

# 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: <b>Dialogue with Stakeholders</b></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

Basic Stance .....	16
Corporate Governance Structure ...	16
Compensation Paid to Directors ....	17
Personnel & Remuneration Advisory Committee.....	17
Evaluating the Effectiveness of the Board of Directors .....	17

Revision of the Rules Governing the Board of Directors .....	18
Internal Control System .....	18
Position on Information Disclosure	18
Participating in Organizations in Japan and Abroad .....	18

## CSR Management

Management Structure .....	19
----------------------------	----

## Compliance

Compliance Structure .....	20
Personal Information Protection ....	20
Group Internal Whistleblower System	20
Respect for Intellectual Property ....	20

## Dialogue with Stakeholders

Basic Stance .....	21
IR Activities .....	21
Reviewing Initiatives on Materiality Items .....	22

# 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/)  
<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.

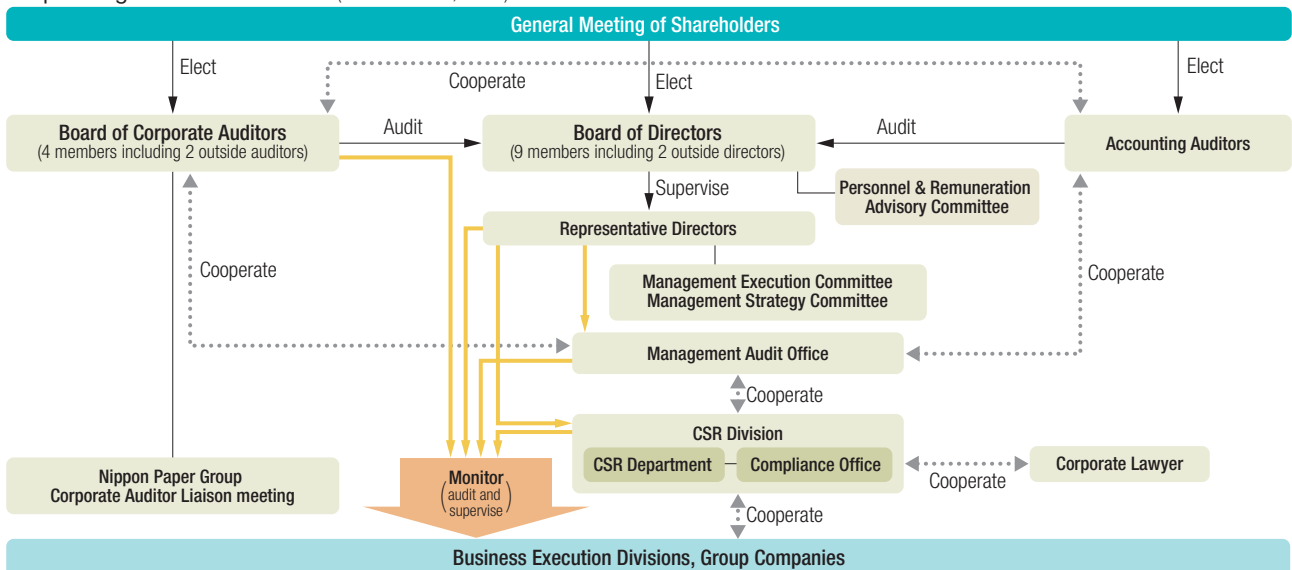
The Management Execution Committee meets weekly to support the business execution activities of the president, and undertake discussions of important operational matters. The Management Strategy Committee meets as needed to discuss management strategies for particular business areas, and other matters 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 remuneration<sup>1</sup> for directors and corporate auditors

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

<sup>1</sup> Rounded down to the nearest million yen.

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

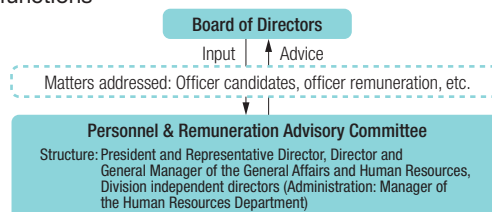
## ■ Personnel & Remuneration Advisory Committee

### 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.

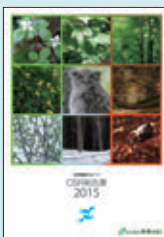
### Case

#### 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

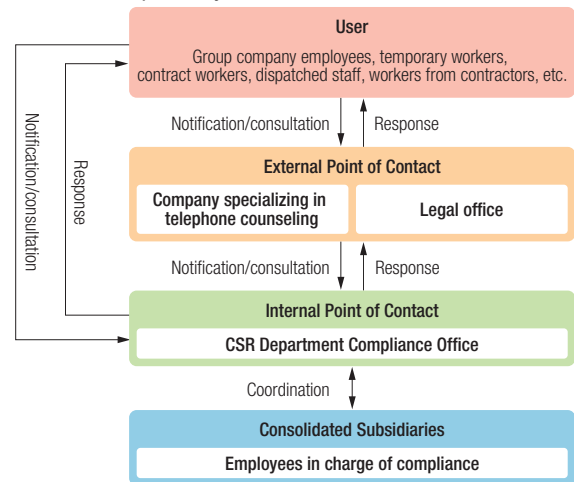
The Nippon Paper Group has established its help line system to allow any employee of the Group to provide direct notification of, or seek advice outside the chain-of-command on, any action in the workplace that could violate laws, social norms or corporate ethics. The Compliance Office located within 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 CO<sub>2</sub> and, therefore, are a resource the use of which does not add carbon to the atmosphere.

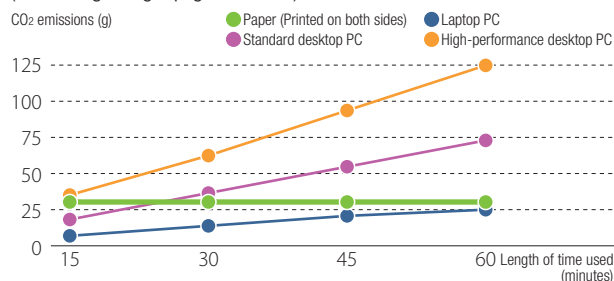
**S** I wonder if it is generally understood that over half of the

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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions (Total from manufacturing and use)

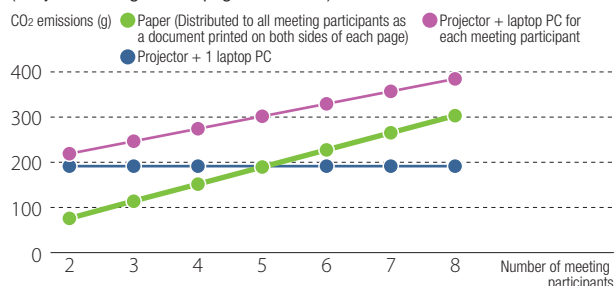
(Calculated based on data from the Japan Environmental Management Association for Industry for products manufactured in 2008 or later)

**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.

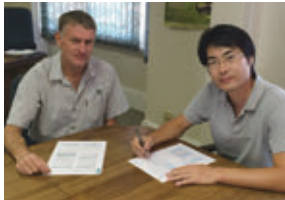
**K** Thank you very much for this conversation. Hearing your perspective on the value of paper has further strengthened my view of our role in providing products that make the most of the benefits of paper, and of the need for promoting them.

# 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.