raw Materials and Purchasing Division at Nippon Paper Industries. This subcommittee deliberates on a wide variety of important issues concerning raw material procurement, including the Group's overarching procurement policy.

••• Philosophy and Basic Policy Concerning Raw Materials Procurement •••

(formulated on October 5, 2005)

Philosophy

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

Basic Policy

1. Environmentally friendly raw materials procurement

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

2. Socially aware raw materials procurement

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

3. Promotion of dialogues with stakeholders

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

Current Status of Raw Materials Procurement

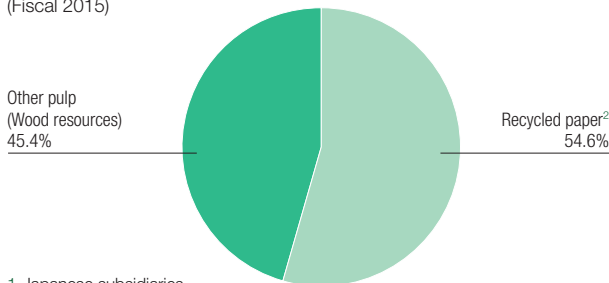
In addition to actively promoting the use of recycled paper, we procure wood resources from sustainably managed forests.

Current Status of Paper Raw Materials Procurement

Using waste paper and wood resources as raw materials

The Nippon Paper Group is engaged primarily in the manufacture of paper products. 54.6 percent of the raw materials are composed of recycled paper and the remaining 45.4% consists of such wood resources as woodchips. Both types of raw materials are used to produce pulp.

Breakdown of main raw materials for paper manufacturing¹ (Fiscal 2015)



¹ Japanese subsidiaries
² Wastepaper / (Wastepaper + other types of pulp)

Initiatives aimed at stable wastepaper procurement

With each passing year, the collection of wastepaper has taken on greater importance for reducing waste volumes and reusing materials. For Japan's paper industry, wastepaper is an essential resource accounting for more than half of the raw materials it uses.

Against this backdrop, the Nippon Paper Group has maintained a stable system for procuring wastepaper. This system, the product of many years of collaboration with the wastepaper industry, promotes the recycling of wastepaper.

Initiatives aimed at stable wood resource procurement

Of the wood raw materials Nippon Paper Industries procures, slightly more than 60% are sourced from overseas and a little below 40%, from Japan. To help ensure stable supplies, overseas procurement is diversified among multiple countries, including Australia.

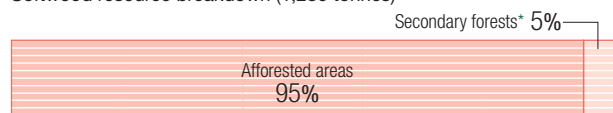
Geographic breakdown of wood raw materials procured by Nippon Paper Industries Co., Ltd. (FY2015) (tonnes=bone dry tonnes)



Hardwood resource breakdown (3,261 tonnes)



Softwood resource breakdown (1,230 tonnes)



* Forests that have recovered naturally or that have been artificially replanted after an event such as timber harvesting or fire.

Tree species Nippon Paper Industries Co., Ltd. procured from overseas, and their countries of origin (Fiscal 2015)

Hardwood

Country	Percentage	Species
Australia	37%	Eucalyptus
South Africa	22%	Acacia
Brazil	18%	Eucalyptus, Acacia
Vietnam	12%	Acacia
Chile	11%	Eucalyptus
Total	100%	

Softwood

Country	Percentage	Species
Australia	76%	Radiata pine
U.S.A.	17%	Douglas fir
Russia	7%	Yezo spruce
Total	100%	

Sustainable Procurement of Raw Materials

Practicing sustainable forest management and resource procurement using certifications as benchmarks

Basic Stance

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

The Nippon Paper Group is a strong advocate of sustainable raw materials procurement that takes into consideration environmental and social concerns. Our procurement of wood raw materials rests on the principles of legality and emphasizes sustainability, clear identification of the origin of wood resources, and full accountability.

When purchasing from external suppliers, we make every effort to enhance our supply chain management capabilities, taking into consideration environmental and social needs. At the same time, we use a system that employs third-party forest certification programs to confirm the propriety of raw materials procurement.

In the context of procurement from company-owned forests, we pursue overseas afforestation projects to increase our plantation timber procurement. Moreover, we practice sustainable forest management by maintaining forest certifications acquired for company-owned forests both in Japan and overseas.

... Key points of sustainable wood resources procurement ...

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

Action Plan for Wood-Based Raw Material Procurement

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

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

Nippon Paper Industries, in connection with annual forest certification audits and audits performed by the Japan Paper Association's illegal logging monitoring project, has third parties perform objective assessments to determine whether it is conducting wood resource procurement in accordance with its basic policies. Suggestions from these assessments are then used to make improvements.



➔ Action Plan for Wood-Based Raw Material Procurement
<http://www.nipponpapergroup.com/csr/forest/procurement/actionplan/index.html> (Japanese only)

Overview of major forest certification programs

Certification program name	Details and features
FSC® —Forest Stewardship Council® A forest certification program based on unified global standards	FSC® is a non-profit international member-based organization that certifies that forests are being managed in compliance with its 10 principles and 70 standards. FSC® has adopted the FM and CoC certification system.
PEFC —Programme for the Endorsement of Forest Certification A program that promotes mutual recognition of the forest certification programs of individual countries	PEFC bases its sustainability benchmark on a broad consensus expressed in intergovernmental processes and guidelines. It provides a mutual recognition system that endorses compatibility and comparability of the responsible forest management systems of individual countries. Launched across countries in Europe, the program encompasses the forest certification programs of 43 countries around the world. In similar fashion to FSC®, PEFC has adopted the CoC certification system. Examples of certifications mutually approved by PEFC (for forests owned by Nippon Paper Industries Co., Ltd.) Australian Forestry Standard (AFS): Australia / CERTFORCHILE: Chile / CERFLOR: Brazil
SGEC —Sustainable Green Ecosystem Council A forest certification program established in Japan	SGEC engages in an evaluation based on seven criteria while taking into consideration Japan's natural environment as well as its social customs and culture. SGEC has also adopted the CoC certification system. Mutual certification with PEFC was approved in June 2016.

* FM and CoC Certification

The forest certification system is composed of two components—the Forest Management (FM) component, which certifies that forests are responsibly managed, and the Chain-of-Custody (CoC) component, which certifies that products from certified forests have been properly processed and distributed. Under the FM certification system, a third party certifies that the management of forests is being undertaken in a sustainable manner based on various objective benchmarks including (1) compliance with regulatory requirements and system frameworks, (2) maintenance and conservation of forest ecosystems and

biodiversity, (3) respect for native and local resident rights, and (4) maintenance and improvement of forest productivity.

CoC certification is a system covering all operators engaged in the processing and distribution of timber materials. In addition to tracking products (certified woodchips) from certified forests in each process including processing and distribution, CoC certification confirms that a risk assessment of all non-certified woodchips has been undertaken. Products display a certification mark in the event that all operators have acquired CoC certification across all processes.

Sustainable wood resource procurement scheme

Philosophy and Basic Policy Concerning Raw Materials Procurement (➔P.26)

Action Plan for Wood-based Raw Material Procurement

	Japanese Resources	Overseas Resources
Basic Policy and Scheme	<ul style="list-style-type: none"> Based on verifications by organizations approved by forest, timber or lumber industry organizations specified in the Guideline for Verification of Legality and Sustainability of Wood and Wood Products established by Japan's Forest Agency in connection with government procurement initiatives to fight illegal logging in accordance with the Law on Promoting Green Purchasing. 	<ul style="list-style-type: none"> Verifications by individual companies using their own approaches, as provided in the Guideline for Verification of Legality and Sustainability of Wood and Wood Products. Based on the Japan Paper Association's guideline for measures against illegal logging.
Confirmation of Legality	<ul style="list-style-type: none"> Traceability based on the Guideline for Verification of Legality and Sustainability of Wood and Wood Products established by Japan's Forest Agency Confirmation of basic information relating to forest operations. Information examples include compliance with laws and regulations, tree species, and whether forest certifications have been obtained. 	<ul style="list-style-type: none"> Document verifications are performed on a vessel-by-vessel basis to ensure that the area where the wood was harvested and the supplier of the wood are in compliance with relevant laws, and that no illegally harvested wood is included. On-site checks by employees assigned to local offices Questionnaires and local interviews (Every effort is made to enhance traceability by confirming compliance with statutory requirements regarding forest management, tree species, and the acquisition of forest certifications. <p><small>* In fiscal 2015, it was determined, based on questionnaire responses and shipping and other documents provided by each supplier, that no illegally harvested woodchips or pulp were procured from overseas suppliers.</small></p>
Confirmation of sustainability	<p>Based on information from sources such as results of supplier surveys and local interviews, the following has been confirmed.</p> <ul style="list-style-type: none"> Policies or systems have been established for addressing human rights and labor matters. Social contribution initiatives have been undertaken to improve relations with local communities. Biodiversity surveys have been conducted. Areas requiring special consideration to protect biodiversity have been identified and logging and forest management activities have been modified appropriately. 	
Independent Audits	<p>The following have been implemented for all procured wood resources.</p> <ul style="list-style-type: none"> Annual audits by the Japan Paper Association's illegal logging monitoring project. Annual risk assessments based on the due diligence system of the Programme for the Endorsement of Forest Certification (PEFC), a Forest certification organization. 	

Implementation Results for the Action Plan for Wood-based Raw Material Procurement (Fiscal 2015)

	Procurement in Japan	Procurement Overseas
Coverage and Results	<p>454 chip suppliers, 3 pulp suppliers No problems detected under the action plan</p>	<p>20 chip suppliers, 7 pulp suppliers No problems detected under the action plan</p>



Third-Party Sustainable Forest Management Validations

Forest certification system: System for the certification by third-party organizations that forests are being sustainably managed



At Nippon Paper Industries Co., Ltd.,
 All company-owned forests in Japan and overseas have received forest certifications.
 All imported hardwood chips have been certified by the PEFC or FSC® (All procured chips have been produced with wood from forests with an FM certification or have undergone a risk assessment for the CoC certification.)

Protecting and Nurturing Japan's Wood Resources

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

Sustainable Management of Company-Owned Forests in Japan

Practicing sustainable forest management at company-owned forests over an area extending to 90,000 hectares

Nippon Paper Industries owns approximately 90,000 hectares of forest in 375 locations in Japan, the second largest private-sector holdings of forest in the country. SGEC Forest Certifications have been obtained for all of the forest.

For the Nippon Paper Group, forests are not only an important business resource—as a corporate group whose existence is closely tied to the health and conservation of forests, we recognize and work to manage the integrity of the multifaceted functions forests play within society.

Maintaining company-owned forests in Japan

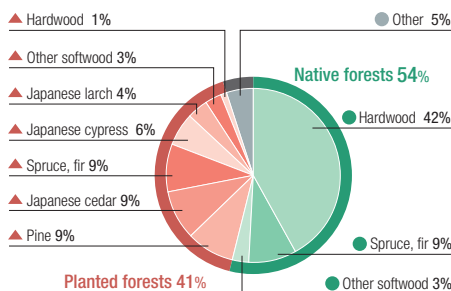
Nippon Paper Industries allocates approximately ¥0.6 billion each year to the maintenance and management of company-owned forests in Japan, which entails the clearing of undergrowth and thinning. As a company which has continued to benefit from and grow through forests and forest products, we are committed to balanced, sustainable forest management that allows forests to fulfill their multifaceted functions—including ones that benefit biodiversity protection and watershed conservation—despite the fact that forests within Japan are not currently economically viable because of the stagnant price of domestic timber.

Environmental forest designations, biodiversity-conscious forest management

Nippon Paper Industries has designated approximately 20%, or 18,000 hectares, of forest areas owned in Japan as “environmental forest areas.” In these areas, the logging of trees for the purpose of lumber production is prohibited and the environmental functions of forests (forest ecosystems, watershed conservation, etc.) are conserved.



Sugenuma company-owned forest which includes an “environmental forest area” (Mt. Nikko-Shirane)



Invigorating Japan's Forest Industry

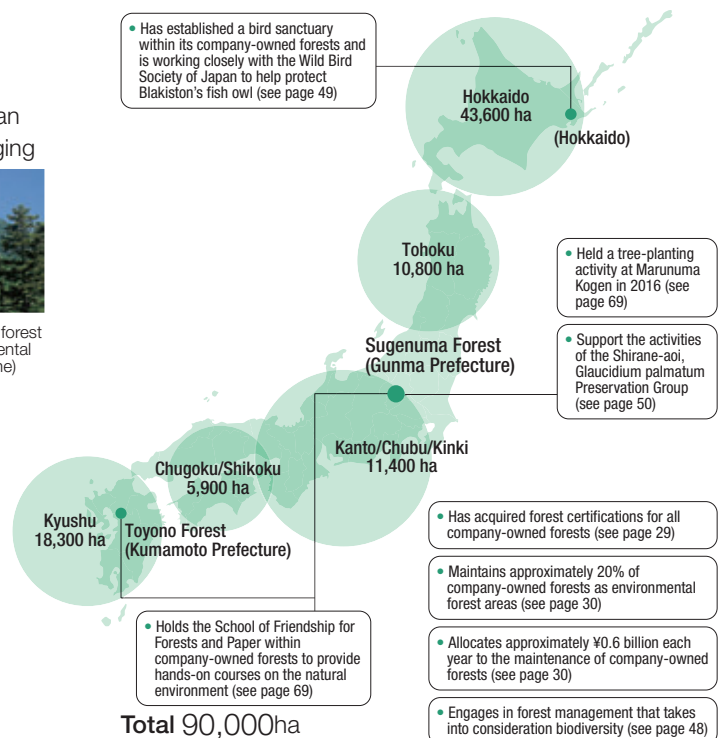
Actively utilizing domestically produced timber while contributing to the prevention of forest deterioration

In recent years, deterioration of artificially planted Japanese cypress and Japanese cedar forests throughout Japan has become a concern. The reason for this deterioration is low lumber prices that have squeezed forest industry profitability and made it impossible to perform thinning and other necessary maintenance. To invigorate the industry and prevent further forest deterioration, the Japanese government, under its Forest and Forestry Basic Plan, has committed itself to promoting the use of domestically produced wood, and lifting the nation's wood self-sufficiency rate to 50% by 2025.

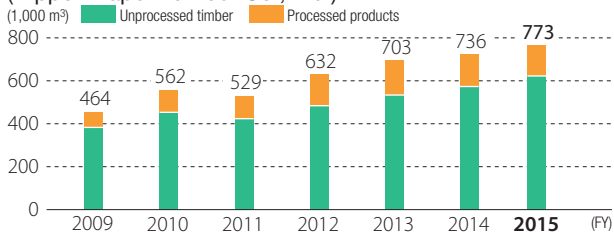
Promoting the use of domestic timber

With its network for domestic timber collection in Japan, and its ability to handle a comprehensive lineup of products, Nippon Paper Lumber is actively developing its domestic timber business. In fiscal 2015, the company handled approximately 770,000 m³ of domestically produced materials, and ranked second in its field in Japan. The company aims to lift this figure to 1,000,000 m³, and, to this end, is continuing to develop new applications while working to boost exports.

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



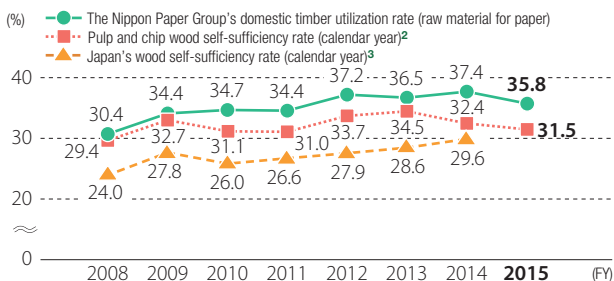
Domestic timber sales results by product type (Nippon Paper Lumber Co., Ltd.)



● **Efforts to use more domestic wood as a raw material for paper**

The Nippon Paper Group is working to increase the percentage of domestically produced wood it uses to make paper. Having reached 30% in fiscal 2008, this figure rose to 35.8% in fiscal 2015. In absolute terms, usage of domestically produced wood was about the same as in fiscal 2014. However, with an increase in the overall amount of raw materials used, domestically produced wood as a percentage of the total came in slightly below the fiscal 2014 record high of 37.4%.

Domestic timber utilization rate¹ (Nippon Paper Industries Co., Ltd.)



1 The domestic (Japan) timber utilization rate includes sawmill residues.
 2 Source: Yearbook of Paper and Pulp Statistics issued by the Ministry of Economy, Trade and Industry of Japan
 3 Source: Supply and Demand of Lumber (Lumber material self-sufficiency rate) issued by the Forestry Agency of Japan

● **Organizing private-sector forest owners in Kyushu**

Increasing the competitiveness of Japan's forest industry requires that forest owners work together to maintain an efficient road network and systematic thinning operations. The signing of a memorandum of understanding on the advancement of forest management in Kyushu by Nippon Paper Industries Co. Ltd., the Kyushu Regional Forest Office; Oji Paper Co., Ltd.; Sumitomo Forestry Co., Ltd.; and others in 2009 set the stage for later developments. In March 2015, for example, an area covered by an agreement concerning the promotion of forest maintenance in the Itsuki region of Kyushu was designated as the site for a consolidation test project with the participation of the Japan Project-Industry Council's Forestry Regeneration Committee.

In a separate development, a forest management and lumber production agreement was concluded for the Yatsushiro region in March 2014. This groundbreaking wide-area model agreement calls for private-sector forest owners to manage forests in Kyushu collaboratively.

Participants in the agreement include Kumamoto Prefecture, Yatsushiro City, the Yatsushiro Shinrin Forest Cooperative, and Nippon Paper Co. Ltd.

Case

Creation of the "Japan wood mark" and participation in promotion activities

Based on the concept that greater use of domestically produced wood by Japan's people and industries will rejuvenate the country's forests, the JAPIC Forestry Regeneration Committee created the Japan wood mark, and a committee dedicated to the promotion of its use, in August 2013.

Nippon Paper Industries contributed to the creation of the Japan wood mark and is one of the original participants on the Japan Wood Mark Committee. As it engages in activities that help to advance use of the Japan wood mark, Nippon Paper Industries intends to apply it as a sales promotion tool for wood from the forest it owns in Japan.



Mark promoting the use of domestically produced wood

Case

Start of Fukushima "Morino Chonai-kai" (Forest Neighborhood Association) activities

In Fukushima Prefecture, impacts of the Great East Japan Earthquake have caused forestry management and timber operations to stagnate, thereby endangering the watershed and disaster-prevention roles played by forests. Responding to this situation, Nippon Paper Lumber Co., Ltd. and Office Chonai-kai, an environmental NPO, concluded a memorandum of understanding, under which the Fukushima Morino Chonai-kai was launched in July 2016.

Fukushima Morino Chonai-kai comprises a scheme in which Morino Chonai-kai, which was established by Office Chonai-kai in 2005, will be used to promote the thinning operations necessary for protecting forests. These activities will be supported through sales of paper and paper products.

Under a similar memorandum of understanding with Office Chonai-kai, Toppan Printing Co., Ltd. has agreed to produce Fukushima Restoration Support Desktop Calendars and use 150 yen from the sale of each to support forest protection activities in Fukushima Prefecture.

In pursuit of the Fukushima Morino Chonai-kai scheme, Nippon Paper Lumber Co., Ltd. will purchase material from forest thinning operations in Fukushima and use it as raw material for making paper at its Ishinomaki and Iwanuma mills.



Fukushima Restoration Support Desktop Calendar

Overseas Afforestation

Growing trees as a renewable resource, and coexisting with local communities

Sustainable Management of Overseas Afforested Areas

Developing an afforestation business that contributes to the local community

Recognizing the importance of mutual development the Nippon Paper Group strives to build positive ties with the local communities in and around its forests. We pay particular attention to the concerns of local residents while taking into consideration the cultures and traditions of each region as well as the natural environment and ecosystems. Considerable effort is also placed on promoting educational activities, and creating employment opportunities, within local economies.

- Acquisition of forest certifications (see page 28-29)
- Engages in forest management that takes into consideration biodiversity (see page 48)
- Coexisting with local communities (Employment support, respect for indigenous people, see page 67)

Tree Farm Initiative

Nurturing renewable wood resources

In similar fashion to the cultivation of crops in the field, the Tree Farm Initiative achieves sustainable procurement of raw materials through repeated cycles of growing and harvesting trees. The Tree Farm Initiative manifests Nippon Paper Industries Co., Ltd.'s concept for overseas afforestation projects.

Presently, the Company oversees 89,000 hectares (as of December 31, 2015) of afforested areas in Brazil, Chile, Australia, and South Africa. Under its Environmental Action Plan (Green Action Plan 2015) (see page 35), the Nippon Paper Group has established the target of increasing overseas afforestation areas to 200,000 hectares. Declines in demand for paper and chips, however, have given rise to forest management efficiency needs that are being met through the partial consolidation and downsizing of afforestation operations.

● Afforestation projects that help the local ecology

The Nippon Paper Group performs afforestation work on grasslands, former farms and pastures and on harvested plantation land. We select species, focusing mainly on fast-growing Eucalyptus, according to individual climatic conditions and materials available for making paper.

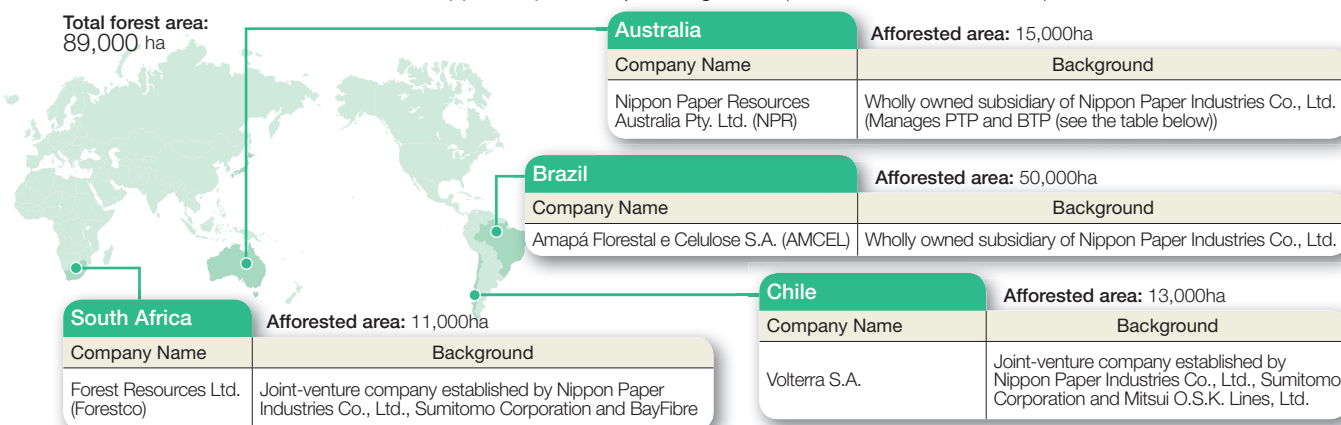
In order to maintain a balance between areas planted with Eucalyptus and the biodiversity needs of each region, we implement appropriate measures and keep vegetation along rivers and water courses where the potential effects on the ecology are large.



Tree planting that preserves riparian forests. (Right) The blue area indicates riparian forests.

Overview of overseas forests under Nippon Paper Group management (as of December 31, 2015)

Total forest area:
89,000 ha



Status of forest certification acquisition for overseas afforestation project

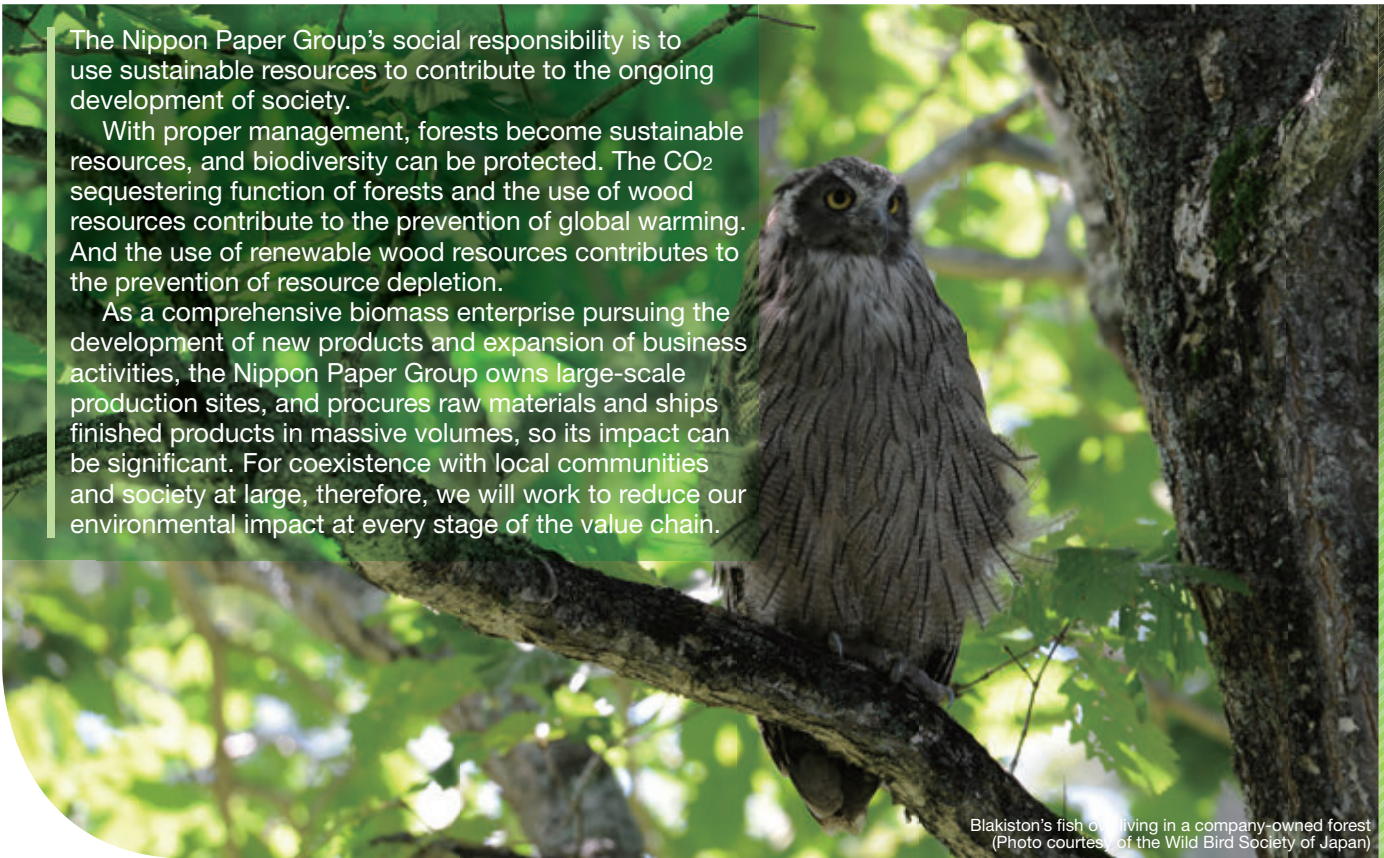
Overseas plantation project by operating company	Certification system name (License no.)	Date of acquisition
PTP (Australia)	AFS	June 2006
BTP (Australia)	AFS	April 2006
Volterra (Chile)	FSC® (FSC®C120260) CERTFORCHILE	January 2014, December 2007
Forestco (South Africa)	FSC® (FSC®C012171)	April 2003
AMCEL (Brazil)	FSC® (FSC®C023383) CERFLOR	December 2008, September 2014

Environmental Responsibility

The Nippon Paper Group's social responsibility is to use sustainable resources to contribute to the ongoing development of society.

With proper management, forests become sustainable resources, and biodiversity can be protected. The CO₂ sequestering function of forests and the use of wood resources contribute to the prevention of global warming. And the use of renewable wood resources contributes to the prevention of resource depletion.

As a comprehensive biomass enterprise pursuing the development of new products and expansion of business activities, the Nippon Paper Group owns large-scale production sites, and procures raw materials and ships finished products in massive volumes, so its impact can be significant. For coexistence with local communities and society at large, therefore, we will work to reduce our environmental impact at every stage of the value chain.



Blakiston's fish owl living in a company-owned forest (Photo courtesy of the Wild Bird Society of Japan)

Indicators	Key Objectives	Performance (fiscal 2015)
Materiality: Climate Change Initiatives		
CO ₂ emissions from fossil energy	Fiscal 2015 objective/Reduce by 25% vs. fiscal 1990	Reduced by 30%
Use of fossil energy	Fiscal 2015 objective/Reduce by 30% vs. fiscal 1990	Reduced by 39%
Materiality: Reduction of Environmental Impacts		
Waste recycling rate	Fiscal 2015 objective/at least 97%	98%
Onsite recycling rate for waste generated within mills	Fiscal 2015 objective/at least 40%	30%
Materiality: Wastepaper Collection and Use		
Ratio of recycled paper	Fiscal 2015 objective/At least 40% for paper and at least 88% for paperboard	38% for paper and 89% for paperboard
Materiality: Preserving Biodiversity		
Forest certifications for company-owned forests	100%	100%
Check for rare species prior to harvesting in company-owned forests	100%	100%

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Basic Stance / Environmental Action Plan (Green Action Plan) / Environmental Management Promotion Structure / Strengthening Environmental Compliance / Environmental Communication / Environmental Education and Training / Environmental Accounting

Climate Change Initiatives 39

Basic Stance / Fuel Conversion Led by the Adoption of Biomass Boilers /

Advancing Energy Efficiency in Logistics / Absorbing and sequestering CO₂ through Proper Management of Company-Owned Forests / Action Plan 2015 Results

Reduction of Environmental Impacts 42

Material Balance / Preventing Water Pollution / Preventing Air Pollution / Preventing Soil Pollution / Reducing Industrial Waste (Green Action Plan 2015 results) / Preventing Noise,

Vibration, and Odors / Controlling Chemical Substances

Wastepaper Collection and Use 47

Basic Stance / Green Action Plan 2015 Results / Initiatives for Expanding the Use of Recycled Paper

Preserving Biodiversity 48

Basic Stance / Initiatives in Our Core Business Activities / Initiatives Leveraging Our Resources and Technologies

* The reporting scope for environmental data is described on page 5. In cases where a different reporting scope is used a notification to that effect is provided.

Policy and Management

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

Basic Stance

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

To reduce the environmental impact of its production processes, the Nippon Paper Group, in upholding the principles and basic stance expressed in the Nippon Paper Group Environmental Charter, emphasizes environmental performance in selecting equipment and strives to increase operating efficiency.

**... The Nippon Paper Group ...
Environmental Charter ...**

(Established on March 30, 2001, and revised on March 30, 2007)

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

Basic Policy

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

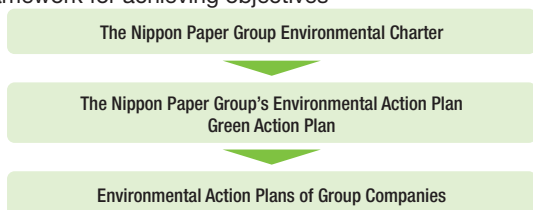
Environmental Action Plan (Green Action Plan)

Setting forth specific objectives and actions

The Nippon Paper Group has established its Environmental Action Plan - the Green Action Plan – in accordance with the six basic policies expressed in its Environmental Charter.

Group companies have each established their own specific environmental action plans to reflect their own individual business circumstances based on the Green Action Plan. Their efforts to fulfill these plans is enhancing our ability to accomplish the Green Action Plan.

Framework for achieving objectives

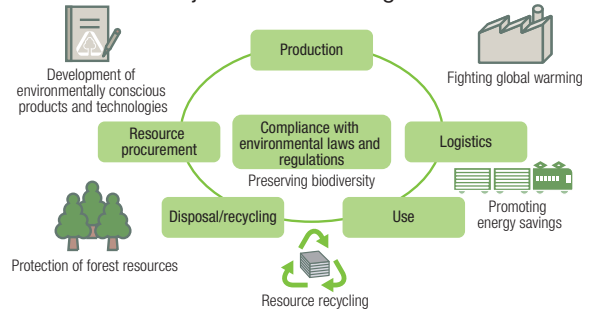


Green Action Plan 2015 results and formulation of the 2016-2020 plan

In implementing the Environmental Action Plan (Green Action Plan 2015) (see page 35), covering fiscal 2011-2015, Group companies achieved successes through proactive efforts, but came up short in promoting the use of recycled resources (see the following page).

Based on the Group's overall performance on Green Action Plan 2015, we have formulated the Green Action Plan 2020, which took effect in April 2016. With objectives established for each stage of the value chain, we are now working to achieve further reductions in our environmental impact.

Establishment of objectives at each stage of the value chain



The Nippon Paper Group Environmental Action Plan (Green Action Plan 2020) (In effect from April 1, 2016)

	Green Action Plan 2020
1. Anti-global warming action	Reduce greenhouse gas emissions by 10% compared to fiscal 2013*. Reduce logistics-generated CO ₂ emissions.
2. Protection and development of forest resources	Advance domestic company-owned forest operations and the overseas afforestation project (Tree Farm Initiative) to ensure the sustainable nurturing of forest resources.
	Maintain forest certifications in all proprietary forests, both domestically and internationally.
	Ensure that all wood materials for pulp and paper are endorsed under forest certification schemes. Enhance traceability and facilitate the procurement of sustainable forest resources. Advance the use of wood fiber produced from domestically grown trees to promote sound growth of forest resources in Japan.
3. Recycling of resources	Promote greater use of wastepaper by achieving advances in wastepaper utilization technologies. Increase the waste recycling rate to at least 98%.*
4. Observance of environment-related laws and reduction of environmental load	Use the environmental management system to strengthen environmental management and reduce environmental impact.
	Properly manage chemical substances in accordance with the Nippon Paper Group Chemical Substance Management Guidelines. Enhance the more sophisticated use of wood materials.
5. Development of eco-friendly technologies and products	Develop equipment technology for facilitating a departure from reliance on fossil energy.
	Reduce the environmental load through the provision of ecofriendly products and services.
6. Environmental communication	Disclose environment-related information to stakeholders and accelerate environmental communication through dialogue and other means.
	Proactively participate in and support environment conservation activities.
7. Biodiversity commitments	Advance companywide biodiversity initiatives in accordance with the Nippon Paper Group Basic Policies on Protection of Biodiversity.

* Applies to production sites in Japan.

The Nippon Paper Group Environmental Action Plan (Green Action Plan 2015) main initiatives and final results (as of March 31, 2015)

	Green Action Plan 2015	Main Initiatives and Final Results	Page
1. Anti-global warming action	Reduce CO ₂ emissions from fossil energy by 25% versus fiscal 1990.	<ul style="list-style-type: none"> Despite lower production volume in the Paper and Paperboard businesses, reduced CO₂ emissions from fossil energy by 30.0% and the use of fossil energy by 39.0% versus fiscal 1990, outperforming the targets, through boiler modifications, updating of equipment, consolidation of facilities, fuel conversion, and energy-saving activities in daily operations. 	39, 41
	Reduce the use of fossil energy by 30% versus fiscal 1990.		
	Reduce logistics-generated CO ₂ emissions.	<ul style="list-style-type: none"> Advanced highly efficient modal shift transport. Nippon Paper Industries Co., Ltd.'s use of freight trains to transport wastepaper on return trips, thereby, reducing energy consumption and CO₂ emissions earned the Fiscal 2014 Green Logistics Partnership Conference Special Award and the Logistics Environment Special Award at the Japan Association for Logistics and Transport's 16th Environmental Awards. 	40
2. Protection and development of forest resources	Facilitate the Tree Farm Initiative, an overseas afforestation project for procuring sustainable resources, with the aim of increasing overseas afforested area up to 200,000 hectares. ¹	<ul style="list-style-type: none"> As of the end of 2015, total afforested areas came to 89,000 ha. Going forward, plans to take full advantage of AMCEL's forest resources in Brazil will be drawn up for purposes including afforestation for the energy business. 	32
	Maintain forest certification in all proprietary forests, both domestically and internationally.	<ul style="list-style-type: none"> Currently maintaining SGEC, FSC^{®2}, and PEFC certification for 179,000 ha of company-owned forests in Japan and overseas. AMCEL S.A., adding to its FSC[®]-FM certification, obtained the PEFC reciprocal CERFLOR FM certification in September 2014. 	29, 32
	Ensure that all imported hardwood chips are PEFC- or FSC [®] -certified. ³	<ul style="list-style-type: none"> Have purchased only certified woodchips since fiscal 2013. 	29
	Enhance traceability and facilitate the procurement of sustainable forest resources.	<ul style="list-style-type: none"> In working to enhance traceability through the use of forest certifications, cleared the requirements of PEFC rules in their entirety and FSC[®] rules to 91% with respect to the assessment of imported wood risk in fiscal 2015. 	29
3. Recycling of resources	Increase the ratio of recycled paper to paper to at least 40%.	<ul style="list-style-type: none"> Ratio of recycled paper to paper: 38% (Underachieved the target. Proactive efforts to use wastepaper were negatively affected by factors such as lower production of products incorporating recycled content.) Ratio of recycled paper to paperboard: 89% (Achieved the target) 	47
	Increase the ratio of recycled paper to paperboard to at least 88%.		
	Increase the waste recycling rate to at least 97%.	<ul style="list-style-type: none"> Granulation equipment was introduced to diversify the approaches for recycling ash, which accounts for approximately 80% of waste by volume. Sales of the granulated product, however, came to 30%, below the target rate for on-site recycling. The objective for waste recycling rate, including off-site recycling, was achieved with a 98% result. 	45
	Recycle at least 40% of waste generated within mills.		
Reduce water use in the manufacturing process.	<ul style="list-style-type: none"> Vigorous efforts, including the installation of filtration equipment and the reuse of process water, were made to reduce water consumption. 	44	
4. Observance of environment-related laws and reduction of environmental load	Use the environmental management system to strengthen environmental management.	<ul style="list-style-type: none"> As of March 31, 2016, 48 business locations at 14 consolidated subsidiaries, and 4 business locations at 4 non-consolidated subsidiaries, had obtained ISO 14001 certification. Eco-Action 21 certification had been obtained by 1 business location at 1 non-consolidated subsidiary. Of the Nippon Paper Group's principal production sites, 95% have obtained ISO 14001 certification. 	36
	Properly control and reduce the use of chemical substances.	<ul style="list-style-type: none"> Based on the Nippon Paper Group Chemical Substance Management Guidelines, the types and volumes of chemical substances handled are being ascertained, and proper chemical substance management is being pursued. Updates of recovery equipment and substitutions of chemical substances reduced releases and transfers of PRTR substances by 22%, compared to figures for fiscal 2010. 	46
	Facilitate the procurement of raw materials and equipment with a smaller environmental burden throughout the supply chain.	<ul style="list-style-type: none"> In establishing and updating facilities, pursuant to energy management rules, energy efficiency is being used as one selection benchmark for procurement. 	-
5. Development of eco-friendly technologies and products	Enhance the more sophisticated use of wood materials.	<ul style="list-style-type: none"> Having succeeded in developing a cellulose nanofiber (CNF) sheet with exceptional deodorant properties, Nippon Paper Crecia Co., Ltd. introduced the new Acty brand of adult diapers incorporating CNF in October 2015. To expand sales of CNF deodorant sheets and commercialize other CNF properties, Nippon Paper Industries Co. Ltd. decided to build a high-capacity CNF production facility at its Ishinomaki Mill. With annual capacity of 500 tonnes, this facility is scheduled to come online in April 2017. Participated in a NEDO project for the development of manufacturing process technology for non-edible plant-based chemical products. Achieved progress in developing elemental technologies for an integrated woody-biomass-to-chemical-raw-material production process. 	11
	Develop equipment technology for facilitating a departure from reliance on fossil energy.	<ul style="list-style-type: none"> Work to develop a new biomass solid fuel resulted in the decision to adopt torrefaction technology. Under a joint research and development agreement with Phoenix Pulp and Paper Public Company Limited (PPPC), demonstration facilities will be established at PPPC's Khon Kaen Mill. 	39
	Reduce the environmental load through ecofriendly products and services.	<ul style="list-style-type: none"> Production facilities for Cifa[®], a concrete admixture made from heat-modified fly ash, began operating at Nippon Paper Industries Co., Ltd.'s Ishinomaki Mill. Provision of samples from test production runs began in January 2016 and full-scale operations began in April. The Aluminum-Free Fuji Pak, a brick-shaped aluminum free paper carton, received the Eco-Products Awards Steering Committee Chairperson's Award at the 11th Eco-Products Awards. Nippon Paper Industries Co., Ltd. began operations at its solar power plant, on the grounds of its former Komatsushima Mill (Tokushima Prefecture), and the Yatsushiro Mill's biomass power plant (Kumamoto Prefecture) fueled entirely with unused woody materials. In addition, a wind power generation project is planned for a site adjacent to the Akita Mill (Akita Prefecture), as the company moves forward with expansion of power generation using renewable energy. 	11, 45
6. Proactive environmental communication	Disclose environment-related information to stakeholders whenever appropriate with the use of CSR reports, the website etc.	<ul style="list-style-type: none"> At the end of September of every year, sustainability reports are issued in both printed and online editions. Also, the ShikiOriori, environmental communication magazine is being published to provide reader-friendly information on various social issues and the Nippon Paper Group's responses to them. 	21
	Proactively facilitate environmental communication on a regional basis through, for example, dialogue with local people and governments.	<ul style="list-style-type: none"> Risk information was shared with local communities and to foster relationships of mutual trust. 	37
	Proactively participate in and support environment conservation activities.	<ul style="list-style-type: none"> Actively participated in environmental endeavors including clean-up and greening initiatives organized by local communities, while promoting various activities including mill tours and internships. 	62, 67-68
7. Biodiversity commitments	Remain aware of the impact of business activities on biodiversity, and facilitate companywide biodiversity commitments.	<ul style="list-style-type: none"> The Nippon Paper Group's Basic Policy on the Protection of Biodiversity was established in April 2016. With forest certification systems as one of several biodiversity protection benchmarks, efforts were made to promote sustainable forest management. Concluded a memorandum of understanding with the Wild Bird Society of Japan for the mutual benefit of Blakiston's fish owl habitat preservation and the Nippon Paper Group's logging operations, in company-owned forests in Hokkaido. 	48-50

1 No deadline has been set at this point.

2 FSC[®] Logo License No.FSC[®]C120260, FSC[®]C012171, FSC[®]C023383

3 Aside from FM certification, CW certification is also included.



Environment performance data

<http://www.nipponpapergroup.com/english/csr/>

Policy and Management

Environmental Management Promotion Structure

Putting in place a group-wide structure

The Management Execution Committee bears management decision-making responsibility for environmental strategy and oversees environmental activities, for the entire Group. Chaired by the executive officer responsible for environmental management, the Nippon Paper Group Environmental Committee draws up the Environmental Action Plan. This Action Plan serves as the basis for practicing the philosophy and basic policies of the Environmental Charter, which outlines the environmental management principles of Group companies. In addition to monitoring the status of progress under the Plan, the Environmental Committee reports to the Management Execution Committee. Deliberating and determining new initiatives, the Management Execution Committee leads the environmental activities of the entire Group and promotes ongoing improvement.

The Nippon Paper Group's environmental management promotion structure (as of March 31, 2016)



Strengthening environmental management systems

At the Nippon Paper Group, the environmental departments at our headquarters and production facilities work together to strengthen the environmental management systems.

Nippon Paper Industries, for example, has adopted a system for centrally managing emissions from the boilers of individual mills and other business locations. This effort illustrates how the company's headquarters and production facilities work together to ensure compliance with laws and regulations, and reduce environmental impact.

Introducing environmental management systems

As one measure aimed at promoting environmental management, the Nippon Paper Group is introducing various environmental management systems including ISO 14001, the international standard for environmental management, and Eco-Action 21. ISO 14001 certifications have been obtained by 95% of the principal production sites of Nippon Paper Industries Co., Ltd. and its consolidated subsidiaries.

Acquisition of ISO 14001 certification (as of March 31, 2016)

Company Name	Mills / Operating Divisions / Manufacturing Companies
Nippon Paper Industries Co., Ltd.	Kushiro Mill, Hokkaido Mill, Akita Mill, Ishinomaki Mill, Iwanuma Mill, Nakoso Mill, Ashikaga Mill*, Soka Mill*, Fuji Mill, Otake Mill, Iwakuni Mill, Yatsushiro Mill, R&D Dept.
(Paper-Pak Division)	Paper-Pak Division (Ochanomizu and Oji regions), SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD.
(Chemical Division)	Gotsu Mill, Iwakuni Mill, Higashimatsuyama Mill, Yufutsu Mill
Nippon Paper Crecia Co., Ltd.	Tokyo Mill, Kaisei Mill, Koyo Mill, Kyoto Mill
Nippon Paper Papyrus Co., Ltd.	Harada Mill, Suita Mill, Kochi Mill
Kitakami Paper Co., Ltd.	Headquarters/Ichinoseki Mill
NP Trading Co., Ltd.	Headquarters/Sapporo Branch Office/ Chubu Branch Office/Kansai Branch Office/Chugoku Branch Office/Kyushu Branch Office/Shizuoka Sales Office
Nippon Seitai Corporation	Headquarters, Hokkaido Office, Niigata Office, Maebashi Mill, Saitama Mill, Kansai Office, Kyusyu Office
Daishowa Uniboard Co., Ltd.	Headquarters, Miyagi Mill
N&E Co., Ltd.	
Nippon Paper Development Co., Ltd.	Headquarters, Landscape Department, Tokyo Department
Sakurai Co., Ltd.	Headquarters
Nippon Paper Ishinomaki Technology Co., Ltd.	Headquarters
Nippon Paper Industries USA Co., Ltd.	Port Angeles Mill
Australian Paper	Maryvale Mill
Jufo Thermal Oy	Kauttua Mill

* Operations were consolidated in April 2016 and renamed the "Kanto Mill."

The status of Eco-Action 21 acquisition (as of March 31, 2016)

Company Name	Mill / Operating Division
Akita Jujo Chemicals Co., Ltd.	Head Office Plant

Strengthening Environmental Compliance

Taking action in a two-pronged approach

In order to better manage and reduce the environmental impact of its business activities, the Nippon Paper Group is strengthening environmental compliance by placing equal emphasis on preventing problems and on establishing a framework that ensures all problems come to light.

... To bolster environmental compliance ...

- Building systems to prevent problems**
 - Building a workplace that emphasizes the importance of the environment (environmental compliance training)
 - Strengthening the system for identifying applicable laws and regulations
 - Implementing measures from both the facility and technology perspectives
- Establishing a framework that ensures all problems come to light**
 - Bolstering environmental audits
 - Strengthening the environmental management structure
 - Engaging in environmental communication and active information disclosure

● **Strengthening the framework for reliably identifying laws to be observed**

To accurately respond to wide-ranging and relatively frequent changes in environmental legislation, Nippon Paper Industries has retained legal experts as advisors and implemented a legal and regulatory search system.

● **Introducing equipment and facilities to prevent environmental accidents**

Nippon Paper Industries identifies risks of environmental accidents in terms of both probability and potential impact, and introduces the equipment and facilities needed for prevention. Acting to prevent chemical major spills - considered a top priority again in fiscal 2015 - the company took steps like installing liquid containment walls and wastewater containment gates.

● **Environmental audits that place particular emphasis on legal compliance and risk control**

Based on the environmental management guidelines on pollution prevention issued by the Japanese Ministry of the Environment and Ministry of Economy, Trade and Industry, the Nippon Paper Group's various business locations perform internal audits, and Nippon Paper Industry's head office Environment & Safety Department conducts environmental audits for double confirmation of legal compliance. Environmental audits are also performed at the local level to look for chemical leaks and other risky conditions and take action to prevent environmental accidents. Furthermore, a system of mutual audits has been put in place by the Nippon Paper Group as an additional step to strengthen compliance and risk control.



Conducting a field inspection

● **Status with regard to legal compliance**

We were not subject to any form of adverse disposition from regulatory authorities (revocation of licenses, orders to suspend operation or the use of facilities, or fines) with respect to compliance with environmental regulations in fiscal 2015.

■ **Environmental Communication**

Reflecting feedback into our environmental activities

● **Risk communication**

The Nippon Paper Group places particular emphasis on sharing risk information with local communities in an effort to nurture strong ties of trust with them. To this end, the Group engages in risk communication



Risk communication (Nippon Paper Industries Fuji Mill)

with local residents, as provided in the Nippon Paper Group Risk Communication Guidelines.

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

● **Responses to opinions and complaints**

In addition to receiving opinions and inquiries via its website, the Nippon Paper Group has established a complaint and inquiry contact at each of its mills. We have also adopted environmental monitoring systems that encourage input from local residents.

In fiscal 2015, the Nippon Paper Group received 12 environment-related complaints in Japan. With each complaint, the relevant mill took steps to determine the cause, and took swift countermeasures. In those instances where a permanent solution required an extended amount of time to implement, all appropriate provisional measures were taken as quickly as possible. With each complaint, the Group takes steps to explain the details of remedial action to be taken and to obtain the necessary acknowledgement.

Environment-related complaints (fiscal 2015)

Complaints	No. of complaints	Complaints	No. of complaints
Noise	5	Vibration	1
Dust and mist dispersal	3	Smoke	0
Odor	1	Other	2
Total 12			

■ **Environmental Education and Training**

Supporting employees to learn

The Nippon Paper Group provides basic to specialized environmental education covering topics such as wastewater treatment plant operation. In addition, the Group encourages employees to participate in external training and take advantage of other opportunities to gain pollution prevention qualifications and expertise.

● **Environmental e-learning**

The Nippon Paper Group has introduced an online educational program to allow employees to learn about the environment at their own pace. June is Environment Month and this time around in 2016 we offered an online program, under the theme of "Forests and Biodiversity," which many employees participated in.

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

Eco Photo Awards in June 2015 as a part of its Environment Month activities for employees and their families.



The 9th Eco Photo Award grand prize "Pecko and the Marsh"

Policy and Management

Environmental Accounting

Environmental conservation expenses amounted to around ¥31.6 billion

To advance environmental protection initiatives more efficiently and effectively, the Nippon Paper Group practices

environmental accounting to track its environmental protection investments and expenses and quantify their impacts.

Environmental accounting at domestic consolidated subsidiaries*

Environmental conservation costs

(Millions of yen)

Categories	Principal Activities	Investment	Cost
(1) Business area costs			
1. Pollution prevention costs	Maintaining, managing and improving air and water pollution prevention facilities, etc.	681	12,427
2. Global environmental conservation costs	Preventing global warming as well as maintaining and managing company-owned forests, etc.	3,786	1,051
3. Resources circulation costs	Effectively utilizing recycled paper as well as treating, reducing and recycling industrial waste, etc.	556	8,766
(2) Upstream / downstream costs	Recovering pallets, etc.	–	1,990
(3) Administration costs	ISO 14001 inspection, operation and management; environmental information disclosure; employee environmental education; and workplace cleaning initiatives, etc.	–	641
(4) R&D costs	R&D relating to environmentally friendly products as well as the reduction of environmental load imposed by paper manufacturing processes, etc.	–	1,107
(5) Social activity costs	Local community natural conservation, tree planting, cleaning and landscaping activities, as well as donations and support for environmental organizations, etc.	–	54
(6) Environmental remediation costs	Levy for pollution-related health damage compensation system (SOx), etc.	–	541
Subtotal		5,023	26,578
Total		31,601	

Environmental conservation impacts

Categories	Environmental Impact Indicators		Results	YoY Change	
Effects related to resources introduced to business activities	Afforestation projects overseas	Overseas afforestation areas	89,000 hectares	Down 25,000 hectares	
	Energy-saving measures	Fuel use (Heavy oil equivalent)	–	Down 50,368 kl	
Effects related to environmental impact and waste from business activities	Greenhouse gas emissions	CO ₂ emissions from fossil energy	6,380,000 tonnes	Down 110,000 tonnes	
		NOx emissions (NO equivalent)	7,835 tonnes	Up 327 tonnes	
		SOx emissions (SO ₂ equivalent)	2,674 tonnes	Up 153 tonnes	
	Hazardous air pollutant emissions	Soot and dust emissions	1,235 tonnes	Down 306 tonnes	
		Water contaminant emissions	Effluent	881,000,000 tonnes	Up 2,000,000 tonnes
			COD/BOD emissions	53,257 tonnes	Down 826 tonnes
	SS emissions		23,196 tonnes	Up 1,693 tonnes	
Final waste disposal		17,400 tonnes	Up 3,800 tonnes		
Effects related to goods and services produced from business activities	Product recycling	Recycled paper utilization rate (paper)	37.8%	Down 0.4%	
		Recycled paper utilization rate (paperboard)	88.6%	Down 3.7%	
	Shipping material recycling	Pallet recovery rate	48.1%	Up 3.5%	

Economic benefits of environmental conservation

(Millions of yen)

Effect	Amount
Income from company-owned forests in Japan	519
Reduced expenses from energy saved	1,932
Reduced disposal expenses through the effective use of waste	5,373
Gain on sales from the recycled waste	125
Reduced expenses through the recycling of shipping materials	88
Total	8,037

* Accounting standards are based on Environmental Accounting Guidelines 2005.

Climate Change Initiatives

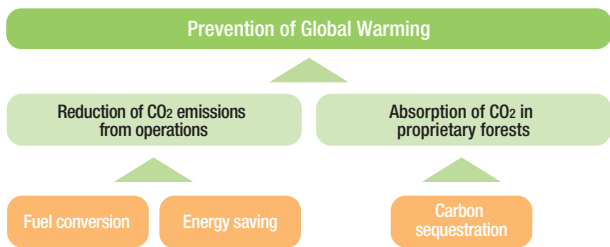
Reducing CO₂ emissions at every stage of our business activities

Basic Stance

Advancing three core initiatives

As a part of our efforts to prevent global warming across every stage of our business activities, we are (1) converting to non-fossil energy by employing boilers that use biomass and waste fuels, (2) conserving energy in each of our production and transportation processes, and (3) managing proprietary forests properly to ensure CO₂ absorption/sequestration (see pages 39–41).

Nippon Paper Group environmental initiatives



Fuel Conversion Led by the Adoption of Biomass Boilers

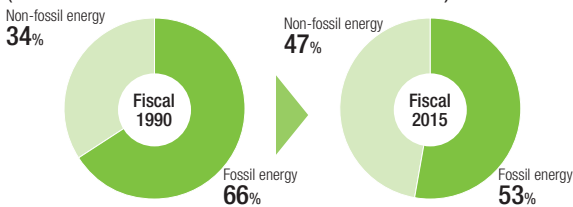
Actively using biomass and waste fuels to reduce fossil energy usage

In fiscal 2004, the Nippon Paper Group began installing two types of boilers—high-efficiency boilers and boilers capable of burning construction waste and woody biomass fuels; used tires, RPF*; and other waste fuels.

As a result of energy saving activities, and the fuel conversion accomplished through the introduction of these boilers, the fossil energy usage ratio in Japan fell to 53% in fiscal 2015, compared to 66% in fiscal 1990.

* RPF (Refuse paper and plastic fuel): Fuel derived from paper that is unusable as recycled paper and waste plastic.

Change in fossil energy usage ratio (calories) (domestic subsidiaries with mills and works)



Construction waste and other materials

RPF

Used tires

Development of a new biomass solid fuel effective for reducing CO₂ emissions

Trees absorb CO₂ as they grow. When fuel made from trees (woody biomass fuel) is burned, the CO₂ that results is recognized as the CO₂ that the trees absorbed and sequestered as they were growing, so there is no net impact on atmospheric CO₂. Given this carbon-neutral characteristic of woody biomass fuel, the co-firing of woody biomass is being advanced to reduce the CO₂ emissions of coal-fired boilers. Woodchips and wood pellets, however, cannot be efficiently crushed and there are other issues, for example, with water repellency when stored outdoors.

To address these challenges, Nippon Paper Industries has applied torrefaction technology to carbonize woody biomass at a relatively low temperature to develop a new biomass solid fuel that has pulverization properties similar to those of coal and retains most of its energy value.



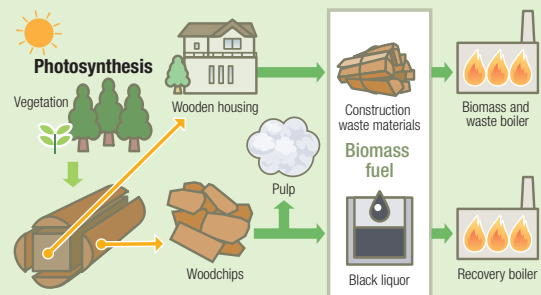
New woody biomass solid fuel made with torrefaction technology

One of the largest corporate users of biomass energy in Japan

The Nippon Paper Group actively applies biomass energy from sources such as black liquor, a byproduct of the pulp manufacturing process, and construction waste. The amount consumed accounts for up to 7%* of non-fossil energy (excluding nuclear and hydroelectric power) used in Japan. The Nippon Paper Group is one of the largest corporate users of biomass energy in Japan.

* In-house data prepared by Nippon Paper Industries Co., Ltd. using energy supply information (fiscal 2014 finalized information) published by the Natural Resources and Energy Agency.

Biomass energy utilization at the Nippon Paper Group



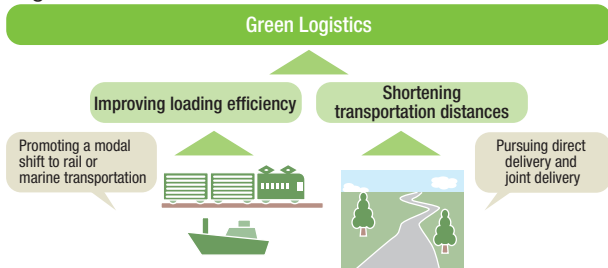
Climate Change Initiatives

■ Advancing Energy Efficiency in Logistics

Working to promote green logistics

The Nippon Paper Group focuses mainly on the two core initiatives of improving its loading efficiency and shortening transportation distances to reduce logistics-related CO₂ emissions.

Logistics-related initiatives



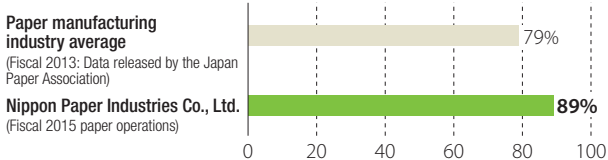
● Promoting a modal shift in transportation to secure high loading efficiency

Nippon Paper Industries achieved a modal shift rate* of 89% in its paper operations in fiscal 2015. This far surpassed the domestic and industry averages.

* Modal shift rate:

The percentage of rail or marine (including coastal shipping and ferries) transport in general cargo transported over 500 kilometers.

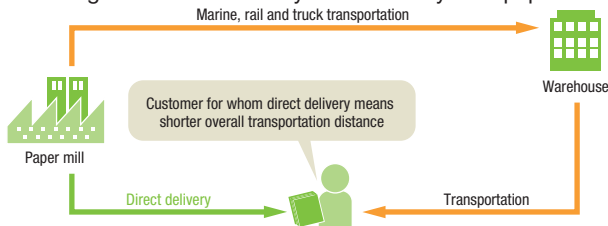
Comparison of modal shift rates



● Working with logistics service providers to shorten transportation distances

The Nippon Paper Group is working with logistics service providers to bypass warehouses and deliver products directly to customers. This effort is intended to reduce CO₂ emissions by shortening overall transportation distances.

Reducing the total distance by direct delivery from paper mills



● Obtaining Green Management Certifications

Green Management Certifications are awarded and registered by the Foundation for Promoting Personal Mobility and Ecological Transportation. Companies that undertake at least a certain minimum level of initiatives based on the Green Management Promotion Manual are eligible for these certifications.

Within the Nippon Paper Group, 17 business locations of 9 Group companies have received Green Management Certification. The Nippon Paper Group is actively implementing ecological driving, vehicle inspection and maintenance, reduction of vehicle disposal and waste generation, proper waste handling and recycling, and other practices consistent with green management.



Green Management Certification logo

Green Management Certifications (As of July 1, 2016)

Company
NIPPON PAPER LOGISTICS, Kyokushin Transport, Nanko Logistics Support, Hotoku, NP Unyu Kanto, NP Unyu Fuji, NP Unyu Kansai, NP Unyu Iwakuni, and New Transport

* Consolidated and non-consolidated subsidiaries in Japan

Environmental Consciousness Award Received under the Chiyoda Ward Global Warming Action Plan System

NP Trading Co., Ltd. was named a winner of the Environmental Consciousness Award presented by Tokyo's Chiyoda ward under its Global Warming Action Plan System. In presenting these awards, the Chiyoda ward government intends to promote environmentally conscious action. Determination of winners is based on reports companies within the ward's jurisdiction submit on the routine environmental protection activities they undertake. In fiscal 2015, 249 companies submitted reports and four were selected as award winners. For NP Trading, this was the second time it has been recognized for its environmental performance, the first being an award received for energy saving in fiscal 2011.

The reasons given for presenting the company with an Environmental Consciousness Award included distribution of the company's environmental stance and objectives on cards to employees, local clean-up activities undertaken seven times a year, environmental education and other environmental protection activities, donations to the Council of Social Welfare and other social contribution activities, and issuance of an environmental report.



Presentation of the Environmental Consciousness Award by the Mayor of Chiyoda ward, Tokyo

■ **Absorbing and sequestering CO₂ through Proper Management of Company-Owned Forests**

Sequestering atmospheric CO₂ in forests and wood products

● **Sequestering CO₂ with 179,000 hectares of forests in and outside Japan**

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

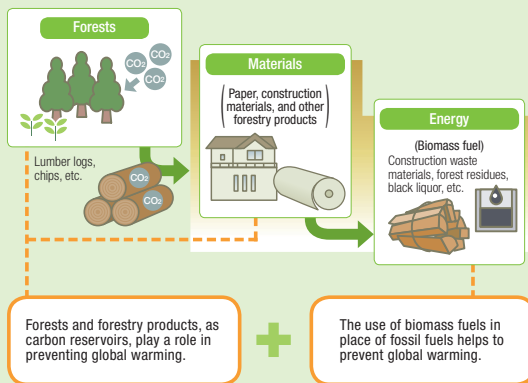
Together with its 90,000 hectares held across 30 prefectures in Japan, the Nippon Paper Group manages 89,000 hectares of forests across four countries abroad for a total of 179,000 hectares. Through proper forest management, the Group retains its CO₂ absorption and sequestration capabilities. These forests, both in and outside Japan, continuously sequester approximately 32 million tonnes of CO₂, thereby helping to prevent global warming.

Sequestering CO₂ in various wood products

CO₂ sequestered in trees as carbon remains sequestered even after trees have been processed into products like construction materials and paper. Products made from wood, therefore, work to prevent increases in atmospheric CO₂ concentrations. Using wood products and actively recycling waste paper, in other words, by fixing CO₂ for extended periods of time in products, helps to hold down increases in atmospheric CO₂ concentrations.

Moreover, when wood products like construction materials reach the end of their useful lives they can be used as carbon-neutral biomass fuel, the burning of which does not increase atmospheric CO₂.

Helping to prevent global warming through the cascade-use of wood*



* "Cascade-use" refers to the full use of an individual tree for applications across the quality scale, from ones requiring very high quality to others for which quality is not a consideration, for maximum efficiency in resource usage.

■ **Action Plan 2015 Results**

Capital investment, efficiency-improvement, and other energy-saving initiatives

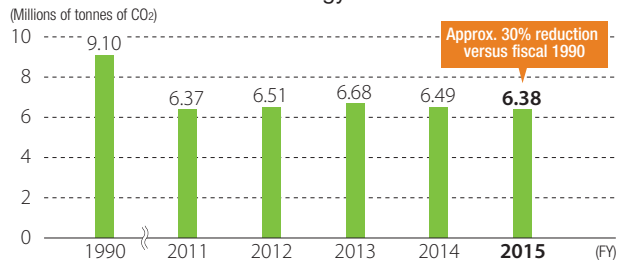
The Nippon Paper Group has established objectives for fighting global warming in its Environmental Action Plan (Green Action Plan) (see page 35).

In fiscal 2015, the final fiscal year covered by Green Action Plan 2015, investments were made in energy-saving facilities, energy-saving activities were pursued in daily operations, and other proactive initiatives were undertaken in pursuit of plan objectives. As a result, fiscal 2015 CO₂ emissions from fossil energy were reduced by 30% and use of fossil energy was cut by 39%, both in comparison to fiscal 1990. These figures, albeit with the effects of lower production volume in the Group's mainstay paper and paperboard businesses, greatly outperformed Green Action Plan 2015 objectives.

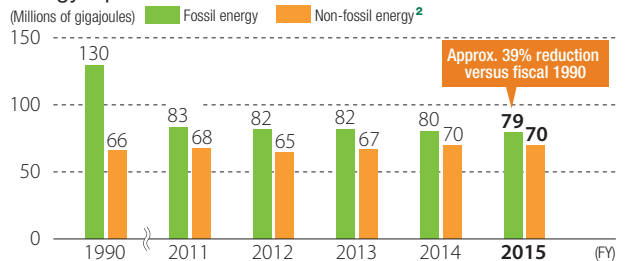
... **Targets for Preventing Global Warming** ...
(Green Action Plan 2015)

- Reduce CO₂ emissions from fossil energy by 25% versus fiscal 1990 levels
- Reduce the use of fossil energy by 30% versus fiscal 1990 levels
- Reduce logistics-generated CO₂ emissions (see page 40)

CO₂ emissions from fossil energy¹



Energy input¹



1 For consolidated and non-consolidated Japanese subsidiaries subject to the Act on Rational Use of Energy
2 Energy from biomass and waste.

Reduction of Environmental Impacts

Coexisting with local communities by striving to lower environmental impacts

Material Balance

Identifying and reducing the environmental impact of our business activities

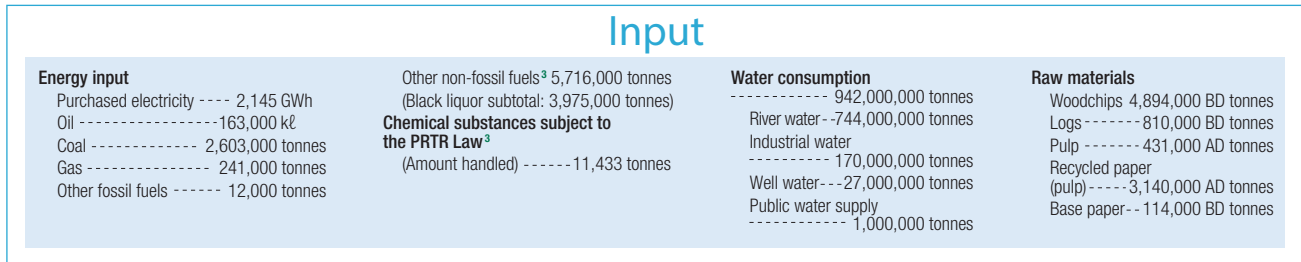
The Nippon Paper Group engages in a broad range of paper-related and other business activities driven primarily by the Pulp and Paper Division, which accounts for 82% of

total net sales. Constituting most of the Group's material balance in Japan, this division is responsible for approximately 92% of the Group's water consumption and 95% of its CO₂ emissions there.

Woodchips and recycled paper make up the bulk of raw materials used to make paper. After converting these raw materials into pulp, the pulp is diluted with water to produce

Balance of materials (principal materials) ¹

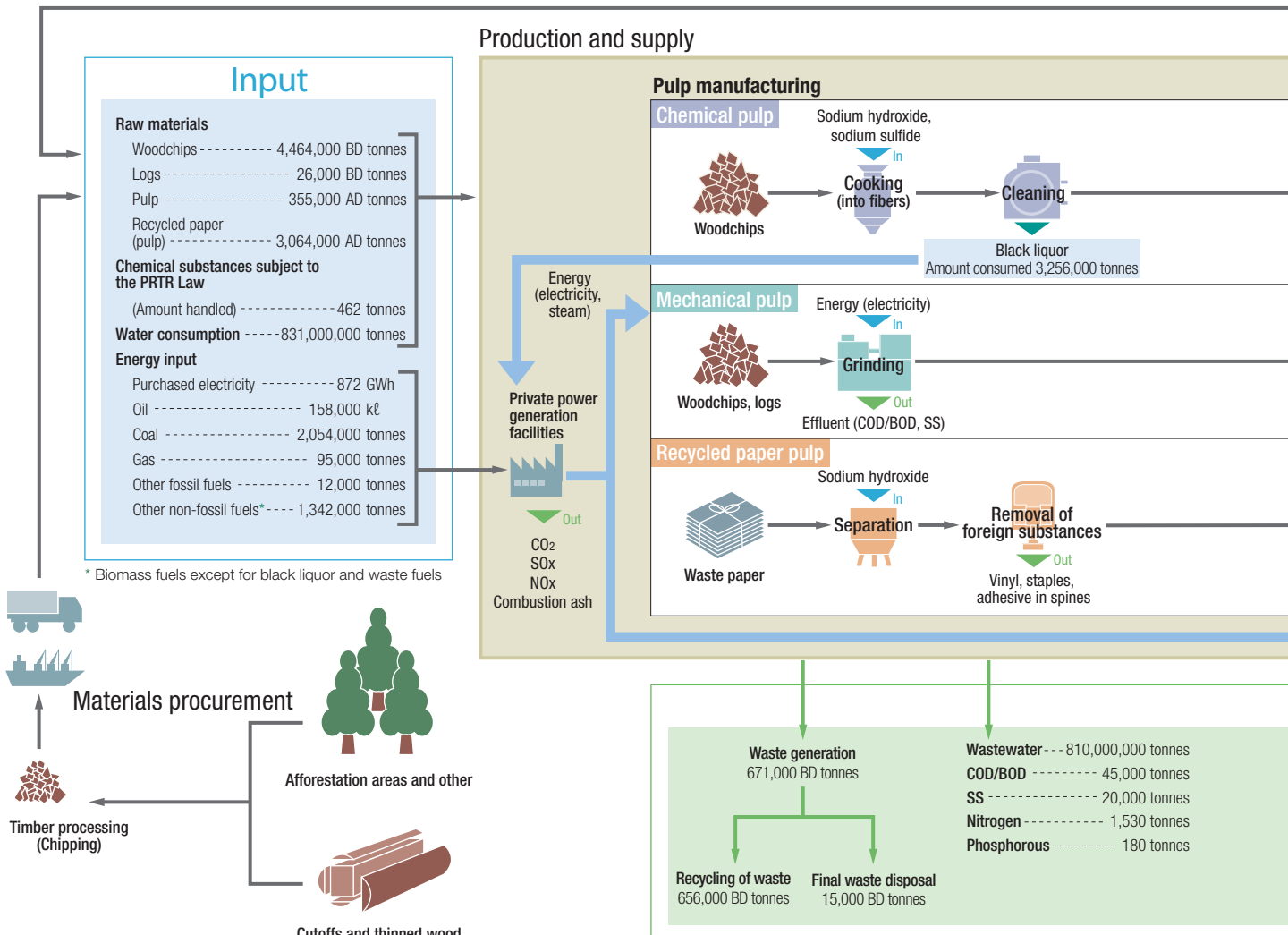
[Units] GWh = Gigawatt hours BDT = Bone-dry tonnes ADt = Air-dry tonnes



¹ Beginning with fiscal 2015, the reporting scope has been changed to add Siam Nippon Industrial Paper and remove South East Fibre Exports, which was divested, and Australian Paper's Shoalhaven Paper Mill, which was closed.

² Biomass fuels and waste fuels
³ Japan only

Material balance in the Pulp and Paper Business in Japan (principal materials)



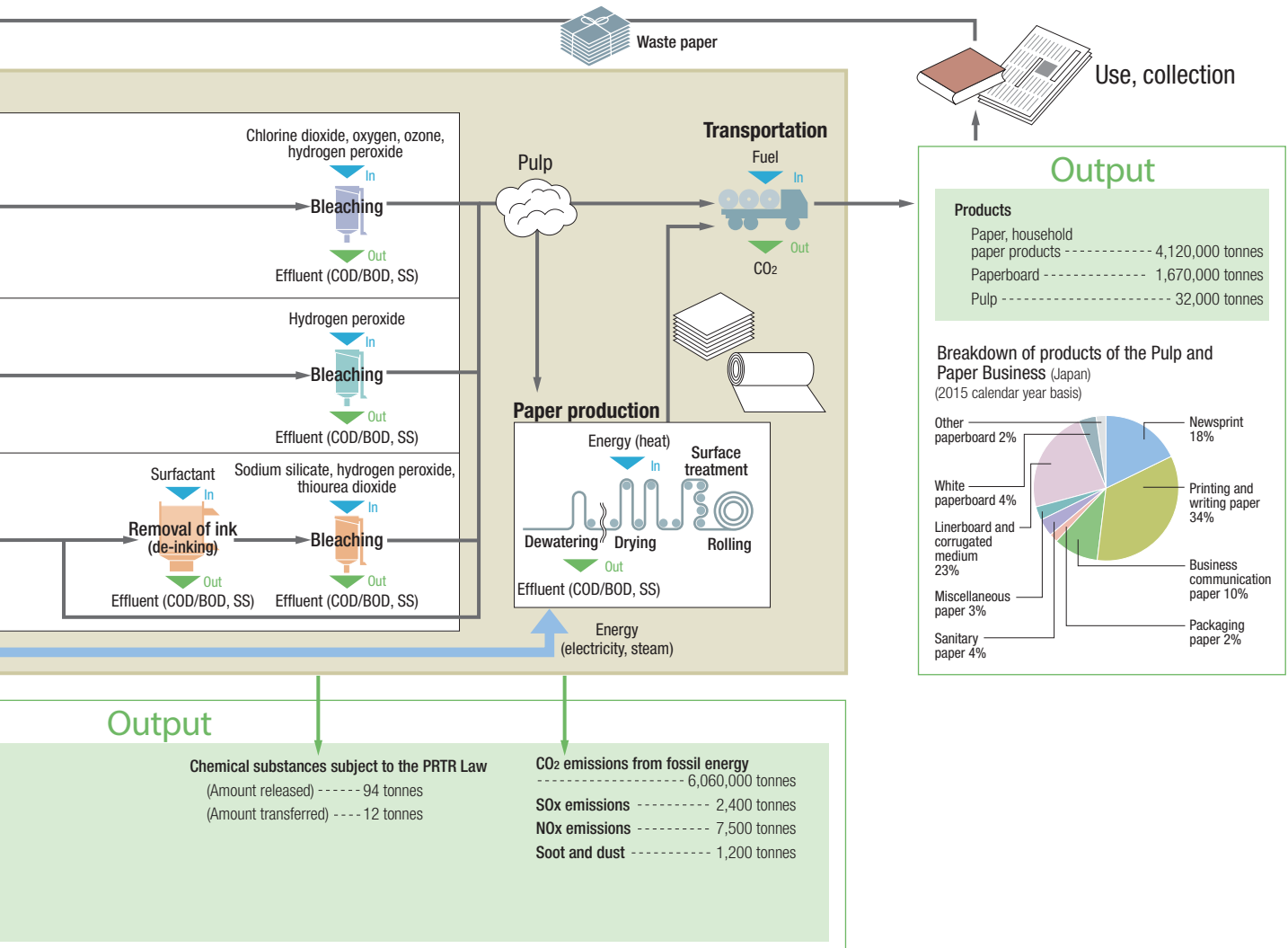
pulp slurry and then formed as wet thin sheets. The water is then removed by drying to make paper. In the pulp and papermaking processes, steam is used as a heat source and electricity as a power source. Pulp and paper mills are equipped with boilers that combust fuel to generate steam, and generators that create electricity with turbines driven by steam.

Unfortunate byproducts of the pulp and paper

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

Output

CO₂ emissions from fossil energy -----7,150,000 tonnes SO_x emissions ----- 5,100 tonnes NO_x emissions ----- 9,600 tonnes Soot and dust ----- 1,500 tonnes Chemical substances subject to the PRTR Law³ (Amount released) ----- 158 tonnes (Amount transferred) ----- 78 tonnes	Wastewater --- 920,000,000 tonnes Public water --- 912,000,000 tonnes Sewerage ----- 8,000,000 tonnes COD/BOD ----- 62,900 tonnes SS ----- 26,000 tonnes Nitrogen ----- 1,700 tonnes Phosphorous ----- 260 tonnes	Waste generation -- 839,000 BD tonnes Final waste disposal --52,400 BD tonnes Recycling of waste --787,000 BD tonnes	Products manufactured Paper, household paper ----- 4,570,000 tonnes Paperboard ----- 1,900,000 tonnes Pulp ----- 107,000 tonnes Paper container ----- 98,000 tonnes Chemical products --- 105,000 tonnes Building materials --- 67,000 tonnes Electricity ----- 1,228GWh
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Reduction of Environmental Impacts

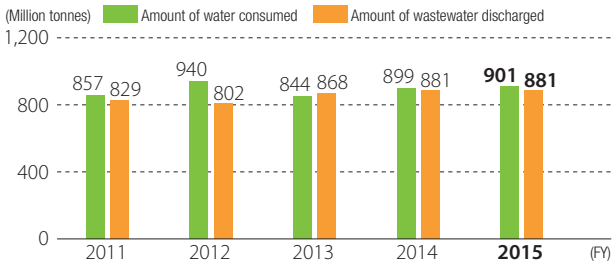
Preventing Water Pollution

Purifying wastewater through the use of microorganisms

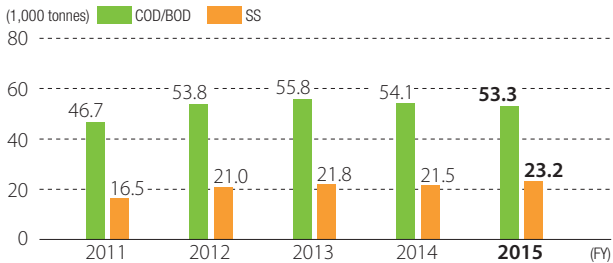
In papermaking, pulp is highly diluted with water to make a pulp suspension and then formed into a thin sheet. The sheet is then dried to make paper. Wastewater contains minute pulp fibers, filler, and other materials that did not remain in the paper.

The Nippon Paper Group treats wastewater to bring it within our COD, BOD, SS, and pH standards and standards agreed upon with local governments.

Amount of water consumed / wastewater discharged in domestic subsidiaries with mills and works



COD / BOD and SS figures for domestic subsidiaries with mills and works

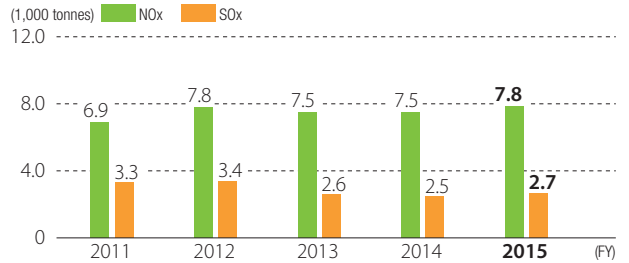


Preventing Air Pollution

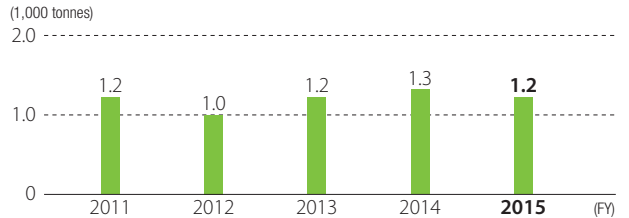
Working to reduce NOx, SOx, soot and dust

The Nippon Paper Group uses boilers and turbines to generate power internally at its paper mills. The steam emitted by boilers includes substances such as nitrogen oxide (NOx), sulfur oxide (SOx), soot, and dust. The Group uses desulfurization, denitrification, dust collection, and other equipment to bring these pollutants within our own standards and standards agreed upon with local governments.

NOx and SOx emissions in domestic subsidiaries with mills and works



Soot and dust emissions in domestic subsidiaries with mills and works



Standard wastewater treatment process at Nippon Paper Industries Co., Ltd. paper mills



■ Preventing Soil Pollution

Fiscal 2015, another year free of soil contamination

The raw materials and chemicals used by Nippon Paper Group mills contain almost no heavy metals, trichloroethylene or other soil contaminants. There were no instances of contaminated soil generated at Group companies during fiscal 2015.

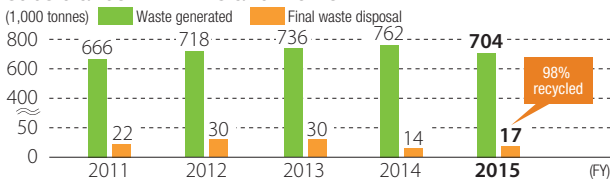
■ Reducing Industrial Waste (Green Action Plan 2015 results)

Working to make effective use of waste, while reducing waste generation

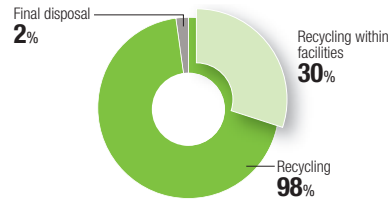
The Group is working to expand the effective use of waste, while cutting the amount of waste generated, to reduce final waste disposal.

Under its Green Action Plan 2015 (see page 35), the Group endeavored to increase the waste recycling rate to at least 97% and recycle at least 40% of waste generated within its facilities to promote the effective use of resources. To diversify the approaches for recycling ash, which accounts for approximately 80% of waste by volume, granulation equipment was introduced. Sales of the granulated product, however, did not proceed entirely as hoped, holding the rate for on-site recycling to 30% and preventing achievement of the target rate. Nevertheless, the waste recycling rate, including off-site recycling, came to 98%, a level that achieved our objective.

Waste generated and final waste disposal in domestic subsidiaries with mills and works



The ratio of recycling to the amount of waste generated (Fiscal 2015)



■ Preventing Noise, Vibration, and Odors

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

● Prevention of noise and vibration

Pulp and paper mills use large machines incorporating numerous motors and pumps that generate noise and vibration. Acting even when complaints have not been received, each mill takes steps to minimize the level of noise generated, and installs sound insulation facilities or relocates machinery whenever an issue is determined to have arisen.



Before installation of sound insulation wall (left) and after (right) (Fuji Mill, Nippon Paper Industries)

● Prevention of odors

When making kraft pulp, foul odors from substances such as hydrogen sulfide, methyl mercaptan, methyl sulfide, and methyl disulfide can be generated. In addition to installing equipment that contains odors or breaks down the substances that emit them, we regularly measure odor levels and conduct patrols of surrounding areas to ensure that issues do not arise.

Case

Project for making and selling heat-modified fly ash as the concrete admixture, CfFA® (Carbon-free Fly Ash)

Nippon Paper Industries Co. Ltd. uses coal-fired power plants to generate some of the electricity and heat needed to make paper. Fly ash, a byproduct of coal-fired power generation, has many benefits, such as increasing durability and extending useful life, when added to concrete. The use of fly ash as a concrete admixture, however, has not taken hold because it often contains unburned carbon, which, in even small percentages, can have negative impacts on the properties of ready-mixed concrete and the quality of hardened concrete.

Responding to this problem by adopting firing technology to eliminate the problem of unburned carbon, Nippon Paper Industries began in April 2016 to produce CfFA®, a heat-

modified fly ash product at its Ishinomaki Mill. Easy to work with and offering consistent, well-controlled quality, CfFA® represents the recycling of a waste product into a resource that improves concrete.

Increasing the durability and useful life of concrete allows us to make positive contributions in terms of aiding disaster recovery in areas devastated by the Great East Japan Earthquake and reducing infrastructure lifecycle costs.



40-tonne breakwater tetrapod made with concrete containing CfFA®

Reduction of Environmental Impacts

Controlling Chemical Substances

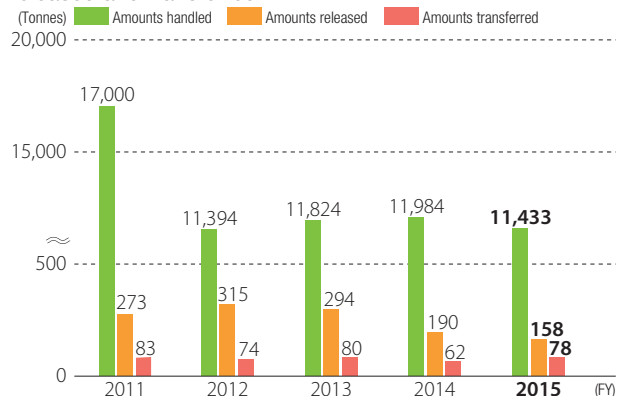
Properly managing chemical substances while pursuing efforts to limit use

Responding to the PRTR Law

The Pollutant Release and Transfer Register (PRTR) is a mechanism for businesses to use in tallying and reporting the wide variety of hazardous chemical substances that are either emitted from their facilities or transferred from their facilities in waste.

The Nippon Paper Group holds risk communication meetings at its mills. Steps are taken at each meeting to explain to local residents how chemical substances subject to the PRTR Law are being managed and used.

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



Amounts of substances subject to the PRTR Law released and transferred¹ (Fiscal 2015)

Cabinet Order No.	CAS No.	Chemical Substance	Unit	Amount Released	Amount Transferred
1	—	Water-soluble zinc compounds	t	2	11
2	79-06-1	Acrylamide	t	0	0
4	—	Acrylic acid and water-soluble salt	t	0	0
6	818-61-1	Acrylic acid 2-hydroxyethyl ester	t	0	0
9	107-13-1	Acrylonitrile	t	0	0
30	—	n-alkylbenzenesulfonic acid and its salts (alkyl C=10-14)	t	0	0
33	1332-21-4	Asbestos	t	0	4
37	80-05-7	4,4'-isopropylidenediphenol	t	0	0
48	2104-64-5	O-ethyl O-4-nitrophenyl phenylphosphonothioate	t	2	0
53	100-41-4	Ethylbenzene	t	0	0
57	110-80-5	Ethylene glycol monoethyl ether	t	1	5
80	1330-20-7	Xylene	t	3	0
85	111-30-8	Glutaraldehyde	t	0	0
98	79-11-8	Chlorodifluoromethane	t	0	0
127	67-66-3	Chloroform ²	t	57	15
144	—	Inorganic cyanide compounds (except complex salts and cyanates)	t	2	0
145	100-37-8	2-diethylaminoethanol	t	0	0
149	56-23-5	Tetrachloromethane	t	0	37
154	108-91-8	Cyclohexylamine	t	1	0
213	127-19-5	N,N-dimethyl acetamide	t	0	0
232	68-12-2	N,N-dimethylmethanamide	t	0	0
243	—	Dioxins ²	g-TEQ	0	8
272	—	Copper salts (water-soluble, except complex salts)	t	2	0
296	95-63-6	1,2,4-trimethylbenzene	t	4	0
300	108-88-3	Toluene	t	20	5
302	91-20-3	Naphthalene	t	0	0
318	75-15-0	Carbon disulfide	t	7	0
333	302-01-2	Hydrazine	t	0	0
374	—	Hydrogen fluoride and its water-soluble salts	t	22	0
392	110-54-3	N-hexane	t	0	0
395	—	Water-soluble salts of peroxodisulfuric acid	t	0	0
405	—	Boron compounds	t	11	0
407	—	Poly (oxyethylene) alkyl ether (alkyl C=12-15)	t	0	0
410	9016-45-9	Polyoxyethylene nonylphenyl ether	t	0	0
411	50-00-0	Formaldehyde	t	4	0
412	—	Manganese and its compounds	t	18	0
414	108-31-6	Maleic anhydride	t	0	0
415	79-41-4	Methacrylic acid	t	0	0
418	2867-47-2	2-(dimethylamino) ethyl methacrylate	t	0	0
419	97-88-1	N-butyl methacrylate	t	0	0
420	80-62-6	Methyl methacrylate	t	0	0
438	1321-94-4	Methylnaphthalene	t	1	0
448	101-68-8	Methylenebis (4,1-phenylene) diisocyanate	t	0	0
455	110-91-8	Morpholine	t	0	0
Total ³			t	158	78

1 A summary of the release or transfer volumes of substances, excluding dioxins, that are handled in quantities of at least 1 tonne by Group companies. Dioxins and formaldehyde are designated type 1 chemical substances.

2 Includes unintentionally generated chloroform and dioxins.

3 Dioxins are not included in total data.

Wastepaper Collection and Use

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

Basic Stance

Actively promoting paper recycling

To promote effective use of resources, the Nippon Paper Group, together with customers, has built systems for collecting and using wastepaper and is working with citizens' and industry groups to promote awareness and understanding of wastepaper collection. In addition to bolstering its wastepaper processing capabilities, the Group is striving to improve the quality of pulp made from waste paper and to increase the number of applications of pulp.

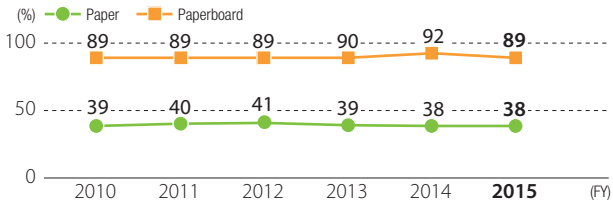
Green Action Plan 2015 Results

Efforts to advance the use of wastepaper

Under its Green Action Plan 2015 (see page 35), the Nippon Paper Group raised the objective of advancing the use of wastepaper by increasing the ratio of recycled paper to paper and to paperboard to at least 40% and 88%, respectively.

For fiscal 2015, the ratio of recycled paper used in paper came to 38%, less than the objective, due to factors including a decline in production. The ratio of recycled paper used in paperboard declined in comparison to the previous fiscal year, but, at 89%, achieved the objective.

Recycled paper utilization rate in domestic subsidiaries with mills and works

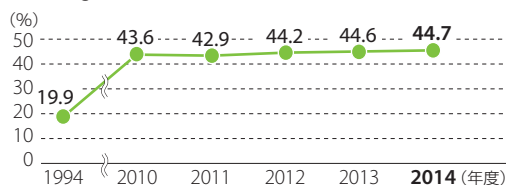


Case

Initiatives aimed at recovering milk cartons (The Nippon Paper Industries)

Nippon Paper Industries Co., Ltd., a member of the Committee for Milk Container Environmental Issues, for example, is promoting activities consistent with the committee's goal of achieving a beverage carton collection rate of at least 50% by 2020. Through a variety of educational initiatives as well as the exchange of information and placement of milk carton collection boxes at schools and public facilities, we achieved a paper beverage carton collection rate of 44.7% in fiscal 2014.

Beverage carton collection rate



Initiatives for Expanding the Use of Recycled Paper

Expanding the production of products made with wastepaper pulp in Australia

Australian Paper, located in the Australian state of Victoria, is that country's only company manufacturing eco-friendly copier paper – a product that incorporates wastepaper pulp. And, responding to the country's heightened environmental awareness, the company is increasing its production of eco-friendly products.

In fiscal 2015, Australian Paper began operations at facilities that are capable of producing 50,000 tonnes of wastepaper pulp annually. These facilities were built at the company's Maryvale Mill with technical assistance by Nippon Paper Industries Co., Ltd. and assistance from the Australian government. Australian Paper aims to make the most of these facilities in expanding and enhancing its line of products incorporating wastepaper pulp.



REFLEX brand copier paper incorporating wastepaper pulp

Australian Paper is also going beyond the use of wastepaper pulp, and conducting educational activities encouraging the collection of wastepaper for recycling.

In 2013, the company entered into a partnership with PLANET ARK, Australia's best-known nonprofit environmental protection organization, to pursue the Make It Australian Recycled campaign promoting the use of products incorporating wastepaper pulp. Established in 1992, PLANET ARK supports individuals, companies, governments, and others who are pursuing activities and education to protect the environment. The Make It Australian Recycled campaign encourages people to choose recycled products made with pulp recycled from wastepaper collected in Australia.



Campaign to promote the collection of wastepaper for recycling, in the town of Maryvale, Queensland, Australia



Collecting office wastepaper for recycling

Beginning in 2016, Australian Paper, putting to work its expanded capabilities to make products incorporating wastepaper pulp and strengthening its relationship with PLANET ARK, will embark on efforts to contribute to the building of a recycling-oriented society by promoting even greater use of recycled products.

Preserving Biodiversity

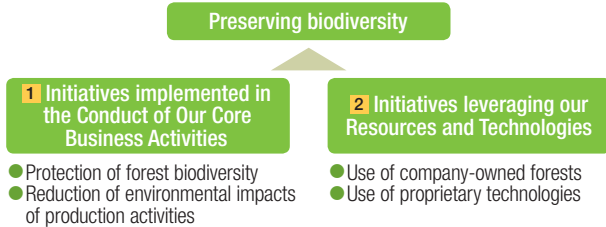
Pursuing activities that protect the ecosystems of company-owned forests and leverage proprietary resources and technologies

Basic Stance

Formulation of a new basic policy

The business activities of the Nippon Paper Group entail the cultivation and utilization of forests and, therefore, have an inherently significant and wide-ranging impact on forest biodiversity. We recognize that the sustainable use of forests is fundamental to our existence and development as a going concern. The basic philosophy of the Nippon Paper Group Environmental Charter (see page 34) states that the Nippon Paper Group will engage in corporate activities that recognize the importance of biodiversity. Our Basic Policies on the Preservation of Biodiversity, established in April 2016, provides guidance for the pursuit of such activities.

Nippon Paper Group initiatives

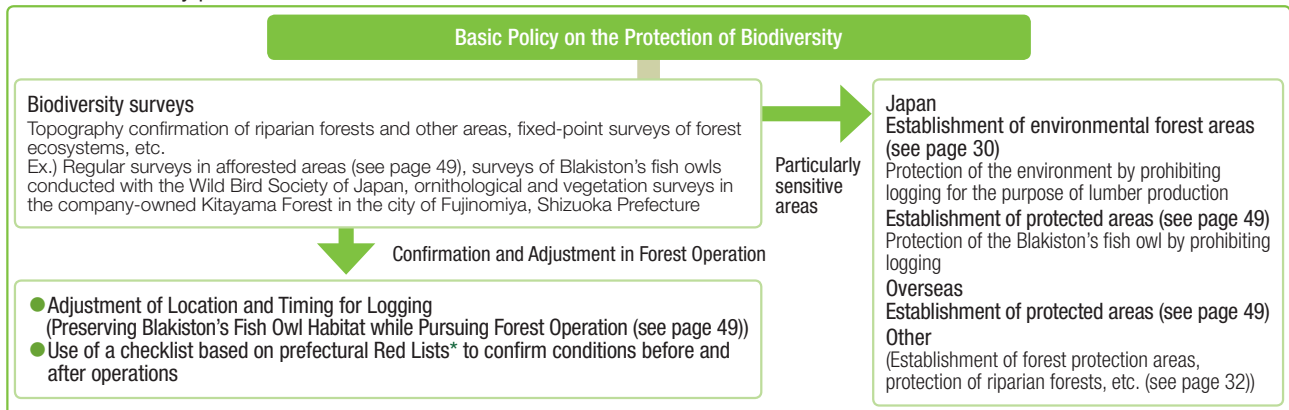


1 Initiatives in Our Core Business Activities

Pass thriving forests on to future generations

In pursuing sustainable forest management (see pages 30 and 32), the Nippon Paper Group conducts biodiversity surveys in company-owned forests. We also strive to reduce our impact on biodiversity by, for example, treating wastewater and controlling greenhouse gas emissions in our manufacturing processes.

Forest biodiversity protection scheme



... Basic Policy on the Preservation of Biodiversity ...

(Established April 1, 2016)

Principle

The Nippon Paper Group, a corporate group to which forest resources are of fundamental importance, appreciates the natural gifts bestowed by biodiversity and, by preserving biodiversity, aims to help create a sustainable society that can continuously enjoy ecosystem services.

Basic Policy

1. Recognizing the protection of biodiversity as a critical social issue, we will work to pursue business activities that are in harmony with the sustainable use of ecosystem services.
2. In supply-chain management, we acknowledge the impacts on biodiversity of cross-border use of ecosystem services, and will manage our ecosystem service usage properly.
3. In an effort to reduce environmental impacts on biodiversity, we will actively work to recycle and save resources.
4. We will promote the development of technologies, products, and services that contribute to the preservation of biodiversity and the sustainable use of ecosystem services.
5. Endeavoring to raise employees' awareness of biodiversity, and collaborating with stakeholders, we will contribute to the building of a society that nurtures biodiversity.

Forest certification programs (see pages 28-29)

Forest certifications have been awarded to Nippon Paper Industries in recognition of its practice of biodiversity-friendly forest management in all of its company-owned forests in Japan and overseas.



Breakdown of company-owned forests in Japan (Facts and Figures)
<http://www.nipponpapergroup.com/english/csr/>



Case

Preserving Blakiston's fish owl habitat while pursuing business activities – Collaborating with the Wild Bird Society of Japan

In 2010, Nippon Paper Industries entered into an agreement with the Wild Bird Society of Japan where approximately 126 hectares of forestland owned by the company in the Nemuro region of Hokkaido was identified as a sanctuary for Blakiston's fish owl. This sanctuary is home to three confirmed braces of this endangered species.

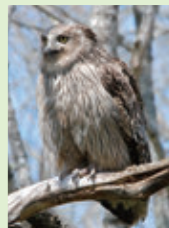
In May 2015, we signed a memorandum of understanding* for the pursuit of business activities while preserving Blakiston's fish owl habitat in company-owned

forests located in the Kushiro region of Hokkaido. After collaborative surveys conducted in an atmosphere of mutual trust, we have agreed to standards for methods and timing for continuing lumber production, while also protecting habitat and breeding activity, without establishing protected areas.

* The activities pursued under this memorandum of understanding were presented with a 2015 Biodiversity Action Award by the Japan Committee for the United Nations Decade on Biodiversity.

Surveys undertaken with the Wild Bird Society

Fiscal Year	Survey Description
2010	Large trees suitable as Blakiston's fish owl habitat
2011	Bird species habitat
2012	Nesting survey focusing on white-tailed eagles and Steller's sea eagles, and an audio survey of nocturnal bird species
2013	Mammals and Blakiston's fish owl habitat
2014	Geographic activity scope of the Blakiston's fish owl
2015	Blakiston's fish owl habitat, other bird species habitat



(Photo courtesy of the Wild Bird Society of Japan)

Blakiston's fish owl

Standing 70 to 80cm high and weighing 3 to 4.5 kg, Blakiston's fish owl is the world's largest owl, with a wingspan of 180 cm. Formerly numbering over 1,000 and found throughout Hokkaido, Blakiston's fish owls are now found mainly in the eastern parts of Hokkaido, with confirmed numbers of around 140, making up 50 braces. Blakiston's fish owl was identified as a national protected species in 1971, and placed on the Red List of critically endangered species by Japan's Ministry of the Environment.

Case

Conducting biodiversity research overseas (AMCEL S.A, Brazil and Volterra S.A., Chile)

AMCEL S.A., located in the Brazilian state of Amapa, owns approximately 310,000 hectares of land and has set aside 170,000 hectares as a conservation area.

Volterra S.A., in Chile, owns approximately 19,000 hectares of forests and has designated about 5,000 hectares as protected forests.

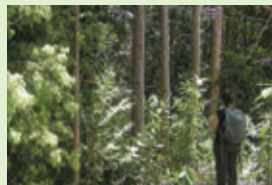
These areas are home to large numbers of plant and animal species, many of which are rare or endangered. Protecting them, therefore, is very meaningful. Both AMCEL and Volterra undertake surveys and other initiatives to research and monitor biodiversity in the areas they are protecting.



Footprints of a jaguar (a "near-threatened" species on the IUCN Red List)



Performing a wildlife survey



Survey being performed by the Universidad de Concepcion



Pudu (a "near-threatened" species on the IUCN Red List)

Initiatives by afforestation companies in South America

Activity	Description
AMCEL S.A.	
Regular water inspections	Installation of equipment for monitoring the quality and level of water in the afforestation area, and performance of regular water inspections
Cooperation in a wildlife release program	Annual provision of the conservation area for use in a wildlife release program being conducted by the Brazilian Institute for the Environment and Renewable Natural Resources
Collaboration with the Department of Biological Sciences at the Federal University of Para	Ongoing monitoring by AMCEL following a joint mammalian habitat survey in afforested and other areas.
Collaboration with the local environmental research institution in Amapa state	A vegetation survey was initiated in a protected area to determine the distribution and status of plant life.
Collaboration with the Universidade Federal Rural da Amazonia (2011-2012)	Conduct of a pre-afforestation tropical savanna survey to gather basic vegetation information. Plants from 25 orders and 14 families were catalogued.
Conduct of a survey of medium- and large-size mammals in the conservation area (2011-2013)	A survey covering eight communities located within the conservation area adjacent to AMCEL's afforested land was conducted. The survey employed a questionnaire to gather sighting and other information, and incorporated observations of evidence such as animal trails, fecal matter, and footprints. Jaguars and other "near-threatened" species were found to be living within the conservation area.
Volterra S.A.	
Joint activity with the Universidad de Concepcion	Biodiversity surveys are being conducted on company land. The 2013 survey identified rare species including the endangered Chilean pine (<i>Araucaria araucana</i>).
Wildlife surveys in the company's protected forests	Using camera traps and other tools, surveys have identified mammals (including pumas) and bird species. The 2015 survey confirmed the existence of the "near-threatened" pudu and several rare species.

Preserving Biodiversity

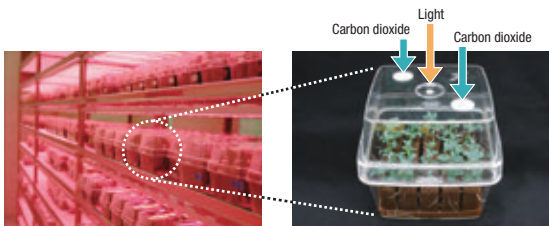
2 Initiatives Leveraging Our Resources and Technologies

Contributing to the protection of a variety of plant species

● Protecting trees of historical value and endangered species

Nippon Paper Industries Co., Ltd. is working to protect precious plant species. It does this by using a proprietary technology that encourages cuttings to take root in containers kept in a special cultivating room. This technology, which promotes photosynthesis, enables the propagation of even trees that failed to root via traditional cutting technology.

In response to requests from various institutions, the Company has used this technology to propagate and return precious plants species. Examples include endangered Ryukyu Island plant species being preserved for research by the Tsukuba Botanical Garden of Japan's National Museum of Nature and Science, cherry trees from various shrines throughout Japan, and cherry trees being used for research at Japan's National Institute of Genetics.



Even plant species that normally fail to root by cutting are able to root



● Use of company-owned forests

Case

Supporting the activities of the Shirane-aoi wo Mamoru Kai

Shirane-aoi (*Glaucidium palmatum*: Japanese wood poppy) is designated as a "threatened II" species in the Red Data Book of Gunma Prefecture. To protect and breed this plant species, the Shirane-aoi Preservation Group was set up in December 2000, mainly at the initiative of Gunma Prefectural Oze High School and the residents of the village of Katashina in Tone-gun, Gunma Prefecture. As recognition of its achievements to date, it received the Greenery Day Minister of the Environment's Prize for Meritorious Service Related to the Natural Environment in April 2014.

Since its inception, Nippon Paper Development, which manages Nippon Paper Industries' Sugenuma Forest, has supported the operation of the Shirane-aoi Preservation Group, and Nippon Paper Industries has offered a portion of the Sugenuma Forest as a plantation site for Shirane-aoi. Since 2002, the Group has called for volunteers to participate in planting, seed collection, and other activities.



Collecting Shirane-aoi seeds

Comment

Daikichi Hoshino,
Chairman of the Shirane-aoi
Preservation Group

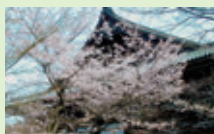
The Shirane-aoi Preservation Group is now in its 16th year of operation, and I would like to express my heartfelt thanks to the Nippon Paper Group for its cooperation and for its participation in our activities.



Nippon Paper Industries Co., Ltd.'s cherry tree preservation activities



Cherry trees of Japan's National Institute of Genetics, which has numerous cherry tree species considered to be of exceptional value

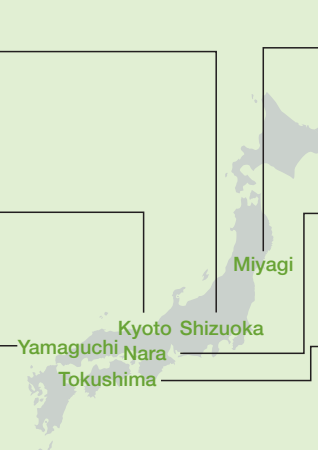


The Tatekawa cherry tree owned by Shinnyodo, a temple in Kyoto, and said to be connected to the third shogun of the Tokugawa dynasty



Cherry tree presented by the feudal lord Kikkawa Hiroie to Ueda Soko, a noted warrior and tea master, around 1625

Cherry tree presented by Kikkawa Hiroie to Ueda Soko (Photo courtesy of Uedaryu-Wafudou (Hiroshima Prefecture, Japan))



Cherry tree owned by Shiogama Shrine and registered as a Japanese national treasure



The Uwamizuzakura cherry tree owned by Fuefuki Shrine and dating back to the end of the 12th century.



The Hachisukazakura cherry tree, estimated to be over 250 years old



Responsibility to Customers

Stakeholder opinions are critical for bringing to our attention issues that are important for coexisting with society and growing sustainably.

We now receive large numbers of customer questions regarding environmentally and socially conscious raw material procurement and product development.

The Nippon Paper Group is committed to providing products that respond to customer concerns and desires.



Paper gallery at headquarter of Nippon Paper Industries

Indicators	Key Objectives	Performance (fiscal 2015)
<p>● Materiality: Providing environmentally and socially conscious products</p>		
Forest certification coverage (the provision of products with forest certifications)	Company-owned forests with forest certifications: 100%	100% (→PP.28-29)
	Imported hardwood chips with forest certifications: 100%	100% (→PP.28-29)
Wastepaper content	At least 40% for paper and at least 88% for paperboard	38% for paper, 89% for paperboard (→P.47)

Policy and Management

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Providing Environmentally and Socially Conscious Products

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Policy and Management

In addition to the stable supply of various products that are indispensable to everyday life, we continue to pursue quality and safety which meet the expectations of customers

Basic Stance

Providing reliable products and services

The Nippon Paper Group's business activities are grounded in the supply of paper and paper products to society. We have continued to develop and grow in tune with society. We also engage in a broad spectrum of activities including the manufacture and sale of films, healthcare products, chemical products, lumber, and construction materials. Our customer base is equally wide-ranging, encompassing both the corporate sector and individuals.

Providing stable supplies of these products that are indispensable to everyday life is how we fulfill our basic responsibility to play a useful role for society. Assuring quality and safety, we will continue to live up to the trust society places in our products and services.

... Philosophy and Basic Policy on Product Safety ...

(established on October 1, 2004, revised on August 1, 2014)

Philosophy

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

Basic Policy

1. To provide safe products and services in response to the continued trust of our customers.
2. To respect related laws and standards in order to guarantee the safety of our products and services. We pursue safety not only as expected under Japanese laws but also from a global perspective.
3. To provide customers with precise information on the safety, features, and correct usage of our products.
4. To set up a product and service safety management structure and ensure that all group employees have a thorough awareness of the importance of product safety.

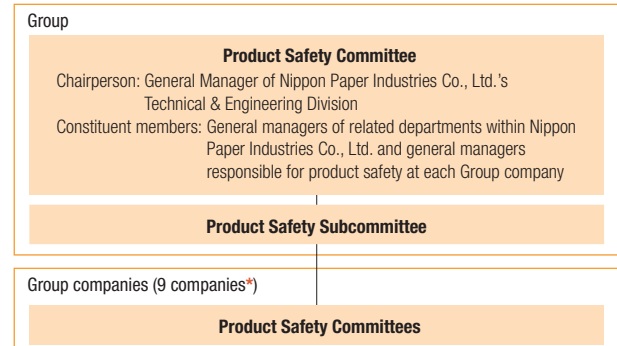
Product Safety Management System

Establishing a Group system

The Nippon Paper Group Product Safety Committee, chaired by the General Manager of Nippon Paper Industries Co., Ltd.'s Technical & Engineering Division oversees all activities concerning product safety. The committee deliberates and makes determinations on important matters concerning product safety policies and activities.

Reporting directly to the committee, the Product Safety Subcommittee monitors and manages activities at each Group company. Drawing on information and the exchange of opinions among Group companies, the subcommittee also deliberates on optimal responses to matters of concern and submits its findings to the Product Safety Committee. Each Group company establishes its own product safety committee and engages in appropriate product safety activities.

Product safety management system



* Nippon Paper Industries Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Lumber Co., Ltd., Kitakami Paper Co., Ltd., Nippon Seitai Corporation, NP Trading Co., Ltd., Nippon Paper Development Co., Ltd., Akita Jujo Chemicals Co., Ltd. (As of March 31, 2016)

Approach toward Product Safety

System for legal and regulatory management and compliance

The Nippon Paper Group, acting in compliance with laws, including Japanese laws such as the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, PRTR Law, and Food Sanitation Act, works to ensure product safety by employing management approaches adapted to the characteristics of particular operations and products.

Product safety management approach

Overall Level

- ISO 14001 Environmental Management
Management of chemical substances included in raw materials

Food, beverages, and their containers (Paper-Pak Division)

- HACCP¹ hygiene management (Food containers)
Adoption and enhancement of facilities that emphasize production environment hygiene, the use of defect-detection devices to monitor products, and wearing of clothing to prevent contamination by hair
- FSSC 22000² food safety standard
- Food defense measures
Prevention of intentional threats to food safety by equipping paper-pak manufacturing plants with entry and exit controls, cameras for quality control, tight controls on access to chemicals, and other such security measures.

1 HACCP

An acronym for "Hazard Analysis and Critical Control Point"

2 FSSC 22000

FSSC 22000 is a food safety management system certification scheme integrating the ISO 22000 international food safety management system standard, which calls for implementation of HACCP, the ISO/TS 22002 prerequisite program on food safety, and other requirements.

Acquisition of FSSC 22000 certifications obtained

(as of March 31, 2016)

Company Name	Mill, Operating Division, Production Company
Nippon Paper Industries Co., Ltd.	
(Paper-Pak Division)	SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD.
(Chemical Division)	Gotsu Mill*

* CMC, cellulose powder, and stevia and licorice sweeteners (all for use in food)

■ Initiatives for Quality Stabilization

Working to stabilize quality, so customers can use our products with confidence

Each Group company actively promotes efforts aimed at acquiring ISO 9001 certification and engages in quality management suited to the characteristics of its products.

Acquisition of ISO 9001 certification (As of March 31, 2016)

Company Name	Mill, Operating Division, Production Company
Nippon Paper Industries Co., Ltd. (Chemical Division)	Akita Mill, Nakoso Mill, Ashikaga Mill ¹ , Soka Mill ¹ , Fuji Mill (Yoshinaga), Otake Mill Gotsu Mill ² , Iwakuni Mill, Higashimatsuyama Mill, Yufutsu Mill
Nippon Paper Crecia Co., Ltd.	Tokyo Mill
Nippon Paper Papylia Co., Ltd.	Harada Mill, Suita Mill, Kochi Mill
Nippon Seitai Corporation	Hokkaido Office, Maebashi Mill, Saitama Mill
NIPPON PAPER UNITEC CO., LTD.	Four business sites at headquarters (construction/electricity/control systems/plant engineering)
Kokusaku Kiko Co., Ltd.	Headquarters/Equipment & Facilities Department/Yufutsu Department/Shiraoi Department/Asahikawa Department
NANKO UNYU CO., LTD.	Headquarters/Ishinomaki Office/Shipping Management Center/Iwanuma Office/Nakoso Office/Akita Sales Office Service Department/Maintenance Shop/Tokyo Branch
Nippon Paper Ishinomaki Technology Co., Ltd.	Headquarters
GAC Co., Ltd.	Headquarters/Mill, Marketing Division
FLOWRIC CO., LTD.	Headquarters, Concrete Research Center, Nagoya Mill
N&E Co., Ltd.	
Australian Paper	Maryvale Mill, Preston Facility
Jujo Thermal Oy	Kauttua Mill
Siam Nippon Industrial Paper Co., Ltd.	

¹ Renamed the "Kanto Mill" after an operational consolidation in April 2016.
² Certifications obtained for CMC and cellulose powder production.

● Quality assurance systems in the paper and paperboard divisions

Nippon Paper Industries has adopted a Service Engineer (SE) system to shorten the distance between customers and production facilities. Under this system, SEs - technical staff members - listen directly to customers' voices. They do this, for instance, by visiting customers and conducting quality patrols in which they observe printing and processing lines where paper is used. Furthermore, to create even closer relationships, Nippon Paper Industries revamped its quality assurance systems in 2013, assigning employees expert in technical matters to sales divisions. In addition, collaboration between sales and technical divisions is promoted through regular quality information meetings and other means, for the larger purpose of enabling swift responses to diverse customer needs.

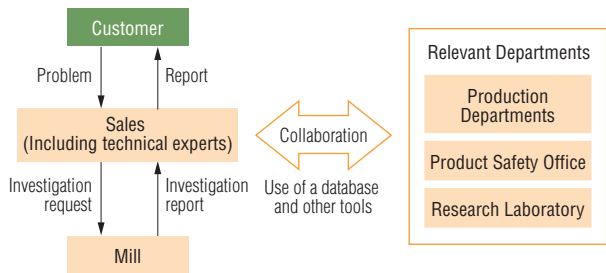
● Responding to instances of defective products

In instances where a problem with a shipped product has come to light, action is taken by the individual Group company responsible for the product.

In the Paper and Paperboard Division of Nippon Paper Industries Co., Ltd., personnel in charge of sales engineering act as the central contact point, tools such as a database of safety-related problems are brought into play, and the relevant mill and head office departments work together in developing a solution.

At Nippon Paper Crecia Co., Ltd., which sells consumer products, contact information for the Customer Service Office is provided on all products and the Customer Service Office itself is placed directly under the president to ensure that the president is informed of all customer complaints. Furthermore, the company's website is configured to accept customer queries and comments. Nippon Paper Crecia consistently acts in good faith whenever its products are a cause for customer inconvenience. Every effort is made to ensure that customers are fully satisfied.

Product defect response system (Paper and Paperboard Division)



The Customer Service Office (Nippon Paper Crecia Co., Ltd.)

● Verification and audit of wastepaper pulp blending ratios and use of thinned wood

Nippon Paper Industries has established a management system for providing customers with guarantees that products are made with a certain percentage of wastepaper pulp content and with wood from forest thinning.

Steps are taken to manage and review production procedures at each of the Group's mills, based in part on the standards and criteria of the ISO 14001 environmental management system. The proper operation of content management systems is confirmed in internal and external audits, and customers come to our mills to verify that products are being manufactured to content specifications.

Policy and Management

● Quality audits at companies making containers for liquids

The four production subsidiaries of Nippon Paper Industries' Paper-Pak Division undergo annual quality audits by a team which includes the division head, and pursue continuous quality improvement based on identified actual conditions (including the "5Ss"*) in their production facilities. In addition to the quality audits, production companies also undergo food sanitation investigation focusing in particular on measures for dealing with critical microorganisms, foreign matters, and pest control.



Quality audit at SOKA PAPER-PAK CO., LTD



Checking carton quality LTD

* The 5Ss are romanized abbreviation of five Japanese words— seiri, seiton, seiso, seiketsu, and shitsuke—which mean sorting, setting-in-order, shining, standardizing, and sustaining, respectively. The 5Ss are used to maintain or improve workplace environments.

■ The Stable Supply of Products

Stable supply systems optimized by product

To provide customers with the amounts of products they need at the times they need them, we devote considerable effort to maintaining stable production by securing reliable procurement of raw materials, and systematically maintaining and upgrading our production facilities. The sales departments and production units coordinate their activities to provide customers with reliable supplies of products by developing flexible production plans that avoid waste, and managing inventories appropriately.

● Stable supply of newsprint

Demand is particularly high for the stable supply of paper used in such highly public information media as newspapers. As a result, the paper industry prepares emergency manuals by region for use when an extraordinary incident occurs.



Shipping products from a warehouse

In the event of a disruption to communication and transportation systems as a result of a major disaster, paper companies follow this manual to ensure the smooth supply of newsprint.

● Addressing natural disaster risks

The Nippon Paper Group, having learned much in the wake of the Great East Japan Earthquake, has developed practical guidelines for addressing earthquake, tsunami, and other natural disaster risks. Working from these

guidelines, each mill and plant has examined the natural disaster response measures it has used to date and revised its disaster response manual.

For its part, Nippon Paper Industries, in preparation for a major disaster that could either disable its headquarters or damage infrastructure so severely that its headquarters is unable to function, has established a backup facility that could immediately take over headquarters functions. The company also conducts training in the transfer of functions from its headquarters to the backup facility.

● Business continuity management system

To help ensure that beverages and other products reach consumers regardless of external circumstances, Nippon Paper Industries' Paper-Pak Division has developed its own business continuity guidelines and established its own business continuity management system, so that it can maintain production even in times of emergency. In particular, the division is moving ahead with procurement of key raw materials from multiple manufacturers. It has also dispersed its paper container production facilities across four production companies to lower its disaster risk exposure.

■ Identifying Customer Needs

Proactive communication

The Nippon Paper Group engages in proactive communication—in everything from routine sales activities to quality patrols by technical staff—to identify customer needs across a wide range of areas. We now receive numerous questions from customers wanting information on the tree species, countries of origin, and legality of our raw materials. In response, we explain that we are meeting customer demands through our own initiatives and through third-party evaluations (see Sustainable Wood Resource Procurement Scheme on page 29).

We also actively welcome customers for inspections and tours of mills and plants to give them a first-hand view of production facilities and, thereby, gain their understanding of production activities.

● Nippon Paper Industries Co., Ltd.'s Paper-Pak Division

Nippon Paper Industries' Paper-Pak Division conducts technical lectures for customers (dairy and beverage companies) providing them with information on how to properly use filling machines. At the same time, the division continuously strives to improve its products based on valuable feedback from customers.

● Nippon Paper Crecia Co., Ltd.

Nippon Paper Crecia conducts surveys to gather data on customer satisfaction and needs by product, and then uses what it learns to create measures of success in serving customers.

Providing Environmentally and Socially Conscious Products

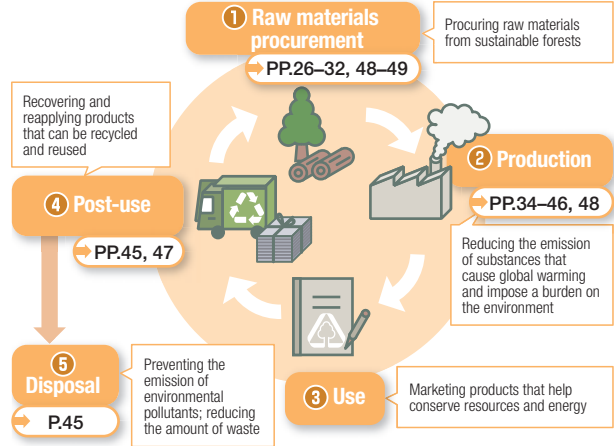
We provide products that meet customer demands including forest certified products

Development of Environmentally Friendly Products

Considering every stage of the product lifecycle

Nippon Paper Group products use wood raw materials—renewable biomass resources—and are recyclable. Building on the fact that our products have a low environmental impact by their very nature, we strive to develop products that are cognizant of the environment at every stage beginning with raw material procurement and proceeding through production, consumption, post-consumption, and disposal.

Points of environmental concern from a product lifecycle



1 Environmentally Friendly Raw Materials Procurement

Case

Providing certified paper by starting with properly managed forests (Nippon Paper Group)

The forest certification system is composed of two components—the Forest Management (FM) component, which certifies that forests are responsibly managed from environmental, social, and economic perspectives, and the Chain-of-Custody (CoC) component, which certifies that

products from certified forests have been properly processed and distributed. The Nippon Paper Group has obtained international CoC certifications at its principal mills, and provides certified paper products.

Status of CoC certification acquisition (as of March 31, 2016)

Company Name	FSC®	PEFC
	Mill, Production Company (License no.)	Mill, Production Company
Nippon Paper Industries Co., Ltd.	Kushiro Mill (FSC®C129049); Hokkaido Mill (Yufutsu, Shiraoi) (FSC®C00952); Nakoso Mill (FSC®C020977); Iwakuni Mill (FSC®C115436); SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD. (FSC®C128733)	Hokkaido Mill (Shiraoi), Akita Mill, Ishinomaki Mill, Fuji Mill, Otake Mill, Iwakuni Mill, Yatsushiro Mill, SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD.
Nippon Paper Papyrus Co., Ltd.	Harada Mill, Kochi Mill (FSC®C005984)	Harada Mill, Kochi Mill
Nippon Paper Crecia Co., Ltd.	Kaisei Mill (FSC®C124287), Koyo (FSC®C095114)	—

2 Environmentally Friendly Production

Case

Low-basis-weight single-side coated paperboard

(Nippon Paper Industries Co., Ltd.)

Nippon Paper Industries Co., Ltd. introduced Be Light Card low-basis-weight, single-side coated paperboard in July 2015. Drawing on its low-density technology to reduce density to the greatest extent possible, the company created a single-side coated paperboard that weighs 7%-10% less than earlier products. Incorporating no fluorescent dye, Be Light Card paperboard can be used for food, medical, cosmetic, and other types of packaging, picture books, and a wide variety of other purposes.



Be Light Card paperboard

3 Environmentally Friendly Utilization

Case

Lightweight IJ form paper

(Nippon Paper Industries Co., Ltd.)

Quality requirements for inkjet paper have risen as the speed of inkjet printers has increased, and Nippon Paper Industries Co., Ltd. has responded by developing NPi Form NEXT-IJ_a, a paper that greatly exceeds the requirements of the latest inkjet printers. Compared to previous products used under the same printing conditions, this new paper offers much lower levels of show-through* and, therefore, can be made with up to 20% less basis weight. In addition to this significant weight savings, NPi Form NEXT-IJ_a enables ink savings through printing with density up to 20% greater than was possible with previous products.

* The visibility of printing from the back side of the paper because of low opacity.

Providing Environmentally and Socially Conscious Products

4 Environmentally Friendly Handling after Use

Case

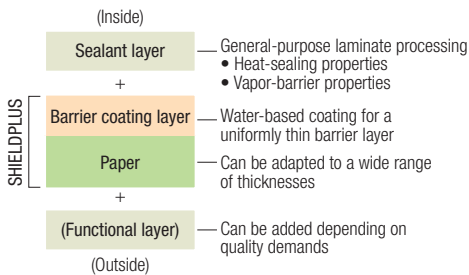
Paper impervious to oxygen and flavors SHIELDPLUS oxygen- and flavor-barrier packaging material

(Nippon Paper Industries Co., Ltd.)

Nippon Paper Industries Co., Ltd. has developed the paper-based SHIELDPLUS barrier packaging material. Using its papermaking and water-based coating technologies the company has created a paper material that incorporates oxygen- and flavor-barrier properties. This new product results in fewer CO₂ emissions, from manufacturing to disposal, than do existing barrier films, which are made with multiple layers of plastic. Furthermore, manufactured with no organic solvents, and recyclable as paper, SHIELDPLUS is environmentally friendlier than barrier films.

The equal of various barrier films in terms of its barrier effectiveness and resistance to oil, SHIELDPLUS also offers workability, and efforts to promote its use in various types of packaging are moving forward.

SHIELDPLUS Processing Example



5 Environmentally Friendly Disposal

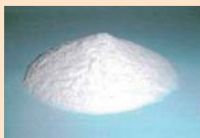
Case

KC FLOCK® powdered cellulose made from wood pulp

(Nippon Paper Industries, Chemical Division)

Nippon Paper Industries Co., Ltd. markets KC FLOCK®, the brand name for the company's powdered cellulose made from wood. Cellulose is a food fiber and harmless to humans. Biodegradable and easily incinerated, cellulose is used extensively in food, cosmetics, filter aids and other fields.

As a filter aid, KC FLOCK® is much easier to incinerate than is the more conventional diatomaceous earth. This helps to significantly reduce waste. In addition, when processing liquids that contain rare metals, the KC FLOCK® catches rare metals which can then be recovered for reuse after incineration of the KC FLOCK®.



KC FLOCK®

Providing Products that Help to Overcome Challenges for Society

Responding to changing quality demands

Case

Super Jet Fiber insulation material

(Nippon Paper Lumber Co., Ltd.)

Nippon Paper Lumber manufactures Super Jet Fiber, a residential heat insulation material that, because it is made primarily of recycled newspapers, is close to a natural material.



Super Jet Fiber (insulator)

As a blown-in thermal insulation material, Super Jet Fiber offers the benefits of low environmental impact and high insulating efficiency, which have made it increasingly popular for use in ZEH (net zero energy houses).

Case

A product line for a wide range of needs

(Nippon Paper Crecia Co., Ltd.)

Nippon Paper Crecia goes to great lengths to develop products that respond to customer needs. It pays meticulous attention to feedback received through its Customer Service Office and sales channels, and works to develop products that meet newly emerging needs and performance demands.



Hada Care Acty® Soft-fit, comfortable absorbent pads for paper underpants



Scottie® Flowerpack Triple Long Lasting



Scottie® Non-alcohol Disinfecting Wet Tissues

Case

Participation in the "ifia® JAPAN2016," Fine Chemical Trade Show

(Nippon Paper Industries Co., Ltd. Chemical Division)

The Chemical Division is focusing on food, health food, and beverage applications. Participating in "ifia® JAPAN2016," Japan's largest food additive tradeshow, the division featured information on wood-derived CMC and cellulose powder, microcrystalline cellulose, and the natural sweetener, Stevia. It also gave a presentation on glycosylated Stevia.



Nippon Paper Industries tradeshow booth

Human Rights, Employment and Labor Responsibility

The Nippon Paper Group employs many people in our expansive forest holdings and large-scale production sites.

Securing the safety and health of the people working at each of our business locations, therefore, is our top priority.



Presentation conference for Small Group Activity

Indicators	Key Objectives	Performance (fiscal 2015)
<p>● Materiality: Occupational Safety and Health</p>		
<p>Number of serious occupational accidents Frequency rate for occupational accidents requiring time off from work</p>	<p>Prevention of injuries to any person at a mill site ● Elimination of serious occupational accidents ● Frequency rate for occupational accidents requiring time off from work = 0.30 or less</p>	<p>No serious occupational accidents Frequency rate for occupational accidents requiring time off from work = 0.40</p>

Policy and Management

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Occupational Safety and Health

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Policy and Management

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

Basic Stance

Focusing on the optimal application of diverse human resources while ensuring safety and disaster prevention

The Nippon Paper Group respects human rights in every aspect of its business activities and aims to develop a working environment that makes the most of a diverse range of human resources. For a company, employees are critical partners with whom there is a shared goal of mutual growth. The Group, therefore, places considerable weight on building a fair evaluation and compensation system as well as education and training programs that help employees reach their full potential.

While the Group's production sites use heavy machinery and engage in inherently dangerous operations, every effort is made to maintain and enhance safe working environments and to take all appropriate measures for safety and anti-disasters.

Philosophy and Basic Policy

Aiming to be a company where employees can look to a better future

In order for the Nippon Paper Group to gain the trust of society and to fulfill its responsibilities, every employee must

... Philosophy and Basic Policy on Human Rights, Employment and Labor ...

(established on October 1, 2004)

Philosophy

Respecting fundamental human rights at all times and making the most of the individuality and capabilities of a diverse range of human resources, we aim to create a company overflowing with dreams and hope.

Basic Policy

- 1. Respect for human rights**
We pledge to respect fundamental human rights and not to engage in any behavior that disregards such rights, including discrimination based on matters such as nationality, race, place of birth, sex, religion, medical conditions or disabilities, sexual harassment and the abuse of power. We also pledge to manage personal information appropriately in order to prevent infringements on privacy.
- 2. Prohibition of forced and child labor**
We pledge not to force any employees to carry out unreasonable work. We also pledge not to employ children aged under the minimum employment age stipulated in local laws and regulations.
- 3. Promotion of personnel training and skill development**
We pledge to promote personnel training and skill development programs to help improve individual employees' abilities and skills through the establishment and maintenance of structures to make the most of the individuality and capabilities of a diverse range of human resources.

act with a high moral sense and strong motivation. The Group, therefore, bears important responsibilities for promoting employee awareness and behavior consistent with that principle, helping individual employees improve their capabilities, and rewarding them for their performance.

Taking all this into consideration, the Group established its Philosophy and Basic Policy on Human Rights, Employment and Labor. And employees who believe a problem may exist in any of these areas can report it via the Group's Help Line System (see page 20).

Initiatives in Respect of Human Rights

Confirming, verifying, and educating with the help of a third-party perspective

● Exchanging opinions with Amnesty International Japan

In 2014, divisions in charge of procuring wood chips and managing labor relations at Nippon Paper Industries each met with Amnesty International Japan to share opinions. The meetings helped us to deepen our understanding of global trends in human rights issues. They also gave us an opportunity to explain and discuss conditions at the company and prioritize our actions going forward.

Later, we embarked on an examination of human rights conditions at subcontractors in Japan and at overseas chip suppliers. Examination results will be considered and next steps will be taken, while continuing our dialogue with Amnesty International Japan.

● Concern for human rights across the supply chain

Concern for human rights and labor across the entire supply chain is clearly defined in the Nippon Paper Group's Philosophy and Basic Policy Concerning Raw Materials Procurement, and the Group conducts supplier surveys and interviews regarding these concerns (see pages 26 and 29). In fiscal 2015, we instituted on-site checks of human rights conditions. The first of these checks was performed at an overseas chip supplier in South Africa by a Group employee in charge of procurement.

In addition, Group forest management considers the culture and traditions of residents in each region of its overseas afforestation operations (see page 32).



Sign with hazard information provided in the Zulu language for employees not accustomed to using English (South Africa)

● Education and training

The Nippon Paper Group, in its efforts to exercise personnel management cognizant of human rights, pursues initiatives such as having the employees responsible for personnel matters participate in training courses hosted by government agencies. The Group is also conducting human rights education for personnel in charge of CSR, new hires and newly appointed managers.

Occupational Safety and Health

By working daily to uncover inherent risks, maintaining a workplace environment in which employees can go about their duties without undue anxiety

Basic Stance

Securing safety and health, and preventing disasters

In providing a safe work environment, the Nippon Paper Group advances initiatives emphasizing safety and health.

Maintaining an unwavering daily commitment to uncovering and minimizing risks is key to that effort. Consistently engaging in sound management while responding to the trust of employees is also important for building a pleasant and comfortable workplace that helps to maintain and improve employees' health.

Having formulated the Philosophy and Basic Policy on Safety and Health Measures in 2004, the Group has created labor safety and health systems and continuously strives to prevent accidents and provide safe, pleasant working environments.

... Philosophy and Basic Policy on Safety and Health Measures ...

(established on October 1, 2004)

Philosophy

In addition to acknowledging that it is the company's duty to guarantee safety and health, and to strive to develop pleasant, improved working conditions, we pledge to work ceaselessly to prevent any and all accidents, minor or major.

Basic Policy on Safety and Health

1. To respect the Industrial Safety and Health Law.
2. To establish self-imposed standards and step up daily management.
3. To set up a management structure and clearly define roles, responsibilities, and authority.
4. To strive to improve safety and health training.
5. To develop and maintain a safe, pleasant working environment.

Basic Policy on Safety and Risk Prevention

1. To respect laws and regulations pertaining to safety and risk prevention.
2. To establish self-imposed standards and step up daily management.
3. To set up a management structure and clearly define roles, responsibilities, and authority.
4. To strive to improve safety and risk prevention education and training.
5. To work in cooperation with related government and local communities and share information.

System to Promote Occupational Safety and Health

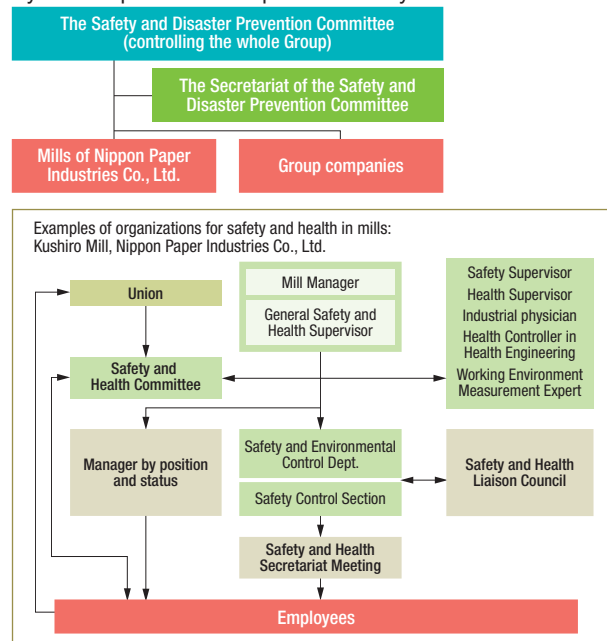
To build a safe workplace environment

The Nippon Paper Group has established the Safety and Disaster Prevention Committee, which coordinates Group-wide occupational safety and health, disaster prevention and security measures.

At Nippon Paper Industries, labor and management occupational safety and health meetings are held once

each year. The persons responsible for occupational safety and health from the head office, mills, and labor union come together to discuss a variety of issues, including the annual occupational safety and health management plan. Safety and health committees are also established at each mill and office. These committees deliberate on and determine important management matters and activity policies. Employees are notified of the details of decisions through department meetings and internal mill newsletters and then execute the determined activities.

System to promote occupational safety and health



Occupational safety and health management system

In 2009, the Nippon Paper Group implemented its own system for continuously pursuing occupational safety and health management activities at the organization level. Under this system, a three-tiered approach is used for the performance of risk assessments by employees and at the management level, and information on risks and risk abatement measures is shared through measures such as



Sharing expertise on safety (Nippon Paper Industries, Nakoso Mill)

the performance of mutual risk assessments among the organizational units of a business location. Events are held to promote the sharing of expertise on the performance of risk assessments to raise safety standards across the Group.

Mill safety audit system

The Nippon Paper Group conducts mill safety audits to raise the level of safety management. In addition, mutual safety audits among the Group companies were introduced in 2010. Audits are being improved from the bottom up by promoting closer communications within the Group.

Occupational Safety and Health

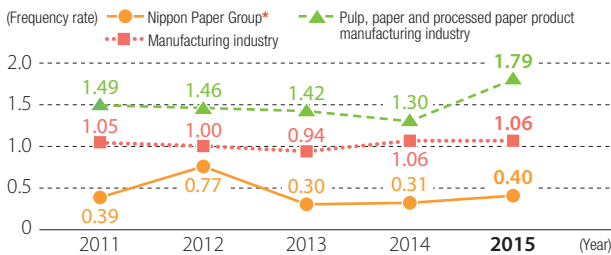
Status of Occupational Accidents

Eliminating occupational accidents

In fiscal 2015, the Nippon Paper Group* experienced no serious occupational accidents and its frequency rate for occupational accidents requiring time off from work came to 0.40, with an occupational accident severity rate of 0.02. Given an increase in occupational accidents by subcontractors performing work at Group production sites, we are taking steps to enhance communication and coordination with affiliates to promote safety, and making even greater efforts to provide guidance during safety patrols.

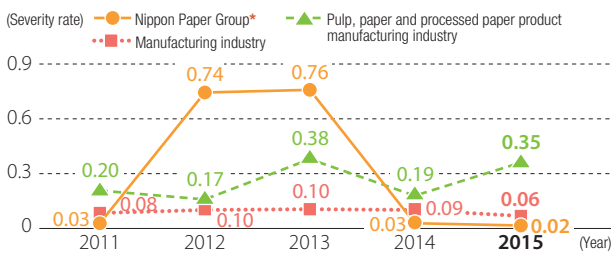
Frequency rate for occupational accidents requiring time off from work

Indicates how often occupational accidents occur, in terms of the number of accidents causing injuries or deaths per million work hours.



Occupational accident severity rate

Indicates the seriousness of occupational accidents, in terms of the number of workdays lost per 1,000 work hours.



* The manufacturing facilities of Nippon Paper Industries Co., Ltd., Nippon Paper Crecia Co., Ltd., and Nippon Paper Papyrus Co., Ltd.

Efforts regarding Safety and Disaster Prevention

Working from various angles

Safety education

The Nippon Paper Group places considerable weight on employee safety education and training. These efforts are designed to achieve employee thorough awareness toward occupational safety and health.

Nippon Paper Industries puts in place an annual Occupational Safety and Health Management System plan at each of its mills and offices, which then implements various occupational safety and health education programs covering every stage of an employee's career from initial hiring through to supervisor training.

In-plant safety measures

Nippon Paper Industries has always endeavored to ensure workplace safety based on its mission of eliminating personal injury to any and all people working within its mill premises. The company has accordingly implemented safety patrols and education in collaboration with the labor union and subcontractors. In safety patrols, we provide instructions and guidance for immediately correcting unsafe conditions. As a principal employer, we also provide information, reference materials, venues, and other resources, and have confirmed that subcontractors are conducting safety education properly. Furthermore, we enhance safety at subcontractor workplaces by providing guidance on, and encouraging voluntary efforts, including risk prediction and risk assessment before engaging in work.

Natural disaster and fire countermeasures

In preparation for earthquakes, tsunamis, floods, and other types of natural disasters, the various business locations of the Nippon Paper Group have created disaster preparedness manuals reflecting local hazard map information and the characteristics of their particular operations and geographic location. They also cooperate with local fire departments and other public safety authorities to conduct regular disaster preparedness training. At Nippon Paper Industries, individual business locations undergo regular disaster prevention surveys by a company specializing in risk assessment.

Traffic safety initiatives

The Nippon Paper Group actively participates in traffic safety education and in various traffic safety campaigns organized by local police authorities.

Efforts regarding Hygiene and Health

Taking into consideration the importance of mental and physical health

The Nippon Paper Group strives to keep its employees healthy and to detect health problems in their early stages. For example, at Group companies that are members of the Nippon Paper Industries Health Insurance Union, examinations focusing on lifestyle diseases are performed together with regular physical examinations. In addition, industrial physicians regularly visit workplaces and the Group uses the results of these visits in efforts to improve working environments. The Group also provides medical examinations for the spouses of employees.

Tackling mental health

Nippon Paper Industries has organized Internet-based mental health care and counseling services for all employees. Under this system, employees are asked to complete an annual survey designed to detect needs for mental health care services.

Creating Workplaces that Support Diverse Human Resources

With a deep respect for fundamental human rights and the unique characteristics of each individual, the Nippon Paper Group consistently recruits new graduates and actively employs women and people with disabilities

Basic Stance

Developing a dynamic organization where diverse employees can demonstrate their capabilities

Employees with different personalities stimulating one another and helping each other deepen their knowledge serve to invigorate the workplace. Amid forecasts of a drop in Japan's working-age population, diversification of workforces is becoming increasingly vital to ensuring ongoing growth. Our aim is to be a vigorous organization emphasizing the spirit of Challenge, Fairness, and Teamwork - the values included in the Group Mission we definitively stated in 2015.

Recruitment and Employment

Advancing discrimination-free hiring

The Nippon Paper Group employs over 11,000 employees in and outside of Japan. In its efforts to fulfill its responsibilities to communities, the Group strives to ensure stable employment while continuously recruiting new employees.

Furthermore, based on its Philosophy and Basic Policy on Human Rights, Employment and Labor, the Group promotes discrimination-free recruitment and employment. The Group employs a selection process that bases decisions on test and interview results. Factors including nationality, place of birth, gender and level of school completed have no place in selection decisions.

Hiring of people with disabilities

The statutory employment rate for people with disabilities was increased to 2.0% in April 2013. The Nippon Paper Group as a whole is continuing with efforts to lift its rate for the employment of people with disabilities.

The rate of employment of people with disabilities



Promoting the employment of elderly persons

The Nippon Paper Group has implemented its Reemployment after Retirement System to respond to the needs of an aging society and to facilitate the passing on of skills. In fiscal 2002, Nippon Paper Industries introduced a reemployment system to allow employees to work up to the age of 65. Now, it is preparing new rules that will allow employees of retirement age to continue working based on their desire and skills, at least until they begin to receive pensions.

Employment data

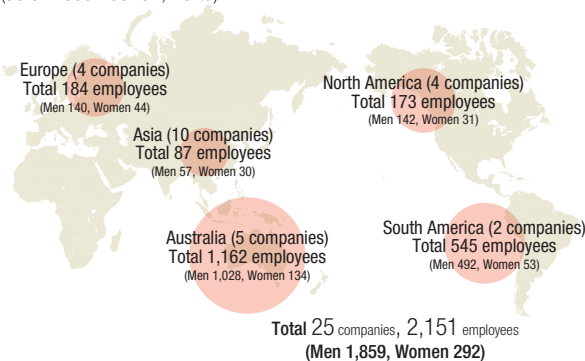
	Units	FY2015
Number of employees on a consolidated basis ^{1,2}	Persons	11,741
Men	Persons	10,479
Women	Persons	1,262
Overseas	Persons	1,662
Men	Persons	1,433
Women	Persons	229
Percent of upper management from the local community	%	80.6
New graduates hired ³	Persons	240
Men	Persons	218
Women	Persons	22
Mid-career hired ³	Persons	146
Men	Persons	136
Women	Persons	10
Average age of employees ^{1,3}	Age	43.3
Men	Age	43.3
Women	Age	42.8
Average years of employment ^{1,3}	Years	19.0
Men	Years	19.2
Women	Years	17.8
Turnover rate ^{1,3} (Includes employees leaving at the mandatory retirement age)	%	4.2
Dispatched workers ^{1,3}	Persons	131
Men	Persons	51
Women	Persons	80

¹ Fiscal year end

² Data scope: Consolidated subsidiaries

³ Data scope: Consolidated subsidiaries in Japan

Numbers* of overseas subsidiaries and employees by region (as of December 31, 2015)



* Overseas subsidiaries (including non-consolidated subsidiaries)

Performance in reemploying workers who reach the mandatory retirement age^{1,2}

(Regular employees of Nippon Paper Industries and consolidated subsidiaries in Japan) (Persons)

Fiscal years	2010	2011	2012	2013	2014	2015
Nippon Paper Ind. Employees seeking reemployment	62	44	57	51	112	172
People reemployed	59	43	67	53	112	172
Consolidated subsidiaries in Japan People reemployed	—	—	—	—	309	327

¹ Beginning with fiscal 2014, figures cover consolidated subsidiaries in Japan and management employees. Until fiscal 2013, figures covered only non-management employees at Nippon Paper Industries.

² Depending on staffing conditions and other factors, the company may request employees to continue working beyond the retirement age, and some employees have agreed to do this. This is why the number of people reemployed sometimes exceeds the number of retirees requesting to be reemployed.

Creating Workplaces that Support Diverse Human Resources

Case

Internships for university students

In recent years, an increasing number of companies have adopted internship systems as a form of industry/academia cooperative human resource development. Internships give students opportunities to experience work in a commercial setting.

As one aspect of its social contribution activities, Nippon Paper Industries Co., Ltd. began offering internships to university students in 2015. The purpose of these internships is to help science and engineering students, in particular, better understand what paper industry employees do.

Students selected for the program are exposed to issues and situations typically encountered in research facilities and mills. They also participate in tours of our facilities and have opportunities to meet our employees. These activities are intended to give students a chance to deepen their understanding of work by thinking about matters such as how they could apply their university studies in a company setting.

Women in the Workplace

Creating greater opportunities for women

Organizational invigoration, and securing human resources against the backdrop of a declining birthrate, are two considerations that add to the importance of giving women opportunities to succeed in the workplace. The Nippon Paper Group, with the establishment of a Human Resources Planning Office in fiscal 2015, is creating conditions that promote their participation here.

Responding to the Act on Promotion of Women's Participation and Advancement in the Workplace

Nippon Paper Industries Co., Ltd. is working to establish conditions that enable women to advance their careers.

Action Plan based on the Act on

••• Promotion of Women's Participation and Advancement in the Workplace •••

(Adopted by Nippon Paper Industries Co., Ltd. in April 2016)

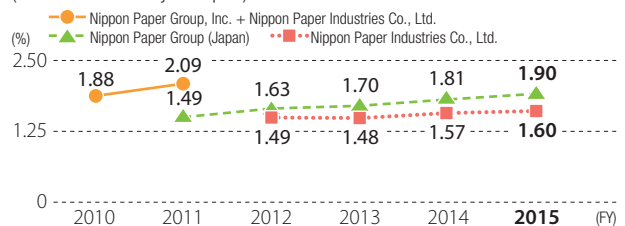
1. Make women at least 25% of new graduate hires for career-track positions.
2. For career-track women hired 8 to 12 fiscal years ago*, achieve an average continuous employment rate that is at least 80% that of the rate for men.
3. To expand the range of roles performed by women at production sites, identify issues that would arise with the assignment of women to each workplace, consider solutions for these issues, and develop concrete plans for the workplaces to which women will be assigned.

* Women who joined the company during the fiscal years 2004 to 2008.

Female management participation and recruiting

At Nippon Paper Industries a large proportion of jobs is in mill settings and so low recruitment of women in the past is a major reason for their low participation in our management ranks now. To remedy this situation, and double the participation of women in management by fiscal 2020, we are expanding the range of workplaces to which women are assigned.

Percentage of female employees in management (consolidated entity in Japan)



Beginning with fiscal 2013 percentages have been adjusted retroactively to exclude associate directors, employees commissioned for specific purposes, employees on temporary assignment from other companies, and other non-full-time personnel to present percentages of only full-time employees.

Percentage of female employees in management (consolidated subsidiaries outside Japan)

(as of December 31, 2015)

20.4% (Section manager or positions higher)

Hiring for career-track positions (Nippon Paper Industries Co., Ltd.)

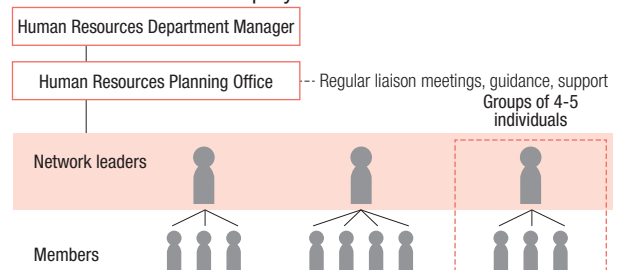
Fiscal years	2011	2012	2013	2014	2015
Career-track hires	37	43	56	34	52
Women	3	6	8	7	11
Men	34	37	48	27	41
Percent women	8	14	14	21	21

* Figures disclosed in the past were mistakenly associated with the fiscal year prior to the fiscal year to which they actually applied. That mistake has now been corrected.

Follow-up system

At Nippon Paper Industries Co., Ltd., female career-track employees are organized in a network that spans the company, crossing organizational unit and workplace boundaries. Within the network, veteran employees collaborate with the Human Resources Planning Office to help their younger colleagues address concerns and build careers. In addition, we conduct career training aimed at helping female career-track employees overcome career building challenges with the assistance of their immediate supervisors.

Female career-track employee network



Promoting Work-Life Balance

Realizing a balanced workplace environment

The Nippon Paper Group strives to establish an ideal workplace environment that allows employees to reach their full potential while balancing work and family needs.

Nippon Paper Industries, for example, has introduced flextime work hours for its head office, research facilities, branches, and the administrative sections of its mills.

● Helping employees balance work and child care

The Nippon Paper Group revised its action plan, in April 2016, and strives to support its employees in maintaining work and child-care balance in accordance with Japan's Act on Advancement of Measures to Support Raising Next Generation Children.

As one example, Nippon Paper Industries has implemented systems that exceed the provisions stipulated under Japan's Child Care and Family Care Leave Act. This includes extensions to the exemption period for overtime working hours, the application period for child care and paid leave for child rearing. Based on these actions, we have been designated by Japan's Minister of Health, Labour and Welfare as a company that supports child rearing and have obtained the right to display the Kurumin mark.

... Action Plan in Response to the Act on Advancement of Measures to Support Raising Next Generation Children ... (Nippon Paper Industries: revised in April 2016)

1. Implement flexibility in workplaces and reduce annual total hours worked
2. Revise the child-rearing support system to encourage greater participation by men in child-rearing activities.

Data on balancing work and personal lives

	Unit	2015
Employees taking child-care leave ¹	Persons	24
Men	Persons	0
Women	Persons	24
recently giving birth	%	100
who returned to work	%	100
Employees taking maternity/paternity leave ¹	Persons	167
Men	Persons	145
Women	Persons	22
Average number of days taken for maternity/paternity leave ¹		
Men	Days	3
Women	Days	79
Employees taking nursing-care leave ¹	Persons	0
Total number of working hours ²	Hours	1,912
The rate of annual paid leave taken by employees ²	%	66.8

¹ Data scope: Consolidated subsidiaries in Japan

² Data scope: Non-management employees of Nippon Paper Industries

Initiatives Aimed at Developing Human Resources

Support for the improvement and exercise of professional skills

The Nippon Paper Group has identified five key elements for providing employees with equal opportunities for learning and for creating a framework enabling ambitious, capable individuals to further enhance their skills.

... Five key elements for human resource development ...

- (1) Support for self-development and voluntary skill acquisition
- (2) Assignment of the right people to the right positions
- (3) Development of human resources capable of acting on a global stage
- (4) Reinforcement of production frontline capabilities
- (5) Support for the planning of lives and careers

(1) Support for self-development and voluntary skill acquisition

The Nippon Paper Group supports employee self-development and voluntary skill acquisition through means such as group training and rewards for acquiring professional qualifications. In addition, job-level-based training, such as that for new hires and new managers, is conducted jointly by Group members to promote the development of employees throughout the Group. And training is pursued from a broad perspective; job-level-based training at mills, for example, is conducted not just for a single mill but together with neighboring mills.

Furthermore, Group employees can meet self-determined skill needs by taking any of approximately 150 correspondence courses and joint training. Every employee



Internal training session

is offered not only the ability to choose courses they want to take but also precious, mutually stimulating opportunities for joint training with colleagues from other Group companies.

Training time for individual employees (Consolidated subsidiaries in Japan)

6.9 hours/year

(2) Assignment of the right people to the right positions

Nippon Paper Industries periodically surveys employees to ascertain what kind of job assignments they wish to have. Based on the results of these surveys, every effort is made to match employee strengths with job types.

In addition, the Nippon Paper Group has implemented an internal recruitment system. Under this system, individual employees can consider their skills and how they want to develop their career, and then apply for a position posted by a Nippon Paper Group member.

Creating Workplaces that Support Diverse Human Resources

(3) Development of employees capable of acting on a global stage

Nippon Paper Industries and other Group companies have put in place an open-application overseas study program. This program is supported by the dispatch of personnel to overseas education institutions and by overseas assignments to the various offices of Nippon Paper Group. Nippon Paper Industries is building the Global Human Resources Bank, a list of personnel with experience either working or studying overseas, or with advanced language skills, in an effort to efficiently build a corps of human resources capable of working in a global setting. Currently, 500 personnel are registered with the bank.

Case

Implement small group activities globally

The Nippon Paper Group is implementing small group activities in and outside Japan. The purpose of these activities is to achieve improvements in areas such as operations, quality, and costs.

At the 23rd (2015) Group-wide presentation meeting, attended by roughly 270 people, including members of top management, teams representing eight domestic mills and one overseas mill gave presentations explaining what they had accomplished.



Team judged most outstanding at the 23rd Group-wide Presentation Conference

The presentations helped attendees to better understand their own workplaces and consider good practices from other workplaces in Japan and abroad.

(4) Reinforcement of production frontline capabilities

Human resource capabilities at the production frontline represent the heart of the manufacturing process. The Nippon Paper Group passes on to each generation the technologies and skills nurtured over a lengthy period to maintain and improve the capabilities of its human resources.

Nippon Paper Industries created a committee to strengthen frontline capabilities in fiscal 2006. Nippon Paper Industries has organized and is operating systems under which technologies and skills that should be carried forward at individual production sites are identified, and training is prioritized based on analyses of the strengths and weaknesses of, and skills needed by, individuals.

(5) Support for the planning of lives and careers

Given the hike in the public pension eligibility age and increasing diversification of lifestyles, employees must consider a number of factors when planning their careers and life after retirement. Therefore, core companies within

the Nippon Paper Group offer Life Plan Seminars for their employees.

Fair Evaluation and Compensation

Evaluation based on skills and performance

As part of its efforts to practice fair and transparent personnel evaluations, Nippon Paper Industries lays out clear evaluation criteria and conducts review sessions, in which managers provide feedback on performance evaluations, for all non-management employees. Review sessions are an opportunity to ensure that employees understand and accept evaluation results and for setting the skill development direction for individual employees. For decisions on promotions to management and other positions, the assistance of outside companies specializing in human resource assessment is called upon to enhance objectivity.

Industrial Relations

Improving the workplace environment through labor and management consensus

The Nippon Paper Group strives to maintain a sound relationship with its employees. Labor unions have been formed at Nippon Paper Industries and the majority of its consolidated subsidiaries. Irrespective of the existence of a labor union, however, every effort is made to promote smooth industrial relations at all Group companies.

For example, under the common objective of building a better company, Nippon Paper Industries has established a variety of committees that cover such fields as the operations of labor and management agreements, and staffing adjustments. Labor-management agreements provide the basis for a variety of initiatives, as well as efforts to improve the workplace environment. On the top of these endeavors, regular central meetings of both sides' leaders provide a forum to discuss diverse issues including corporate management and working conditions.

At Nippon Paper Industries Co., Ltd., there are 4,854 labor union members (as of March 31, 2016). Workplaces are union shops and all of the employees covered by collective bargaining agreements are union members.

Discussions of working conditions

Major changes to working conditions, such as alterations to personnel systems and personnel downsizing, are in principle implemented on the basis of prior discussions between labor and management. Nippon Paper Group companies do not unilaterally impose changes on employees.

Routine communication is critical for gaining employee understanding of company actions. The Group strives to engage in dialog with employees and labor union to provide such information as financial results.

Responsibility to Communities

As a comprehensive biomass enterprise creating new products and growing its businesses, the Nippon Paper Group manages broad expanses of forests and owns large-scale production sites, so it has significant impacts on local communities and the people who live and work in them. Coexistence with these communities is critical to our own continued existence.



Planting trees at Marunuma Kogen

Indicators	Key Objectives	Performance (fiscal 2015)
<p>● Materiality: Coexistence with Local Communities and Society at Large</p>		
Evaluations by stakeholders	As a member of society, we shall proudly promote activities that contribute to social development. (Philosophy for social contribution activities)	Gathered various opinions and evaluations from stakeholders connected with our activities (To be used to improve activities)
Company-owned forests with forest certifications (Granted based on results of inspections covering areas such as biodiversity and human rights)	100%	100%

Policy and Management

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Coexistence with Local Communities and Society at Large

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Advancing Science and Technology	67
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Corporate Identity Sharing

Utilizing Company-Owned Forests 69

Policy and Management

The Nippon Paper Group engages in a variety of social contribution activities to garner the trust of and remain close to local residents

Basic Stance

Coexisting with local communities, contributing to the advancement of society as a whole

As one of its members, the Nippon Paper Group aims to contribute to society as a whole. While continuing to provide needed products, we would like to play a useful role in protection of the global environment and in the advancement of culture and local communities. We are confident that building a consistent track record along those lines will earn the trust of society and allow us to continue our business activities in coexistence with local communities.

The initiatives we engage in, both inside and outside Japan, include cleanups of the areas around our mills and plants, support for vocational training in afforestation areas, and other locally focused activities; and operation of the School of Friendship for Forests and Paper, mill tours, and other activities making use of forests and other Group resources.

Philosophy and Principles for Social Contribution Activities

(established on April 1, 2004)

Philosophy

As a member of society, we shall proudly promote activities that contribute to social development.

Principles

1. We shall pursue activities that contribute to cultural heritage and development.
2. We shall pursue activities that contribute to conservation and improvement of the environment.
3. We shall pursue activities that contribute to the development of communities.

Specific activity themes

- Increase the community involvement of Group company mills and overseas affiliates
- Promote activities that effectively utilize the resources and expertise of each Group company
- Promote corporate citizenship activities in which our employees play an active role
- Effectively use the company-owned forests in Japan (about 90,000 hectares)
- Employ effective PR inside and outside the Group

Structure for promoting social contribution activities

The CSR Division takes the lead in promoting Group-wide social contribution activities. Each Group company appoints a person responsible for overseeing social contribution activities. Each responsible person develops a thorough understanding of social contribution activities undertaken to date, and works to upgrade and expand their content and details.

The Nippon Paper Group's principal social contribution activities

Principal activities	Specific examples	Page
Local community activities		
Cleaning activities	Activities in areas surrounding the Group's sites	—
Local community safety and disaster prevention	Watching over children going to, and returning from, school	68
	Traffic safety initiatives	60
	Participation in fire brigades	—
Local development	Fostering of local specialty products	—
Preserving local community cultures	Activities to preserve Japan's precious cherry blossoms	50
	Supporting Asukayama Takigi Noh plays	—
	Protecting cultural assets	—
Respect for indigenous people	Making wild herb habitat available to indigenous people	67
Holding and participating in local events	Participating in and sponsoring local events	—
	Opening of recreational facilities to the public	—
	Holding summer festivals and other events	—
Social welfare activities	Participating in and cosponsoring social welfare events	—
	Purchasing products made by social welfare groups	—
	Provision of a venue for a charity horse race	—
Community education	Holding of CSR lectures (public seminars)	—
Advancing science and technology	Supporting the Fujihara Foundation of Science	67
Disaster relief activities	Donations of money and emergency supplies	68
Environmental activities		
Tree planting activities	Marunuma Highland Tree-Planting	69
Preserving biodiversity	Utilizing the Group's cultivating cuttings in container tech	50
	Establishing a sanctuary for Blakiston's fish owl	49
	Supporting the activities of the Shirane-aoi Preservation Group	50
	Promoting Morino Chonai-kai activities	31
Environmental protection activities	Activities to protect Japanese crane	—
	River cleanup activities	67
Promoting recycling activities	Operating the Recycle Plaza Shiyukan	—
	Supporting the recycling activities of organizations	47
	Recycling milk cartons	47
	Recycling wood waste	68
Accountability to local communities	Risk communication	37
Educational activities		
Providing opportunities to tour group companies and their mills	Mill tours and paper making	68
Utilizing company-owned forests	Holding the School of Friendship for Forests and Paper	69
Employment support	Internships, and programs that allow students to experience a workplace	62
	Sponsoring workshops	67
Classes taught by employees	Cooperation in teaching school classes	68
Music appreciation	Inviting students to concerts	—
Providing educational opportunities through sports	Baseball clinics and tournaments	—
	Ice hockey classes and championships	—
	Cosponsoring soccer tournaments	—
Providing products to classrooms	Provision of paper products, printed materials and publications	—

Coexistence with Local Communities and Society at Large

Continuing to pursue business activities in coexistence with local communities

Employment Support

Case

Sponsoring workshops in line with local desires

(Brazil, AMCEL S.A.)

AMCEL, which holds expansive land, strives to maintain harmonious relationships and to further dialogue with local residents. As part of that effort, it asked local communities what topics they would like to learn about, and in 2014 began to host workshops based on the responses received. In fiscal 2015, workshops were held on growing vegetables, beekeeping, and healthful foods. Led by AMCEL-invited experts, these workshops took place in four areas, Macapa, Santana, Itaubal, and Tartarugalzinho, and lasted 3-6 days each. Participants, who numbered over 300 in total, indicated that they were very pleased with the workshops and felt that what they learned would be useful in daily life.



Participants for a beekeeping workshop



Workshop on healthful foods

Respect for Indigenous People

Case

Making wild herb habitat available to indigenous people

(Chile, Volterra S.A.)

The Mapuche are indigenous people who have inhabited southern Chile since well before the arrival of Europeans and maintained their own distinct traditions and culture. In recent years, availability of native wild herbs the Mapuche value for medicinal purposes has declined with the development of land for agriculture, housing, and other purposes. Volterra, as part of its preservation activities on company-owned land, is protecting habitat for the scarce herbs and has made it available for their use.



Nanco, a wild herb used by the Mapuche

Environmental Protection Activities

Case

Cleaning up the Suikawa River

(Kitakami Paper Co., Ltd.)

In fiscal 2004, Kitakami Paper Co., Ltd. embarked on activities aimed at cleaning up the riverbed of the Suikawa River, which the company uses to provide water for its operations and dispose of industrial wastewater. These activities take place once or twice a month and involve 20-30 of the company's employees and employees of affiliated companies. In the past, local residents had experienced problems that originated with wastewater from Kitakami's mill. In 2001, therefore, the company installed oxygen-activated sludge treatment facilities to stabilize water quality, and, in 2002, it entered into an environmental protection agreement with Ichinoseki City, the location of its mill, to strictly manage water quality.

In addition, the company meets annually with an organization of Ichinoseki community leaders focused on looking after the Suikawa River. In these meetings, the company has won praise from the citizens' group for its sincerity in acting to clean the Suikawa riverbed and control the quality of its wastewater.



Cleaning the Suikawa riverbed

Advancing Science and Technology

Case

Supporting the Fujihara Foundation of Science

(Nippon Paper Industries Co., Ltd.)

Considered the "Nobel Prize of Japan," the Fujihara Award, presented by the Fujihara Foundation of Science, a public interest incorporated association, recognizes outstanding contributions to science and technology by Japanese scientists. Nippon Paper Industries lends financial support to the Foundation to promote science and technology.

At the 57th Fujihara Awards presentation ceremony, held in June 2016, Dr. Kei Hirose, a Professor of Earth and Planetary Sciences and Director of the Tokyo Institute of Technology's Earth-Life Science Institute, and Dr. Yoshinori Fujiyoshi, a Specially Appointed Professor



Dr. Kei Hirose (center) and Dr. Yoshinori Fujiyoshi (2nd from right)

in the Department of Basic Medical Sciences at Nagoya University's Graduate School of Pharmaceutical Sciences, were each presented with a certificate and gold medal, together with ten million yen.

Coexistence with Local Communities and Society at Large

Promoting Recycling Activities

Case

Promoting the recycling of wood waste (Nanei Co., Ltd.)

Nanei, a company that performs silviculture and logging services in Nippon Paper Industries' and other forests, also makes woodchips used for manufacturing paper and generating electricity, and specializes in the intermediate processing of wood materials from waste. Operating in the Kumamoto Prefecture city of Yatsushiro, Nanai uses a tub grinder to turn tree waste from garden shrubs, wooden pallets and other wooden materials into fine particles that can be used as boiler fuel, or raw material for particle board. Some of this material is also mixed with sawdust and used as bedding for livestock. Recently, Nanai has begun to use tree waste that would otherwise have gone to the city waste incinerator, significantly reducing the city's waste processing burden.



Bringing tree waste in

Local Community Safety and Disaster Prevention

Case

Cranes hockey players watching over kids going to and coming home from school (Nippon Paper Cranes ice hockey team)

In their off-season, members of the Nippon Paper Cranes hockey team participate in an activity that looks after children as they go to school in the morning and come home from school in the afternoon. A key point of this activity, which was organized by a coalition of communities adjacent to the Kushiro Mill, is that participation takes place as a part of daily activities, such as cleaning up around a house or walking a dog. In fiscal 2016, the number of schools covered by the activity was increased, and Cranes players, wearing their jerseys, are lending their support.

Cranes players, as friendship ambassadors, also support education activities by, for example, visiting elementary schools in the City of Kushiro to participate in athletic meets, act as visiting instructors, and teach children how to skate.



Cranes player escorting elementary school students across a street

Providing Opportunities to Tour Group Companies and Their Mills

In fiscal 2015, 16,965 people (including 6,869 students and teachers) toured Nippon Paper Group facilities worldwide.

Case

Mill tours and papermaking (Hokkaido Mill (Yufutsu), Nippon Paper Industries)

The Yufutsu works of the Hokkaido Mill enthusiastically welcomes students from schools in and around Tomakomai City for tours of its facilities. In addition to these tours, the Yufutsu works also offers a program in which it teaches the making of paper postcards by hand. A similar program is conducted at local schools by employees when requests are received.

Students who come to the Yufutsu works gain a deeper appreciation for the paper used in daily life. They do this by touring the facility - where they are typically surprised by the scale of the machinery - and then experiencing for themselves the craft of making paper by hand. The numerous letters and notes of thanks received from students afterward reassure employees that their efforts are worthwhile. As a company that takes a strong interest in local communities where it operates, Nippon Paper Industries is committed to continuing its contributions in support of local education and culture.



Explaining how to make paper by hand



Kids making paper

Disaster Relief Activities

Case

Recovery assistance for disaster-hit areas (Nippon Paper Group)

Kumamoto Prefecture suffered significant damage when earthquakes struck on April 14, 2016. Responding to the disaster, the Nippon Paper Group, which has one of its main mills in Yatsushiro, a city in Kumamoto Prefecture, not only contributed a total of ¥30 million in relief funds to the prefecture and the city but also donated toilet paper, wet tissues (wipes), disposable diapers, and other Group products to severely hit areas.

Fortunately, no Group employees were injured in the disaster, and no environmental accidents occurred in our facilities. When the disaster struck, operations at the Yatsushiro Mill were halted, while operations at other mills and facilities were adjusted to maintain company-wide production volume. Following recovery work giving top priority to safety, the Yatsushiro Mill resumed operations on April 24.

Corporate Identity Sharing

Conducting activities that enable local residents and employees to physically experience the essence of the Nippon Paper Group

Utilizing Company-Owned Forests

Case

Conducting the annual School of Friendship for Forests and Paper (Nippon Paper Industries Co. Ltd., Nippon Paper Development Co., Ltd.)



Walk in a forest owned by Nippon Paper Industries

The School of Friendship for Forests and Paper is a hands-on course on the natural environment utilizing forests (approximately 90,000 hectares) owned by Nippon Paper Industries in Japan. With the aim of introducing participants to the beauty and abundance of forests owned by the company, the school is also an opportunity to experience the connection between forests and paper, an essential item for everyday life. This initiative was first launched in the Sugenuma forest of Gunma Prefecture in October 2006.

The common programs that make up the school draw heavily on the knowledge and experience of employees. With Group employees serving as guides, for example, participants enjoy walking through the forest and making paper from twigs they pick up. Participants are gathered from general public with the cooperation of the Japan Philanthropic Association. Since its inception at the



Comments from elementary school children (June 2016)



A ceremonial photograph of all involved parties

I wondered if it was really possible to make paper from wood, and I was amazed to see that I could make paper just like I use every day.

I enjoyed being in a natural environment! It made me feel great!

Sugenuma company-owned forest, through June 2016, the school has been conducted 20 times, for a total of 674 participants, including parents and children, and students from local schools.

Since 2007, the Toyono School of Friendship for Forests and Paper has been held in Nippon Paper Industries' Toyono forest in Kumamoto Prefecture. Organized mainly by the company's Yatsushiro Mill, particular emphasis is placed on activities deeply rooted in the local community. One program of this school incorporates such activities as a mill tour and is one example of how activities are modified to accommodate the needs of each region.

The activities discussed above were presented with a 2015 Biodiversity Action Award by the Japan Committee for the United Nations Decade on Biodiversity.

Case

Marunuma Highland Tree-Planting 2016 held (Nippon Paper Industries Co., Ltd.)

Nippon Paper Industries is advancing initiatives aimed at leaving a thriving forest to future generations. As part of that effort, tree-planting activities were begun in the company's Sugenuma Forest in Gunma Prefecture in May 2010. The fifth iteration of this activity—the Marunuma Highland Tree Planting 2016—took place in May. The number of participants—both Nippon Paper Group people and others, mainly from Tokyo—came to about 120 in all.

Under the guidance of staff, participants used transplanting trowels to plant 1,000 seedlings of five types of trees, including Japanese beech and Japanese oak.



Participants planting trees

This was a great experience for kids and parents.

Shaping the Future with Trees

Outline of the Nippon Paper Group

Company Profile (As of March 31, 2016)

Trade Name Nippon Paper Industries Co., Ltd.
 Incorporation August 1, 1949
 Capital ¥104.873 billion
 Address 4-6 Kandasurugadai, Chiyoda-ku, Tokyo, Japan
 Telephone +81-3-6665-1111
 Listing Tokyo Stock Exchange (Securities code 3863)

Shares issued 116,254,892

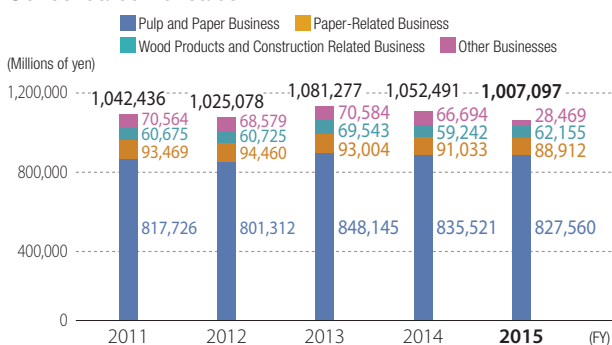
Shareholders by category Financial institutions 42.45%, foreign investors 23.82%, individuals and others 20.37%, other Japanese corporations 11.13%, securities companies 1.94%, treasury stock 0.27%

Shareholders' equity ¥402,814 million

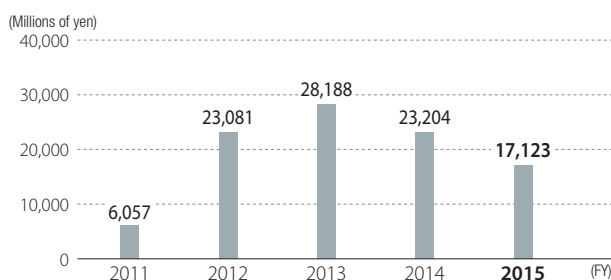
Total liabilities ¥966,233 million

Major Financial Indicators Trends

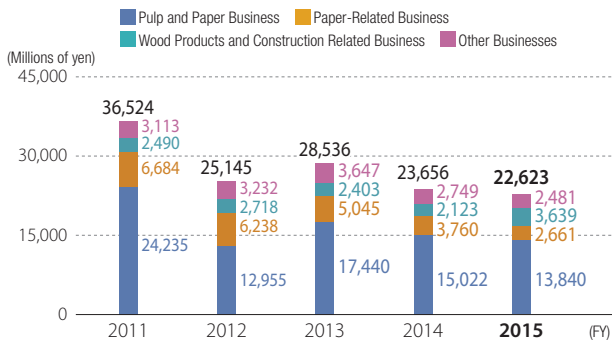
Consolidated net sales



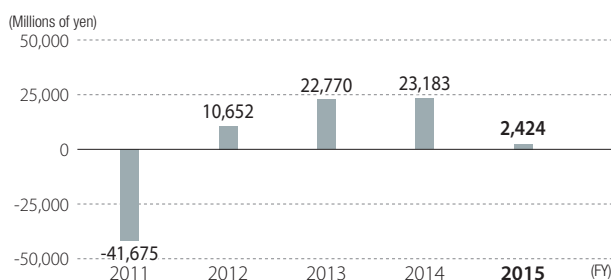
Consolidated ordinary income



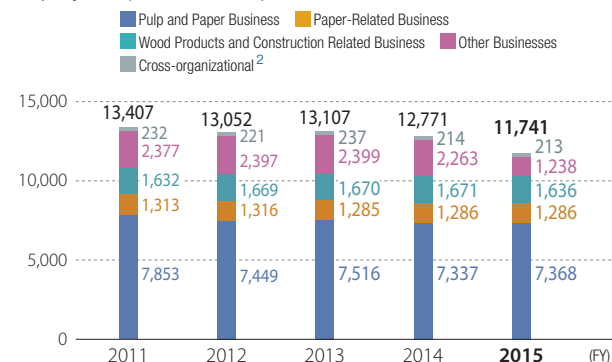
Consolidated operating income



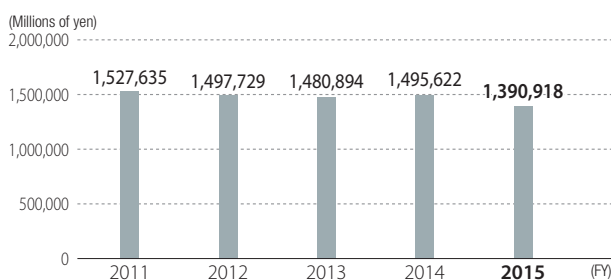
Consolidated net income or loss



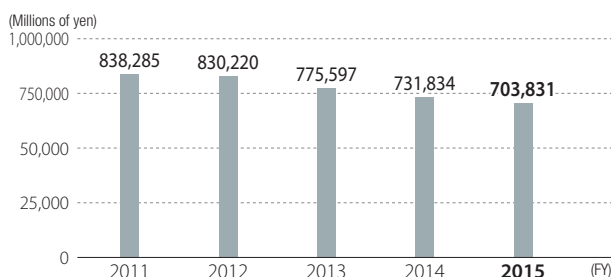
Employees (consolidated)¹



Total assets (consolidated)¹



Interest-bearing debt (consolidated)¹



¹ Fiscal year-end data
² Employees responsible for multiple divisions

Consolidated Subsidiaries (as of March 31, 2016)

Pulp and Paper Business

Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., Paper Australia Pty Ltd. (and its 7 subsidiaries), NP Trading Co., Ltd., Kokuei Paper Co., Ltd., SUN OAK CO., LTD., Kitakami Paper Co., Ltd., Daishowa North America Corporation, Nippon Paper Industries USA Co., Ltd., Dyna Wave Holding Asia, Jujo Thermal Oy, and Siam Nippon Industrial Paper Co., Ltd.

Paper-Related Business

Sakurai Co., Ltd., Nippon Seitai Corporation, and FLOWRIC CO. LTD.

Wood Products and Construction Related Business

Nippon Paper Lumber Co., Ltd., NIPPON PAPER UNITEC CO., LTD., Kokusaku Kiko Co., Ltd., Nippon Paper Ishinomaki Technology Co., Ltd., Kunimoku House Co., Ltd., N&E Co., Ltd., Daishowa Uniboard Co., Ltd., Nanei Co., Ltd., Nichimoku Fancy Materials Co., Ltd., and Nippon Paper Resources Australia Pty Ltd.

Other Businesses

NANKO UNYU CO., LTD., Kyokushin Transport Co., Ltd., NIPPON PAPER LOGISTICS CO., LTD., Hotoku Co., Ltd., Nippon Paper Development Co., Ltd., and GAC CO., LTD.

The Status of Debt Ratings (As of March 30, 2016)

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

Major Socially Responsible Investment (SRI) Indices Incorporating the Nippon Paper Group

	<p>Selected once again for inclusion in Ethibel Investment Register in May 2014</p> <p>A universe of companies selected by Forum Ethibel, a Belgian organization that promotes socially responsible investment, for their outstanding performance in terms of social responsibility. In making its selections, Forum Ethibel assesses companies on criteria including human rights, human resources, environment, business behavior, corporate governance, and community impact.</p>
	<p>Again Included in the Euronext Vigeo World 120 Index in June 2016</p> <p>The Euronext Vigeo World 120 is an equity index managed by NYSE Euronext, which operates securities exchanges in Europe and the U.S., and by Vigeo Eiris, an enterprise that assesses companies. The Euronext Vigeo World 120 is comprised of the 120 companies judged to be the most advanced in environmental, social, and governance matters in Europe, North America, and the Asia-Pacific region.</p>

Major Environmental Performance Data¹

	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	
Energy	Fossil energy input	Million GJ	88	91	97	95	94
	Non-fossil energy input ²	Million GJ	69	66	77	80	81
	CO ₂ emissions from fossil energy	Million tonnes of CO ₂	6.55	6.63	7.29	7.15	7.15
Water consumption	Million tonnes	870	953	883	939	942	
Wastewater	Amount discharged	Million tonnes	843	905	907	918	920
	COD/BOD	Thousand tonnes	46.9	54.0	56.0	63.7	62.9
	SS	Thousand tonnes	16.8	21.3	22.0	23.6	26
Gas emissions	SO _x	Thousand tonnes	3.37	3.50	3.34	4.32	5.08
	NO _x	Thousand tonnes	7.05	7.95	9.03	8.78	9.61
	Soot and dust	Thousand tonnes	1.25	1.04	1.52	1.54	1.47
Waste	Amount generated	Thousand tonnes	688	737	819	850	839
	Final waste disposal	Thousand tonnes	44	49	71.9	54.2	52.4

¹ Changes in the Data Collection Scope: Australian Paper was added to the data collection scope in fiscal 2013. Jujo Thermal Oy and South East Fibre Exports Pty. Ltd. were added in fiscal 2014. Siam Nippon Industrial Paper Co., Ltd. was added in fiscal 2015. SHIKOKU COCA-COLA BOTTLING CO., LTD. was excluded from the data collection scope in fiscal 2014, and South East Fibre Exports Co., Ltd., in fiscal 2015, following divestments in both cases. The Shoalhaven Mill of Australian Paper was excluded from the data collection scope in fiscal 2015, following its closure.

² Energy from biomass and waste

External Awards for Environmental Conservation Activities (FY2015)

Recipient	Award	Award Organization
NP Trading Co., Ltd.	Chiyoda ward Anti-Global-Warming Action Plan System Environmental Consciousness Award	Chiyoda ward, Tokyo
Nippon Paper Industries Co., Ltd	2015 Biodiversity Action Award For conducting the School of Friendship for Forests and Paper, and for pursuit of business operations and protection of Blackiston's fish owl habitat through collaborative activities*	Japan Committee for the United Nations Decade on Biodiversity

* Awarded jointly with the Wild Bird Society of Japan



Guideline Comparison Table

This report was prepared in accordance with the core option of the fourth update of the GRI Sustainability Reporting Guidelines (G4).

Guideline Comparison Table (GRI Sustainability Reporting Guidelines Ver. 4) *Only items mentioned in the report are shown.

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General Standard Disclosures		
Strategy and Analysis		
G4-1	6-7	Message from the President
G4-2	6-11	Message from the President, The Sustainable Business Model of a Comprehensive Biomass Enterprise, Business Strategy Aiming to Create New Value
Organizational Profile		
G4-3	70	Outline of the Nippon Paper Group
G4-4	2-3	Nippon Paper Group Business Overview
G4-5	70	Outline of the Nippon Paper Group
G4-6	4, 32, 61-62	Major Operating Companies and Production Sites, Overseas Afforestation, Recruitment and Employment
G4-7	70	Outline of the Nippon Paper Group
G4-8	2-4, 21	Nippon Paper Group Business Overview, Major Operating Companies and Production Sites, Dialogue with Stakeholders
G4-9	2-4, 70	Nippon Paper Group Business Overview, Major Operating Companies and Production Sites, Outline of the Nippon Paper Group
G4-10	61-62	Creating Workplaces that Support Diverse Human Resources
G4-11	64	Industrial Relations
G4-12	12-13, 27-29, 32	Social Issues and the Nippon Paper Group's Value Creation Flow, Current Status of Raw Materials Procurement, Sustainable Procurement of Raw Materials, Overseas Afforestation
G4-13	4, 70-71	Major Operating Companies and Production Sites, Outline of the Nippon Paper Group
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G4-14	20, 26, 28-29, 34-37, 52-54, 58-60	Compliance, Sustainable Forest Management, Action Plan for Wood-Based Raw Material Procurement, (Environment) Policy and Management, (Customers) Policy and Management, (Human Rights and Labor) Policy and Management, Occupational Safety and Health
G4-15	18	The United Nations Global Compact
G4-16	18	Participating in Organizations in Japan and Abroad
Identified Material Aspects and Boundaries		
G4-17	4-5, 70-71	Scope of Organizations Covered, Outline of the Nippon Paper Group
G4-18	5, 12-14, 21-24	Editorial Policy, Social Issues and the Nippon Paper Group's Value Creation Flow, CSR Materiality at the Nippon Paper Group, Dialogue with Stakeholders
G4-19	14	CSR Materiality at the Nippon Paper Group
G4-20	4-5, 14	Major Operating Companies and Production Sites, Scope of Organizations Covered, CSR Materiality at the Nippon Paper Group
G4-21	5, 14	Scope of Organizations Covered, CSR Materiality at the Nippon Paper Group
G4-22	62	Hiring for Career-Track Positions
G4-23	5, 42-43, 61, 71	Scope of Organizations Covered, Material Balance, Performance in Reemploying Workers Who Reach the Mandatory Retirement Age, Major Environmental Performance Data
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G4-24	21	Dialogue with Stakeholders
G4-25	21	Dialogue with Stakeholders
G4-26	14, 20-24, 28-29, 37, 54, 59-69	CSR Materiality at the Nippon Paper Group, Group Internal Whistleblower System, Dialogue with Stakeholders, Action Plan for Wood-Based Raw Material Procurement, Environmental Communication, Environmental Education and Training, Identifying Customer Needs, Occupational Safety and Health, Creating Workplaces that Support Diverse Human Resources, Responsibility to Communities
G4-27	14, 20-24, 28-29, 37, 55-56, 59-69	CSR Materiality at the Nippon Paper Group, Group Internal Whistleblower System, Dialogue with Stakeholders, Action Plan for Wood-Based Raw Material Procurement, Environmental Communication, Provision of Environmentally and Socially Conscious Products, Occupational Safety and Health, Creating Workplaces that Support Diverse Human Resources, Responsibility to Communities
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G4-28	5	Period Covered
G4-29	Back cover	Issued Year, Month
G4-30	Back cover	Issued Year, Month
G4-31	Back cover	Inquiries
GRI Content Index		
G4-32	72-74	Guideline Comparison Table
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G4-33		Does not apply
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Governance Structure and Composition		

Item	Corresponding Page(s)	Contents
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G4-35	19, 26, 36, 52-53, 59, 66	CSR Management, Framework for Promoting Raw Materials Procurement Management, Environmental Management Promotion Structure, Product Safety Management System, Responding to Instances of Defective Products, System to Promote Occupational Safety and Health, Structure for Promoting Social Contribution Activities
G4-36	26, 36, 52, 59	Framework for Promoting Raw Materials Procurement Management, Environmental Management Promotion Structure, Product Safety Management System, System to Promote Occupational Safety and Health
G4-37	21, 28-29, 37, 52-54, 59, 64	IR activities, Dialogue with Stakeholders, Sustainable Procurement of Raw Materials, Environmental Communication, (Customers) Policy and Management, Occupational Safety and Health, Industrial Relations
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G4-42	16-18, 36	Group Governance, Environmental Management Promotion Structure
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G4-43	16-19, 28-29, 36	Group Governance, CSR Management, Sustainable Procurement of Raw Materials, Environmental Management Promotion Structure
G4-44	16-18	Group Governance
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G4-45	16-19, 21, 28-29, 37, 52-54, 58, 59	Group Governance, CSR Management, Dialogue with Stakeholders, Sustainable Procurement of Raw Materials, Environmental Communication, (Customers) Policy and Management, Initiatives in Respect of Human Rights, System to Promote Occupational Safety and Health
G4-46	16-18, 36	Group Governance, Environmental Management Promotion Structure
G4-47	16-18	Group Governance
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G4-48	14	CSR Materiality at the Nippon Paper Group
Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance		
G4-49	16-19, 36	Group Governance, CSR Management, Environmental Management Promotion Structure
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G4-51	17	Group Governance
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G4-56	7, 19, 26, 34, 48, 52, 58, 66	Group Mission, The Nippon Paper Group's Action Charter, Philosophy and Basic Policy Concerning Raw Materials Procurement, The Nippon Paper Group Environmental Charter, Basic Policy on Preservation of Biodiversity, Philosophy and Basic Policy on Product Safety, Philosophy and Basic Policy on Human Rights, Employment and Labor, Philosophy and Principles for Social Contribution Activities
G4-57	20	Group Internal Whistleblower System
G4-58	20	Group Internal Whistleblower System
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G4-EC1	21, 38, 70	Trends in Dividends Per Share, Environmental Accounting, Outline of the Nippon Paper Group
G4-EC2	8-11, 38-41	The Sustainable Business Model of a Comprehensive Biomass Enterprise, Business Strategy Aiming to Create New Value, Environmental Accounting, Climate Change Initiatives
G4-EC6	61	Employment Data
G4-EC7	30-32, 38, 40, 48-50, 65-69	Protecting and Nurturing Japan's Wood Resources, Overseas Afforestation, Environmental Accounting, Advancing Energy Efficiency in Logistics, Preserving Biodiversity, Responsibility to Communities
G4-EC8	30-32, 65-69	Protecting and Nurturing Japan's Wood Resources, Overseas Afforestation, Responsibility to Communities
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G4-EN1	27, 42-43	Current Status of Raw Materials Procurement, Material Balance
G4-EN2	27, 42-43, 47	Current Status of Raw Materials Procurement, Material Balance, Wastepaper Collection and Use
G4-EN3	39-43	Climate Change Initiatives, Material Balance
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G4-EN8	42-43	Material Balance

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G4-EN12	30, 32, 48-50	Sustainable Management of Company-Owned Forests in Japan, Overseas Afforestation, Preserving Biodiversity
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G4-LA15	25, 28-29	(Raw Materials) Materiality Item Performance, Sustainable Procurement of Raw Materials
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G4-HR10	25, 28-29	(Raw Materials) Materiality Item Performance, Sustainable Procurement of Raw Materials
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6.8.6	65-69	Responsibility to Communities
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Guideline Comparison Table

Guideline Comparison Table (*Environmental Reporting Guidelines, Ministry of the Environment*)

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Principles	Corresponding Page(s)	Contents
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Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	22, 24-25, 53-60 (Raw Materials) Policy and Management, Sustainable Procurement of Raw Materials, Human Rights, Employment and Labor Responsibility
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	26, 28-29, 58 (Raw Materials) Policy and Management, Sustainable Procurement of Raw Materials, (Human Rights, Employment and Labor) Policy and Management
Labor		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	58, 64 (Human Rights, Employment and Labor) Policy and Management, Industrial Relations
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	26, 28-29, 58 (Raw Materials) Policy and Management, Sustainable Procurement of Raw Materials, (Human Rights, Employment and Labor) Policy and Management
Principle 5	Businesses should uphold the effective abolition of child labor.	26, 28-29, 58 (Raw Materials) Policy and Management, Sustainable Procurement of Raw Materials, (Human Rights, Employment and Labor) Policy and Management
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	58, 61-64 (Human Rights, Employment and Labor) Policy and Management, Creating Workplaces that Support Diverse Human Resources
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges.	26, 28-29, 33-50 (Raw Materials) Policy and Management, Sustainable Procurement of Raw Materials, Environmental Responsibility
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	6-7, 8-11, 25-32, 33-50 Message from the President, The Sustainable Business Model of a Comprehensive Biomass Enterprise, Business Strategy Aiming to Create New Value, Forest Management and Raw Material Procurement Responsibility, Environmental Responsibility
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	10-11, 45, 50, 55-56 Business Strategy Aiming to Create New Value, Reducing Industrial Waste, Initiatives Leveraging Our Resources and Technologies, Providing Environmentally and Socially Conscious Products
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms including extortion and bribery.	19-20, 26 CSR Management, Compliance, (Raw Materials) Policy and Management



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Profile

After leaving the doctoral program at the Sophia University Graduate School of Economics, Professor Kozuma became a research assistant at the Nagoya Institute of Technology and worked at the Limperg Instituut, Inter-University Institute for Accounting and Auditing, in the Netherlands, as a guest researcher funded by the Dutch government. He became an associate professor at the University of Shizuoka School of Administration and Informatics, and then took up his current position as professor in the Faculty of Economics at Sophia University. He has held successive positions as the chair or member of various CSR- or environment-related advisory panels, study groups, and research conferences for the Ministry of the Environment; the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure, Transport and Tourism; the Cabinet Office; and the Japanese Institute of Certified Public Accountants.

Third-Party Comments

The first point for which this year's report deserves praise is its simple statement, in the editorial policy, that it was prepared in accordance with the Core option of the Sustainability Reporting Guidelines (Version 4) – the G4 guidelines - issued by the Global Reporting Initiative (GRI). This statement is the self-declaration, based on G4 rules, that this report was prepared in accordance with one of the G4 guideline options. The significance of the Nippon Paper Group's having included it in its report, however, is immeasurable.

In general, Japanese corporate groups are managed in a decentralized fashion, with the individual companies operating under their own management. Other than financial information necessary for preparing consolidated financial statements, internal information (including human resource information) of individual group members is usually not centrally managed. This means it is often difficult for Japanese corporate groups to prepare reports "in accordance" with the G4 guidelines, which presume an information boundary at the consolidated level. That the Nippon Paper Group's sustainability report was prepared "in accordance" with the Core option of the G4 guidelines means that CSR initiatives undertaken for Nippon Paper Industries are basically being implemented for the Nippon Paper Group, and that systems for collecting and managing ESG information on a consolidated basis have been established and are being used. This fact by itself is deserving of nothing but praise.

Looking back on how the Group has evolved, it can be seen that it was an early adopter of supply-chain management for the forest resources that are its raw materials, and that the Group has led the other companies in disclosing its value chain map and business model. Furthermore, in its transition to its "comprehensive biomass enterprise" business model, the Group is demonstrating a direction that is extremely compatible with a sustainable society.

Another point for which the Nippon Paper Group deserves praise is its establishment of the basic policy for preserving biodiversity. Because of its reliance on forests as a basic management resource, the Nippon Paper Group has a significant biodiversity risk exposure. To date, it has collaborated with the Wild Bird Society of Japan on protection of the Blakiston's fish owl, and undertaken initiatives on other fronts, as well. The new basic policy formally establishes the Nippon Paper Group's position on preserving biodiversity – which has been the basis for the activities mentioned above – and is a reaffirmation of the Group's organization for advancing these kinds of activities. It provides an important foundation for structuring actual initiatives, such as conducting biodiversity surveys and establishing environmental forest areas, sanctuaries, and protected areas; adjusting operations in response to ecosystem concerns; and acquiring forest certifications.

Of course, there are areas in which improvement is required. For example, several objectives of the Green Action Plan 2015, which was ambitious in terms of PDCA objectives and performance management, were not achieved. Furthermore, there has been a slight rise in the occupational accident frequency rate, and the employment rate for people with disabilities has remained below the statutory rate since the rate was raised in 2013. Greater efforts are required in all of these areas going forward.

Action in Response to Third-Party Comments

The Sustainability Report discusses initiatives the Nippon Paper Group is taking in response to important social issues. The Sustainability Report 2016 discloses the process for identifying material issues and includes discussions of materiality indicators, objectives, and performance. Furthermore, the report carries more corporate governance coverage, given the establishment of our Corporate Governance Policy, and conversations with a customer and supplier to provide other perspectives on our materiality initiatives. It also discusses our Green Action Plan 2015 results and reports on our next environmental action plan, Green Action Plan 2020. In putting the report together, we again emphasized clarity in using plain language, and uncomplicated diagrams and tables.

Professor Kozuma praised our decision to produce a report in accordance with the Core option of the GRI's G4 guidelines, and our initiatives in preserving biodiversity. However, there are also issues, such as our employment rate for people with disabilities, which Professor Kozuma also raised as an area needing improvement last year, that require further attention. We recognize that we must earnestly listen to the opinions of stakeholders - the points raised by Professor Kozuma being one example – and fulfill the responsibilities of an enterprise coexisting with society. As a comprehensive biomass enterprise shaping the future with trees, we will persist in efforts to create new value and contribute to better living and cultural progress, while fulfilling our social responsibilities, so that we may continue to be an enterprise that is indispensable to society.

We welcome candid opinions and impressions regarding this report.



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The cost of the paper used in this report includes a portion of expenses for the use of timber discarded in forests following tree thinning.

Cover Photograph



Birds Living in Nippon Paper Industries' Company-owned Forests

1. White-tailed eagle
2. White-backed woodpecker
3. Narcissus flycatcher
4. Long-tailed rosefinch
5. Steller's sea eagle
6. Hawfinch
7. Siberian bluechat
8. Japanese crane

Photo courtesy of the Wild Bird Society of Japan

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