

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 2016)
Materiality: Enhancement of Product Safety		
Initiatives to reduce product safety risk	Strengthening of the product safety management system	<ul style="list-style-type: none"> Convened two meetings of the Group Product Safety Committee, which made decisions on Group-wide measures, shared information among Group companies, and discussed safety matters. Established a management system for brands used for food products, and conducted audits to confirm operating conditions at mills making products under these brands.
	Establishment of a product safety management system for new products	Specified risk management items for new products that cannot be handled under the existing management systems.
Materiality: Providing environmentally and socially conscious products		
Forest certification coverage (the provision of products with forest certifications)	Company-owned forests with forest certifications: 100%	100%
	Ensure that all wood materials for pulp and paper are endorsed under forest certification schemes	100%

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Policy and Management

In addition to the development of various products that are indispensable to everyday life, we continue to pursue quality which meets the expectations of customers

Basic Stance

Providing reliable products and services

The Nippon Paper Group engages in a broad spectrum of businesses including paper, films, healthcare products, chemical products, lumber, and construction materials, to serve a wide range of both corporate customers and consumers as it continues to develop and grow in tune with society.

Providing stable supplies of products that are indispensable to everyday life, and applying the Group's strengths to develop products that please customers, are 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.

Identifying Customer Needs

Proactive communication

The Nippon Paper Group engages in proactive communication to identify customer needs across a wide range of areas. We receive numerous inquiries from customers about the tree species, countries of origin, and legality of our raw materials. In response, we explain measures we have put in place to address these matters and provide information on third-party evaluations of our activities (see page 27).

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 our production activities.

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

Nippon Paper Industries' Paper-Pak Sales 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 Industries Co., Ltd.'s Packaging Communication Center

Nippon Paper Industries aims to help enrich daily life through packaging made from woody biomass. One of the products we are developing, the SHIELDPLUS® series of paper-based packaging materials with outstanding barrier properties, was the only paper-industry product included by Japan's Ministry of Agriculture, Forestry and Fisheries in a collection of examples of highly functional containers and packaging that reduce food loss. Nippon Paper Industries is committed to working with processing companies and product manufacturers to provide the world with innovative packaging material and new processing technologies.

● Nippon Paper Crecia Co., Ltd.

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

System for Advancing New-product Development

Building a system for accelerating development

The Nippon Paper Group has established its New Product Development Committee to accelerate business structure transformation (see pages 10-11). New product development teams operating under the committee identify research themes and present them in committee meetings held every three months. For themes approved by the committee, formal projects are established and provided with human, financial, and other resources.

The committee is chaired by the General Manager of the Corporate Planning Division and its membership is composed of the president of Nippon Paper Industries and the other members of the Management Execution Committee (see page 16). Depending on the meeting agenda, presidents of subsidiaries or affiliates, and heads of relevant divisions, may participate in committee meetings in order to speed progress toward commercialization.

Initiatives for Quality Stabilization

Properly managing quality for individual products

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



ISO 9001 certification status

http://www.nipponpapergroup.com/csr/2017.3_ISO9001_e.pdf

● Quality audits at companies making paper containers for liquids

Nippon Paper Industries' Paper-Pak Sales Division performs annual quality audits of production companies. Audits are performed by a team which includes the division head and are a part of efforts to pursue continuous quality improvement based on identified actual conditions (including the "5Ss"*) in production facilities.

In addition to the quality audits, production companies also undergo food sanitation investigations focusing in particular on measures for dealing with critical microorganisms, foreign matter, and pest control.

* The 5Ss mean sorting, setting-in-order, shining, standardizing, and sustaining, respectively. The 5Ss are used to maintain or improve workplace environments.

● **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 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. To create even closer customer relationships, we revamped our quality assurance systems in 2013, assigning technical experts to sales divisions. In addition, to enable swift responses to diverse customer needs, regular quality-information meetings and other means are used to promote collaboration between sales and technical divisions.

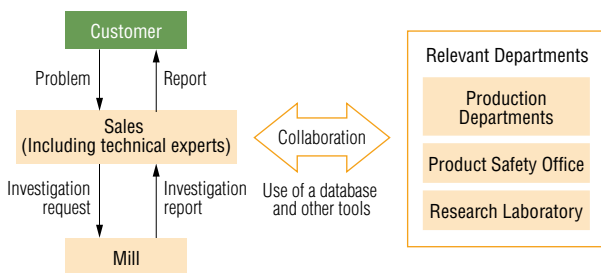
● **Responding to instances of defective products**

For defective products, action is taken by individual Group companies.

In the Paper and Paperboard Division of Nippon Paper Industries Co., Ltd., for example, sales technicians act as the central contact point, working with the relevant mill and head office departments to develop solutions by using tools such as a database of safety-related problems.

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 all issues raised by customers are reported. Furthermore, the company's website is configured to accept customer queries and comments. The company consistently acts in good faith to ensure that customers are fully satisfied.

Product defect response system (Paper and Paperboard Division)



● **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 verify that products are being manufactured to content specifications.

The Stable Supply of Products

Stable supply systems optimized by product

To secure on-demand-supply, we devote considerable effort to maintaining stable production by securing reliable procurement of raw materials, and systematically maintaining and upgrading our production facilities. 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**

Newspapers are a highly public information medium, so the need for the stable supply of newsprint is especially strong. The paper industry, therefore, has prepared regional emergency manuals for use when supply operations cannot be conducted in the usual manner.

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

● **Addressing natural disaster risks**

The Nippon Paper Group, having learned much from past natural disasters, has developed practical guidelines for addressing natural disaster risks. Working from these guidelines, each mill and plant has examined its natural disaster response measures and revised its disaster response manual.

For its part, Nippon Paper Industries, in preparation for a major disaster that could disable its headquarters, 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**

Nippon Paper Industries' Paper-Pak Sales Division has developed its own business continuity guidelines and established its own management system, so that it can maintain production even in times of emergency. The division is moving ahead with procurement of key raw materials from multiple manufacturers. It has also diversified its production across multiple production sites to lower its disaster risk exposure. In fiscal 2016, emergency-response education and training were conducted at the head office and production sites.

Enhancement of Product Safety

Responding to customer faith by establishing the Product Safety Management System to enhance safety

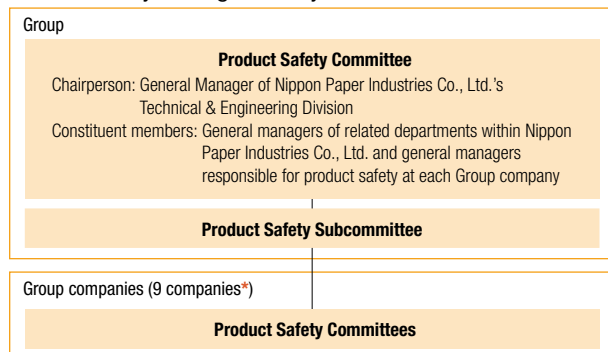
Product Safety Management System

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 Papylia 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, 2017)

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.

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

Brands for Food Products (Paper and Paperboard businesses)

- Product safety management guidelines for paper and paperboard with direct exposure to food products
- Specification of brands and production facilities subject to safety management measures; implementation of enhanced facility- and management-system-based measures to prevent contamination by insect and other foreign matter; promotion of hygiene management; chemical substance management based on Japan Paper Association voluntary standards; and annual confirmation of the functional status of the above measures.

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

(as of March 31, 2017)

Company Name	Mill, Operating Division, Production Company
Nippon Paper Industries Co., Ltd.	Gotsu Mill ³ , SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD.
Nippon Dynawave Packaging Co.	

³CMC (carboxymethyl cellulose), cellulose powder, and stevia and licorice sweeteners (all for use in food)

• Halal certification obtained

In March 2017, Halal certification⁴ was obtained for the nucleic acid (RNA-M) and dissolving pulp produced at the Gotsu Mill. Halal certification enables exportation of these products to Islamic countries. Preparations to gain the certification for CMC (carboxymethyl cellulose) are currently underway.

4 Halal certification

Halal certification is presented for products that, upon inspection of raw materials, production processes, ingredient and product storage conditions, and other matters, have been determined to be in keeping with Islamic law. Products exported to Islamic countries should be Halal certified.

Providing Environmentally and Socially Conscious Products

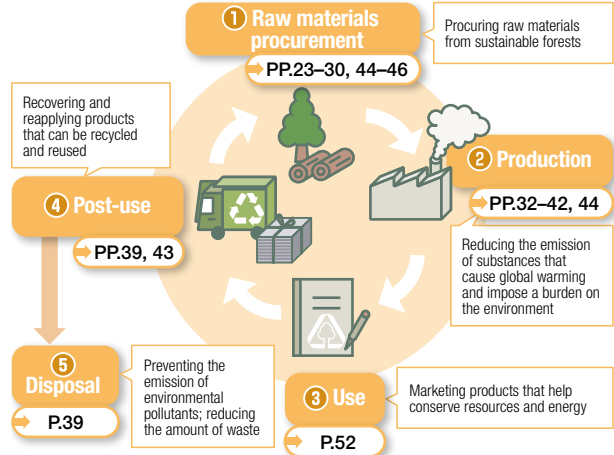
We provide products that meet customer demands including forest certified products

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 sustainably 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 CoC certifications at its principal mills, and provides certified paper products.

Status of CoC certification acquisition at principal production sites (as of March 31, 2017)

Company Name	FSC®	PEFC
	Mill, Production Company (License no.)	Mill, Production Company
Nippon Paper Industries Co., Ltd.	Kushiro Mill (FSC®C129049); Hokkaido Mill (Yufutsu, Asahikawa, Shiraoi) (FSC®C00952); Akita Mill (FSC®C133166); Iwanuma Mill (FSC®C134786); Nakoso Mill (FSC®C020977); Kanto Mill (Soka) (FSC®C133163); Kanto Mill (Ashikaga) (FSC®C133164); Fuji Mill (Yoshinaga) (FSC®C133678); Otake Mill (FSC®C132226); Iwakuni Mill (FSC®C115436); Yatsushiro Mill (FSC®C133585)	Hokkaido Mill (Shiraoi), Akita Mill, Ishinomaki Mill, Fuji Mill, Otake Mill, Iwakuni Mill, Yatsushiro Mill
Other Nippon Paper Group companies	SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD. (FSC®C128733); Nippon Paper Papyrus Co., Ltd. (Harada Mill, Kochi Mill (FSC®C005984); Nippon Paper Crecia Co., Ltd. (Kaisei Mill, Koyo Mill, Kyoto Mill, Tokyo Mill (FSC®C124287)); Kitakami Paper Co., Ltd. (Ichinoseki Mill (FSC®C133225)); Nippon Dynawave Packaging Co. (FSC®C131932); Siam Nippon Industrial Paper Co., Ltd. (FSC®C125026); Jujo Thermal Oy (FSC®C012566); Paper Australia Pty Ltd. (Maryvale Mill (FSC®C002059))	SOKA PAPER-PAK CO., LTD.; EGAWA PAPER-PAK CO., LTD.; MIKI PAPER-PAK CO., LTD.; ISHIOKA PAPER-PAK CO., LTD.; Nippon Paper Papyrus Co., Ltd. (Harada Mill, Kochi Mill); Nippon Dynawave Packaging Co.; Jujo Thermal Oy; Paper Australia Pty Ltd. (Maryvale Mill)

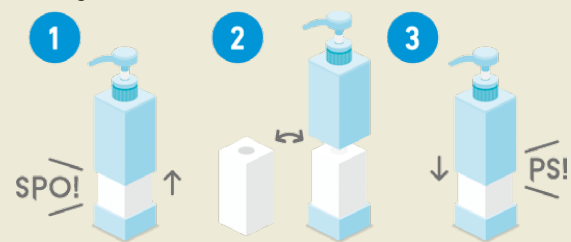
1 5 Environmental consciousness in raw material procurement and waste handling

Case

SPOPS® Paper Containers Replacing the Refill Pouch (Nippon Paper Industries Co. Ltd.)

In fiscal 2016, Nippon Paper Industries Co., Ltd. completed development work on SPOPS®, a replaceable paper container designed to take the place of plastic pouches for refills of shampoo and other products. Commercialization efforts for this new product are now moving forward. With SPOPS®, there is no need for pouring from a pouch into a dispenser; product refills are accomplished simply by replacing a cartridge. PAPER-PAK manufacturing technology is what makes the SPOPS® approach to product refills possible. SPOPS® makes daily life more convenient by simplifying refills. And because it uses paper - a recyclable material - and contributes to greater efficiency in distribution, SPOPS® also has a lower environmental impact than do plastic pouches.

Refilling with SPOPS®



"SPO!" is the sound made when an empty SPOPS® cartridge is separated from the dispenser. "PS!" is the sound made when a new cartridge is installed in the dispenser. Together, they form the product name "SPOPS®."

Providing Environmentally and Socially Conscious Products

①-⑤ Environmental consciousness throughout the product lifecycle

Case

SHIELDPLUS oxygen- and flavor-barrier materials (Nippon Paper Industries Co., Ltd.)

Nippon Paper Industries Co., Ltd. is developing SHIELDPLUS, an environmentally friendly packaging material made from paper, which is recyclable and ultimately renewable.

Performing as well as existing products, SHIELDPLUS offers outstanding barrier properties and is seen as a substitute for aluminum and barrier-film options. As a replacement for aluminum, SHIELDPLUS enables the use of metal detection devices for inspection procedures. As a replacement for barrier film, SHIELDPLUS reduces the use of plastic, which is made from petroleum, a depletable resource. It, therefore, results in lower CO₂ emissions, from manufacturing through disposal, than do conventional packaging materials made only from plastic.

In addition to its outstanding barrier properties, SHIELDPLUS offers environmental benefits that make it appropriate for use under a wide range of circumstances and for various types of packaging applications.



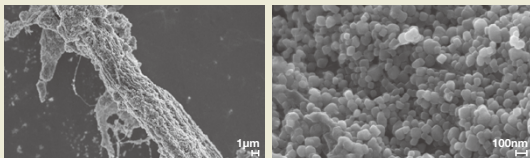
Examples of SHIELDPLUS applications

④ ⑤ Post-use environmentally friendly disposal

Case

MinerPa™ - A new, recyclable material made from wood fiber with a high mineral content (Nippon Paper Industries Co., Ltd.)

In January 2017, Nippon Paper Industries Co., Ltd. completed development of MinerPa™, a new functional material with mineral particles densely bonded onto the surface of wood fiber. In so doing, it has succeeded in creating a product that retains the reusability and thermal recyclability of wood fiber while also offering various functions and characteristics of minerals. Going forward, attention will focus on application development and commercialization in areas such as fire-resistant and radiation-shielding construction materials, and nursing-care and sanitary products for which deodorizing and antibacterial functions are required.



Surface of MinerPa™ fiber

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.



KLEENEX® tissue PREMIUM



SCOTTIE® Fine Triple length Kitchen towel

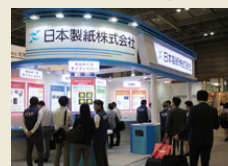


POISE® SARARAKYUSUI Panty liner Skin care

Case

Participation in the “ifia® JAPAN2017,” Fine Chemical Trade Show (Nippon Paper Industries Co., Ltd. Chemical Sales Division and Innovative Material Sales Division)

The Chemical Sales Division is focusing on food, health food, and beverage applications. Participating in “ifia® JAPAN2017,” Japan’s largest food ingredient/additive



Nippon Paper Industries tradeshow booth

tradeshow, the division featured information on wood-derived CMC (carboxymethyl cellulose) and cellulose powder, and the natural sweetener, Stevia. It also gave a presentation on a new material, cellulose nanofiber.