

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 2016)
Materiality: Dialogue with Stakeholders		
[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 4 briefings on operating results and management, and 176 individual meetings Made timely disclosures via the Nippon Paper Group's website and responded swiftly to inquiries
[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 (22 chip suppliers, 14 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] Privacy guarantee based on strict management of users' personal information, communication content, and other information	Ensure that potential whistleblowers can have confidence to report their concerns internally	Conducted training for Group helpline responders and practiced strict information management Received 11 whistleblower reports in fiscal 2016
[Local Residents] Dialogue and disclosure of environmental information via risk communication meetings and other means	Share environmental risk information with stakeholders	Provided information and gathered opinions in 27 risk communication meetings

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Corporate Governance and Information Disclosure

Further enhancing transparency and practicing fair management, while pursuing sustainable growth and medium-to-long-term increases in corporate value

Basic Stance

Striving to achieve sustainable growth and medium-to-long-term increases in corporate value

Nippon Paper Industries Co., Ltd. established its Corporate Governance Policy in November 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 5). The Company is acting in accordance with all of the fundamental principles of Japan's Corporate Governance Code.

Our 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/>

Initiatives for Strengthening Corporate Governance

FY2006	<ul style="list-style-type: none"> Formulated the Basic Policy for Establishing the Internal Control System Shortened director terms to one year, from two
FY2013	<ul style="list-style-type: none"> Adopted an executive officer system Began appointing independent outside directors
FY2015	<ul style="list-style-type: none"> Established the Corporate Governance Policy Began evaluating the effectiveness of the Board of Directors
FY2016	<ul style="list-style-type: none"> Established the Personnel & Remuneration Advisory Committee Increased the number of independent outside directors to two

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, 2017. 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.

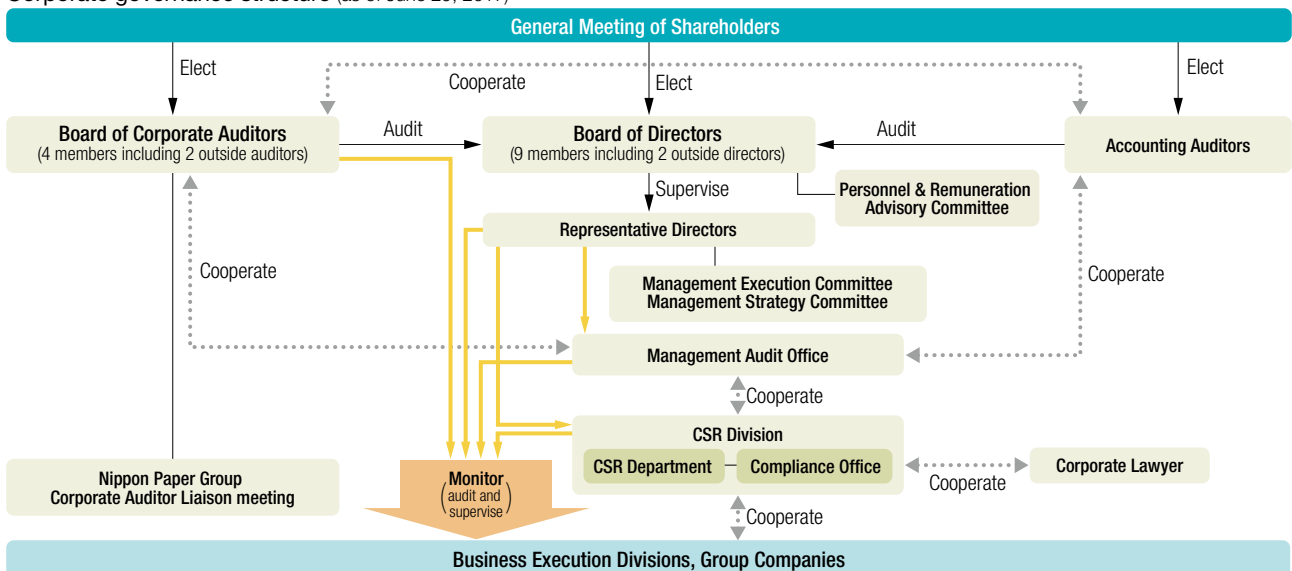
The Management Execution Committee meets weekly, in principle, to support the business execution activities of the president, and to consider important operational matters. The Management Strategy Committee meets as needed to discuss management strategies for particular business areas, and other matters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

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

Appointment of Multiple 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. One of the Company's two outside directors is a legal expert and the other has accumulated considerable experience in corporate management, after serving as a government official. The outside directors use their broad knowledge and their understanding of international affairs to supervise and advise the Company's directors in the execution of their duties.

Corporate governance structure (as of June 29, 2017)



Compensation Paid to Directors

Determined on the basis of responsibilities and performance

Nippon Paper Industries Co., Ltd. has defined the policy for officer remuneration in its Corporate Governance Policy Article 8.

Fiscal 2016 total remuneration¹ for directors and corporate auditors

Officer class	Number of officers	Total remuneration for all members of the officer class
Directors	9	¥389 million per year
Corporate auditors	5 ²	¥61 million per year

¹ Rounded down to the nearest million yen.

² Includes 1 corporate auditor who resigned during the year ended March 31, 2017.

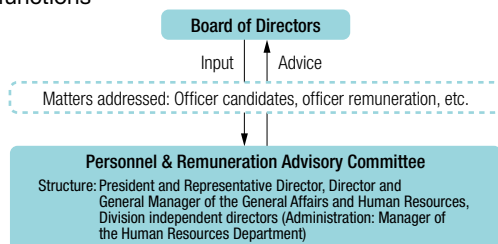
Personnel & Remuneration Advisory Committee

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 independent outside directors as key members.

When requested by the Board of Directors, the Personnel & Remuneration Advisory Committee, with appropriate involvement and input by the two outside committee members, considers matters concerning topics such as the process for nominating Company director and statutory auditor candidates; the quality of, and rationale for, nominations; the criteria for judging the independence of independent outside directors; and the directors' compensation structure. The Board of Directors, after receiving recommendations from the Personnel & Remuneration Advisory Committee, makes decisions on director and statutory auditor nominations, compensation for directors, etc.

Personnel & Remuneration Advisory Committee structure and functions



Evaluating the Effectiveness of the Board of Directors

Increasing the effectiveness of the Board of Directors

To continuously strengthen the functions of the Board of Directors Nippon Paper Industries Co., Ltd. began in fiscal 2015 to have its Board of Directors engage in analyses and evaluations of their own effectiveness.

Once each year, the Secretariat of the Board of Directors' Meeting asks each director and corporate auditor to complete a survey on matters such as board operations and deliberations. Based on survey results, the Board of Directors analyzes and evaluates its performance and then uses what it has learned to improve its effectiveness going forward.

● Overview of FY2016 Evaluation Results

Based on the results of questionnaires the Company asked each director and statutory auditor to complete regarding the effectiveness of the Board of Directors, in light of the establishment of the Corporate Governance Policy, and the results of amendments, etc. to the criteria for submitting agenda items for Board of Directors' Meetings, the Board of Directors prepared a current-state evaluation of its effectiveness and identified issues to be improved.

Current Status

Efforts based on each principle of the Corporate Governance Code have been progressing favorably and the effectiveness of the Company's Board of Directors is appropriate on the whole.

Main Points for Improvement

1. Further enhancement of reporting to the Board of Directors
 As a result of the evaluation in fiscal 2015, the Board of Directors identified the enhancement and reinforcement of the Company's basic policy on management, and of deliberation and reporting on matters related to corporate governance, as an issue to be improved. By making amendments to the Rules for the Board of Directors (put into effect in April 2016), the Company clarified the types of matters that should be deliberated by the Board of Directors, to enhance the quality of deliberations. With respect to the evaluation in fiscal 2016, it was confirmed that the quality of deliberations at Board of Directors' Meetings had been further enhanced. For fiscal 2017, it was decided to further enhance the reporting of operational matters, to strengthen the supervisory function of the Board of Directors.
2. Ensuring training opportunities for directors and statutory auditors

In fiscal 2015 and 2016, the Company invited outside experts as lecturers and held seminars for corporate officers. From fiscal 2017, the Company will work on improving training conditions further by, for example, arranging outside seminars.

Corporate Governance and Information Disclosure

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 24 consolidated subsidiaries, as of March 31, 2017.

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.



Network Japan
WE SUPPORT



United Nations Global Compact

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

Principal organization memberships

(as of July 2017)

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 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

Comment

Working to strengthen corporate governance

Makoto Fujioka, Outside Director, Nippon Paper Industries Co., Ltd.

I believe the purpose of corporate governance is to work for the benefit of shareholders and other stakeholders by ensuring highly transparent, fair management and helping the company realize ongoing growth and medium-to-long-term increases in corporate value.

In my career, I have accumulated experience in government, working with economic and industrial matters, and in corporate management. As an outside director, I draw on my public- and private-sector experience and knowledge, and on my international experience, to participate in management oversight and provide advice from an objective perspective.



CSR Management

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

Management Structure

Oversight 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.

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.

Surveying Employees on Important CSR Matters

In February 2017, the Nippon Paper Group conducted a survey to gather input from employees, as stakeholders, on matters of CSR Materiality (see page 14). We considered and identified materiality items for fiscal 2017 in light of factors such as impacts on outside stakeholders (see page 14).

Meeting social responsibilities through business activities

The Nippon Paper Group 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



Recognition as an ESG Investment

Nippon Paper Industries Co., Ltd. is included in key ESG (environment, social, and governance) indices in Japan and abroad.

Key indices of which Nippon Paper Industries is a component

 FTSE4Good	FTSE4Good Index Series Component since June 2017 Developed by FTSE Russell, a member of the London Stock Exchange Group plc MSCI Japan ESG Select Leaders Index
 MSCI 2017 Constituent MSCI Japan ESG Select Leaders Index FTSE Blossom Japan	FTSE Blossom Japan Index Component since July 2017 Developed for ESG investment conducted by Japan's GPIF (Government Pension Investment Fund)
 member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE	Ethibel EXCELLENCE Investment Register Component since February 2013 An investment universe managed by Forum Ethibel, a Belgian organization that promotes socially responsible investment
 EURONEXT vigeoeiris	Euronext Vigeo index: World 120 Component since December 2014 An equity index developed by NYSE Euronext, which operates securities exchanges in Europe and the U.S., and by Vigeo Eiris, an enterprise that assesses companies

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 stratified training in the form of new-hire training and training for newly appointed managers at principal Group companies.

In fiscal 2016, basic training was conducted for 960



Compliance training

employees, and stratified training and training on topics such as Japan's Antimonopoly Act was conducted for 200 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

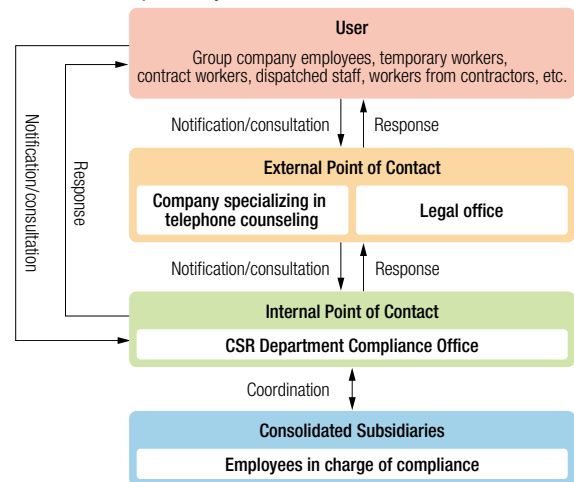
The Nippon Paper Group has established its help line system to allow any employee of the Group to provide direct notification of, or seek advice outside the chain-of-command on, any action in the workplace that could violate laws, social norms or corporate ethics. The Compliance Office located within 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 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
21	26	19	11

Flow of the help line system



Respect for Intellectual Property

Education programs on intellectual property rights and compliance

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 469 employees attended the 17 programs in fiscal 2016.

Dialogue with Stakeholders

Actively creating opportunities for dialogue to promote coexistence with society

Basic Stance

Actively promoting dialogue

The Nippon Paper Group actively establishes 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, Sustainability Report, and *ShikiOriori*, the CSR communication magazine we publish to provide plain and simple explanations of our CSR initiatives.

We carefully consider the feedback we receive and reflect it in management decision making aimed at enabling the mutually beneficial ongoing development of society and the Nippon Paper Group.



Prize of Excellence at the Environmental Communication Awards*



ShikiOriori

* The Nippon Paper Group's Sustainability Report 2016 was named winner of the Prize of Excellence at the Environmental Communication Awards 2016, sponsored by the Japanese Ministry of the Environment and the Global Environmental Forum.

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 2016

Operating results and management briefings	1 time
Operating results briefings (Teleconference)	3 times
Individual meetings	176 times

● Tours and other events

The Nippon Paper Group conducts annual plant tours to promote a deeper understanding of its business activities. The tours of Nippon Paper Industries' Akita Mill in fiscal 2016 attracted considerable praise from participants.

● General shareholders' meeting, shareholder communications, and IR website

Nippon Paper Industries Co., Ltd. strives to disclose and otherwise provide information in a timely, appropriate manner to enhance dialogue with shareholders at the general shareholders' meeting. In preparing general shareholders' meeting announcements, for example, we provide shareholders with copious amounts of important information, which we strive to make as clear and straightforward as possible. For the general shareholders' meeting held in June 2017, we sent announcements early – 23 days before the meeting date – and disclosed meeting materials even earlier – seven days before we sent the announcements - on our website and through other channels.

In addition, we distribute shareholder communications twice a year and make timely disclosures on our website, which we also use to receive inquiries about the Nippon Paper Group.

Trends in dividends per share

(Yen)

	March 2014	March 2015	March 2016	March 2017
Interim dividend	10	20	30	30
Period-end dividend	30	30	30	30

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

Dialogue with a Supplier

On Sustainable Procurement of Raw Materials

The Nippon Paper Group employees in charge of procurement visited Niwa Mokuzai, a company supplying domestic wood chips to Nippon Paper Industries' mills in the Tohoku region of Japan. During their visit, they asked the company's president, Mr. Ogasawara, about biodiversity, safety and health, and community coexistence initiatives that are critical for his company's success.

(Interviewers: Kenji Ishii and Yoshihiro Kohata of Nippon Paper Lumber Co., Ltd.)



Mr. Ogasawara, President of Niwa Mokuzai Ltd. (left), and Nippon Paper Lumber Co., Ltd. representatives Kenji Ishii (center) and Yoshihiro Kohata (right)



Kiyotaka Ogasawara

President
Niwa Mokuzai Ltd.

Company Profile

Name: Niwa Mokuzai Ltd.

Head office: Takizawa City, Iwate Prefecture

Main business activities: Forest management, lumber milling, wood chip production

Relationship with Nippon Paper Industries Co., Ltd.:

Has been supplying wood chips to Nippon Paper Industries continuously since 1973.

— What have you found to be critical for the continuation of your business?

Ogasawara: Stability in business relationships. Maintaining business relationships makes it possible to shrink sales costs, which involve various types of uncertainties, and achieve management efficiencies. This in turn makes it possible to direct resources toward environmentally friendly forest management.

— What initiatives has your company taken for the environment and what impact has Nippon Paper Industries had in this sense?

O: In our part of Japan, we were the first company to gain SGEC certification (see page 26) and, in our operations, we strive to maintain biodiversity through measures such as protecting soil, protecting trees along streams, and monitoring ecosystems, all in accordance with internal rules. Before conducting thinning operations, we use a checklist to determine whether there are any rare species present (see page 44). We have also obtained CoC certification (see page 26) and have established a distribution system for timber from certified forests. In gaining SGEC certification, there were some hurdles to overcome and Nippon Paper Industries helped us with advice based on their own experience in gaining forest certifications.

— What has been the impact of Nippon Paper Industries in terms of health and safety?

O: Nippon Paper Industries has provided us with

information on initiatives in other regions and the active discussions we engage in have added new energy to our safety awareness. In addition, when we encounter a problem, Nippon Paper Industries has been considerate in providing advice, based on its stance of solving problems together.

— What are your thoughts regarding staff management?

O: Well, to begin with, our stable relationship with Nippon Paper Industries enables us to take advantage of management efficiencies. These provide resources that can be applied to compensation and used to promote workforce stability.

— What does your company do to promote coexistence with the local community?

O: We hold company tours and accept students for internships. Our purpose is to teach local residents, from the time they are children, about the forest and lumber industries, and to have them understand that cutting trees is not equivalent to destroying nature.

— What do you expect of Nippon Paper Industries?

O: That we do business with Nippon Paper Industries is encouraging for people working in the local community. The cascade use of wood (see page 9), too, is possible because Nippon Paper Industries accepts this concept.

There is an organization for young people working in the wood chip industry in Tohoku and the northern Kanto region*. Its members are thankful for their relationship with Nippon Paper Industries and, in engaging with the company in plant tours and on other occasions, have come to see business with Nippon Paper Industries as the backbone of their industry. When Nippon Paper Industries' Ishinomaki Mill restarted operations much sooner than anyone expected following the extensive damage it suffered from the Great East Japan Earthquake, local people gained a new sense of just how important Nippon Paper Industries is to their community. Going forward, I want to see the continuation of our business relationship with Nippon Paper Industries and its goodwill for the sustainability of our local community and forests.

* Mr. Ogasawara serves as the chairman of this organization.