

ANNUAL REPORT 2014

For the Fiscal Year Ended March 31, 2014

2014

Shifting up

NIPPON PAPER INDUSTRIES CO., LTD. ANNUAL REPORT 2014

Securities Code: 3863



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Nippon Paper Industries Co., Ltd.

(Securities Code 3863)

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Introduction

Creating the Future with Forests

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

Notice regarding the consolidated financial information appearing in this annual report

Nippon Paper Industries Co., Ltd. (hereinafter "the Company"), merged with Nippon Paper Group, Inc., as of April 1, 2013, and took over the Company's consolidated financial statements. The scope of consolidation for the Company has no substantial change from that of Nippon Paper Group, Inc., before the merger. Accordingly, the consolidated financial information until the fiscal year ended March 31, 2013, appearing in this annual report represents that of Nippon Paper Group, Inc.

Disclaimer

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

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Sustainable Growth and Evolution for the Next

The Nippon Paper Group evolves toward the development beyond times with its global business foundations and advanced wood science technologies.



175

 Group Companies

Global Network

The Group has an extensive global network consisting of 175 Group companies in Japan and 15 countries. Recently, the Group has been promoting business development in the growth markets recognizing Asia and Oceania as strategic areas.



6,882

 Thousand Tons

Output of Pulp and Paper

The Group's production volume of pulp and paper amounted to 6,882 thousand tons—the world's leading level. As a core business, the pulp and paper supports the Group's development.



206

 Thousand Hectares

Forest Cultivation

The Group cultivates a vast tract of forests, including company-owned forests of 90 thousand hectares in Japan and overseas afforested areas of 116 thousand hectares, to secure wood resources protecting as an indispensable source for the Group's business operations.

Aiming for Sustainable Growth as a Comprehensive Biomass Company

By leveraging our wood resources and wood science technologies, we aim to achieve sustainable growth with our stakeholders.

1.80 Million Kilowatts

Capacity of Power Generation

The Group has the nation's largest power-generating capacity except for the electricity companies. While promoting biomass power generation with a leading-edge technology and starting up the mega-solar project, we intend to develop our energy business on a full scale.

4 Nanometers

Biochemicals

Our production verification facilities for Cellulose Nanofiber are now in operation. Cellulose Nanofiber features high-strength beyond steel and lightness such as paper, fibrillating wood fiber into four nanometers in width. The high potentiality for entirely-new material is right there.



Consolidated Financial Highlights

Nippon Paper Industries Co., Ltd., and Consolidated Subsidiaries¹
(Fiscal Year Ended March 31, 2012 to Fiscal Year Ended March 31, 2014)

			Change		(Millions of U.S. dollars ²)
	2012/3	2013/3	2014/3	2014/3 / 2013/3	
For the fiscal year:					
Net sales	¥ 1,042.4	¥ 1,025.1	¥ 1,081.3	5.5%	\$ 10,601
Operating income	36.5	25.1	28.5	13.5	280
Ordinary income	6.1	23.1	28.2	22.1	276
Net income (loss)	(41.7)	10.7	22.8	113.8	223
Capital investment	57.2	53.3	47.2		462
Depreciation	74.4	64.9	63.2		619
Free cash flow	13.5	4.2	50.9		499
At the fiscal year-end:					
Total assets	¥ 1,527.6	¥ 1,497.7	¥ 1,480.9		\$ 14,519
Net assets	366.7	396.5	426.6		4,182
Interest-bearing debt ³	838.3	830.2	775.6		7,604
(Yen) (U.S. dollars)					
Per share data:					
Net income (loss)	¥ (359.90)	¥ 92.00	¥ 196.67		\$ 1.93
Net assets	3,135.48	3,391.59	3,652.76		35.81
Dividend	30.00	40.00	40.00		0.39
(Yen) (U.S. dollars)					
Principal financial data:					
Operating income margin	3.5%	2.5%	2.6%		
Return on equity (ROE) ⁴	(10.9)	2.8	5.6		
Return on invested capital (ROIC) ⁵	1.5	2.9	3.3		
Equity ratio	23.8	26.2	28.6		
Return on assets (ROA) ⁶	1.2	2.3	2.7		
Debt-equity ratio (times) ⁷	1.9	1.9	1.7		
Number of employees	13,407	13,052	13,107		

Bond Ratings

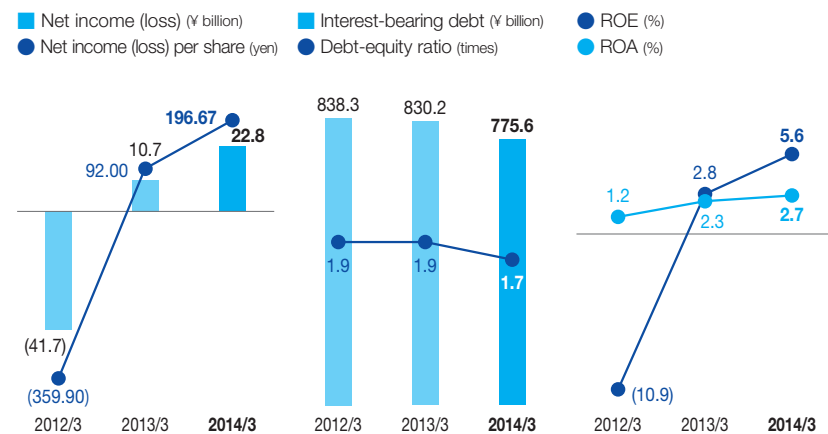
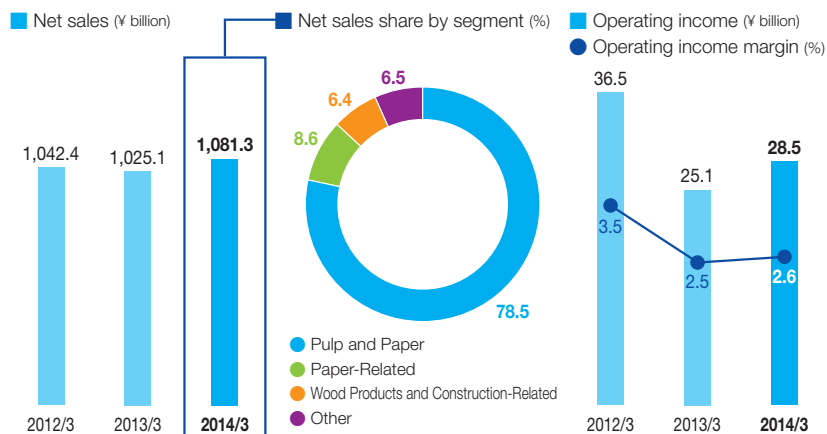
(as of March 31, 2014)

The Company's major bond ratings are as follows.

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

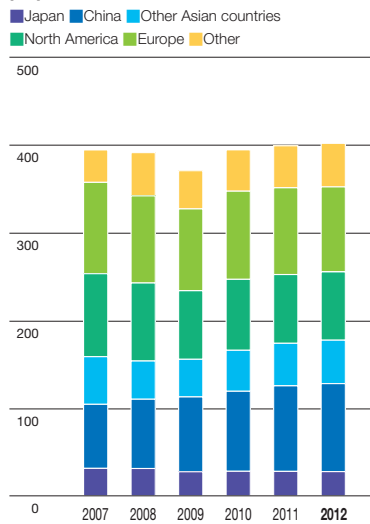
- Notes: 1. Nippon Paper Group, Inc. and Nippon Paper Industries Co., Ltd. (hereinafter the "Company"), conducted an absorption-type merger and the Company was listed on the Tokyo Stock Exchange on April 1, 2013. Therefore, the business results of the Nippon Paper Group up to the fiscal year ended March 31, 2013 appearing in this report represent those of Nippon Paper Group, Inc.
2. Amounts in US dollars are included solely for convenience and are translated at a rate of ¥102 = US\$1.00, the approximate rate of exchange on March 31, 2014.
3. Interest-bearing debt = Short-term borrowings + Long-term debt

4. Return on equity (ROE) = Net income (loss) / Average of shareholders' equity and accumulated other comprehensive income at the beginning and end of the year × 100
5. Return on invested capital (ROIC) = (Ordinary income + Interest expense) / (Shareholders' equity and accumulated other comprehensive income + Interest-bearing debt) × 100
6. Return on assets (ROA) = (Ordinary income + Interest expense) / Total assets × 100
7. Debt-equity ratio = (Interest-bearing debt - Cash and deposits) / Shareholders' equity



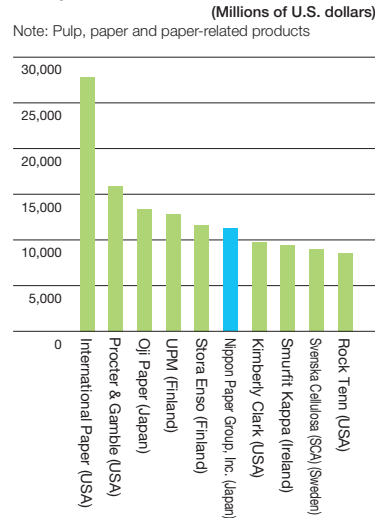
World

Consumption of paper and paperboard (millions of metric tons)



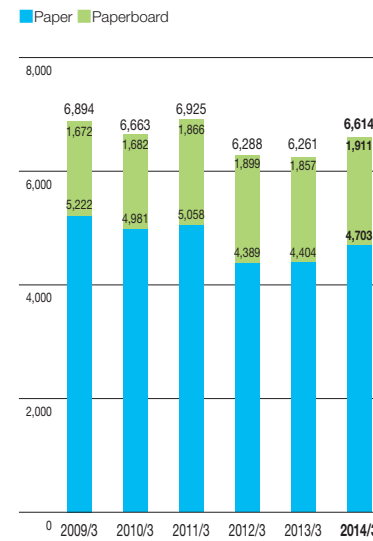
(Source: RISI)

Sales of the world's top 10 paper companies (2012)

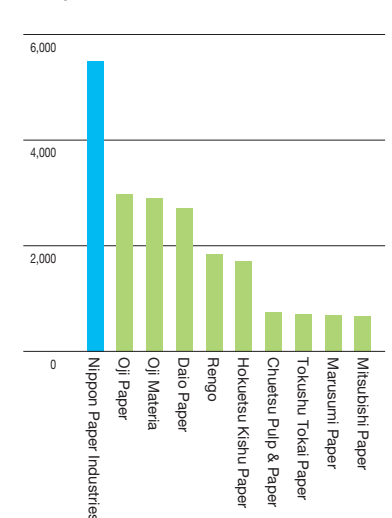


(Source: RISI)

Production of Nippon Paper Group (kt)



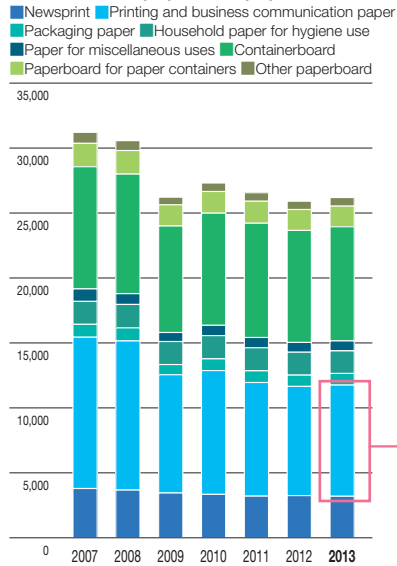
Production of Japan's top 10 paper companies (2013) (kt)



(Source: Japan Paper Association)

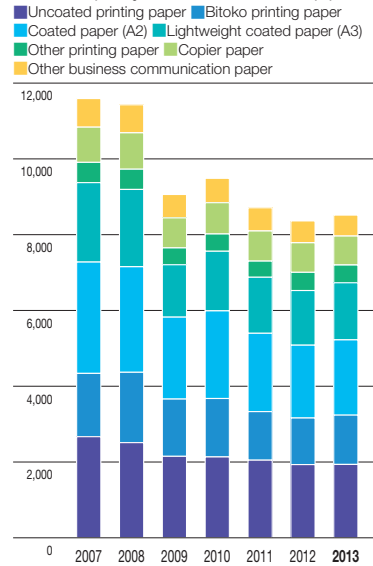
Japan

Production of paper and paperboard (kt)



(Source: Japan Paper Association)

Production of printing and business communication paper (kt)



(Source: Japan Paper Association)

Material balance of domestic pulp and paper business (March 2013)

Input

Raw materials	
Wood chips	4,461 thousand BDT
Logs	27 thousand BDT
Pulp	395 thousand BDT
Wastepaper	3,080 thousand BDT
Water 869 million tons	
Energy	
Electricity	1,169 GWh
Petroleum	270 thousand kl
Coal	2,180 thousand tons
Gas	99 thousand tons
Other non-fossil fuels	1,505 thousand tons
Black liquor* 3,035 thousand tons	

Output

Products	
Paper and household paper products	4.19 million tons
Paperboard	1.41 million tons
Pulp	138 thousand tons

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

2013

- April** | Nippon Paper Group, Inc., was merged into Nippon Paper Industries, which became an operating holding company and was relisted on the First Section of the Tokyo Stock Exchange.
- May** | Decided to launch a mega solar project at the Company-owned site in Komatsushima City, Tokushima Prefecture.
- July** | Sold all of the shares of YFY CAYMAN CO., LTD.
- August** | Decided to set up a coal-fired power generation company in Fuji City, Shizuoka Prefecture.
Decided to sell the Company's warehouse site of about 43,000 square meters in Kita Ward, Tokyo.
- September** | Announced the price hike of printing paper and business communication paper.
- November** | Launched operation of cellulose nanofiber production verification facilities.
- December** | Announced the price hike of containerboard.
Decided to acquire shares in the fibrous chain business belonging to SCG Paper Public Company Limited.
Consolidated Jujo Thermal Oy (located in Finland) as a fully-owned subsidiary.

2014

- January** | Announced the price hike of packaging cartons for beverage product.
- February** | Started solar power generation at Otake Mill.
- March** | Announced the price hike of base paper for paper cup, chipboard, core paper and others.
- June** | The new management team started up.



With good prospects for the recovery of business performance after having achieved the target of ¥25 billion income improvement through the medium-term revitalization plan, we have renewed the management team.

In the past six years, we have gone through difficult situations such as the Global Financial Crisis and the Great East Japan Earthquake. In the meantime, we have engaged in consistent efforts to build a stronger business structure and seek opportunities for our growth. Having survived the difficult periods, Nippon Paper Group now focuses on the further growth.

Yoshio Haga

Chairman and Representative Director
Nippon Paper Industries Co., Ltd.

Fumio Manoshiro

President and Representative Director
Nippon Paper Industries Co., Ltd.



Yoshio Haga

Chairman and Representative Director
Nippon Paper Industries Co., Ltd.

Establishment of the New Management Team

On June 27, 2014, the new management team started up. Having achieved the ¥25 billion income improvement target for the medium-term revitalization plan, we now have good prospects for regaining the level of business performance before Global Financial Crisis, and I thought this was the right time to hand over my duties to the successor. Retiring from an executive officer, I will supervise the whole management of the Group as Chairman of the Board of Directors.

Fumio Manoshiro, the new president, provided excellent managerial support for the Group under the severe business situations after the Great East Japan Earthquake. I strongly believe that his persistent approach with guts will lead the Group, which ensures sustainable growth as a comprehensive biomass company.

Looking back on my six-year term as president

Due to the Global Financial Crisis and the earthquake, the changes of the demand structure accelerated its speed. To address this change, we implemented two drastic slashes in production capacity to optimize our production.

My six-year term as the president since June 2008 had been severe under the fluctuated situations mainly due to the Global Financial Crisis and the Great East Japan Earthquake. Looking back on those days, I think those events may have accelerated the speed of the structural changes in the paper demand due to the aging population and declining birthrate, and the spread of electronic media.

To address the changes as quick as possible, we implemented the management reform such as the slash in production capacity. When the world economy then began to recover gradually, we were hit by the earthquake, with devastating damages to one of our main factories, Ishinomaki Mill. Therefore, we implemented another reform titled “revitalization plan” to reduce the production capacity and to recover Ishinomaki Mill at the same time in order to optimize our production system for the next change in the future. **We implemented the large scale capacity reductions amounting to 1.4 million tons in the 6 years,** however, I assure that these drastic measures were necessary for the company.

Meanwhile, we were also facing with fluctuated situations in the external environment under the condition of sluggish economy, inflows of imported paper and rapid depreciation of the yen out of the prolonged appreciation. However, we steadily carried out the “revitalization plan” targeted at ¥25 billion income improvement, thereby improving productivity and reviewing its cost, while **conducting price hikes to boost the profitability of our paper business.**



The N6 Machine at Ishinomaki Mill

Toward the next step, we established the foothold for the expansion of overseas businesses, while initiating the transformation of business structure as a “comprehensive biomass company.”

During the six years, I initiated efforts to establish the foothold for the expansion of overseas businesses, while making strategic moves to transform the business structure as a “comprehensive biomass company.” For the expansion of overseas businesses, we recognize Asia and Oceania as strategic areas and promote business operations in Thailand, Australia and China.

Regarding the transformation of the business structure, I already had a sense of crisis about the declining paper demand when I assumed the duties as the president. Based on the concept of **“opportunities created from wood,”** I therefore initiated efforts to transform the business structure by **reviewing our management resources and exploring new business opportunities toward potential growth.**

Subsequently, we experienced the nuclear plant accidents in the wake of the tsunami disaster, which resulted in a change in the environment concerning the supply of electricity. Taking this opportunity, we initiated full-scale efforts to expand involvement in the energy business. Moreover, we are promoting R&D efforts in the fields of biochemicals, represented by cellulose nanofiber, healthcare, packaging and industrial materials, while streamlining the organizations for operating those new fields of business.

By integrating these efforts, we are going to provide **diverse value utilizing wood resources in a sophisticated way** to the society for the sustainable growth.

Our success in having overcome the difficult times is all thanks to the trust of our shareholders, support from our business partners and product users, and the ceaseless efforts of all Group employees, for which I would like to express my sincere and profound gratitude.

Under the leadership of the new management team, the Nippon Paper Group will continue to seek **sustainable growth as a “comprehensive biomass company”** so that we can fulfill the expectations of our stakeholders. We would truly appreciate if you could keep eyes on our business development and support the Company.



Fumio Manoshiro

President and Representative Director
Nippon Paper Industries Co., Ltd.

**Changing gears
to accelerate
transformation of the
business structure**

On taking the office of president

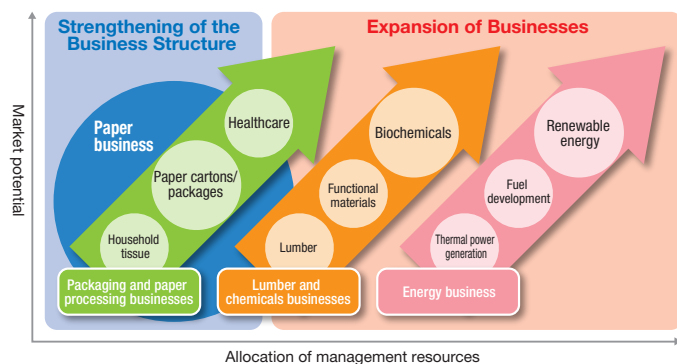
My mission is to develop and enhance the Group's businesses as a "comprehensive biomass company" without slowing the upward momentum before passing it on to the next generation.

I was appointed as president of the Company to take over the leadership of the Nippon Paper Group. The Company has finally recovered from the damages due to the Great East Japan Earthquake and is expecting to continue growth in profit for the fiscal year ending March 31, 2015. Without slowing this upward momentum, **developing the Group's businesses as a "comprehensive biomass company"** and enhancing the quality thereof before passing it on to the next generation is my mission as president.

I was involved in the procurement of raw materials for years, as well as the promotion of afforestation overseas. Afforestation, which used to be only a means of acquiring materials for making paper, is now given growing importance as management resource essential to the Company's growth as a "comprehensive biomass company." With the recognition of the changing needs of the times, I have strengthened my determination to tackle the challenges ahead.

The Nippon Paper Group has leading **technologies for holding and utilizing wood resources**, which **enables us to build up its business portfolio with great variety and depth**. In addition, using renewable resources, such as wood, matches the demand of the present age for establishing a sustainable society. By fulfilling such demand, we would like to ensure our own sustainable growth.

Meanwhile, it does take time to get returns from growth investments. **Making a bridge to the point when we can achieve those returns, without slowing the upward momentum of existing businesses**, is one of the key issues to address during my term of office as president.



The status of operations for FY2013

In fiscal 2013, we effected price hikes for printing paper. We achieved an increase in both domestic and export sales volumes, with increased revenue and income.

In fiscal 2013, yen depreciation reduced the inflow of imported paper. This resulted in the recovery of domestic papermakers' shipments, whereas the prices of fuels and raw materials rose significantly.

In this condition, the Group, as a price leader, **conducted price hikes of printing paper in April and October 2013**. These price revisions, I believe, contributed much to the considerable recovery of the domestic market price in fiscal 2013.

The Group's domestic and export sales volumes of paper and paperboard grew, leading to year-on-year increases in revenue and income. Domestically, **the relationship of trust with many customers** helped us regain the part of our market share that had been lost after the earthquake. Benefiting from the cheaper yen, we were also able to increase the volume of exports mainly targeted at Asia and Oceania.

Despite the significant increase in fuel and material prices, we achieved income growth for fiscal 2013, owing to the aforementioned measures on the selling side, as well as the cost-cutting effect under the revitalization plan and increased efficiency due to **a rise in the capacity utilization rate up to 97%**.

FY2013 consolidated financial highlights (¥ billion)

Net Sales	1,081.3	(5.5% year-on-year increase)
Operating Income	28.5	(13.5% year-on-year increase)
Ordinary Income	28.2	(22.1% year-on-year increase)
Net Income	22.8	(113.7% year-on-year increase)

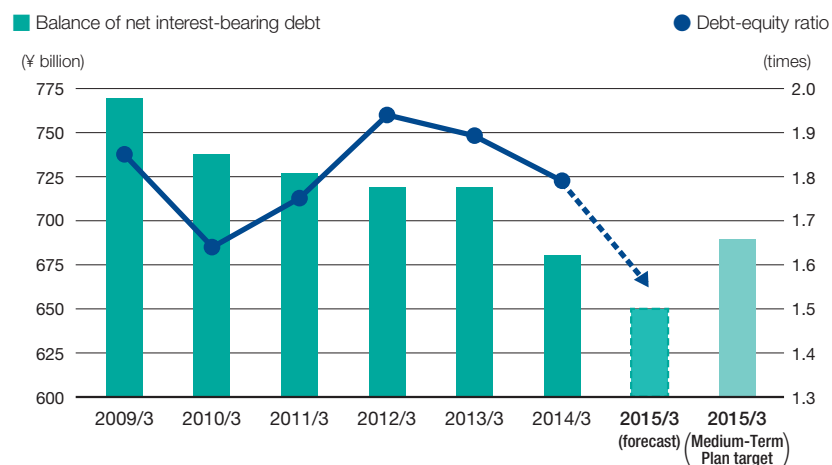
Outlook for fiscal 2014

Due to the contribution of the effect of price hikes throughout the year, we forecast increases in revenue and income for the year ending March 31, 2015. Although damaged by the earthquake, our financial standing has been improving steadily.

The forecast of our consolidated business results for the fiscal year ending March 31, 2015, is as follows: net sales of ¥1,100 billion (1.7% year-on-year increase), operating income of ¥40 billion (increased 40.2%), ordinary income of ¥35 billion (increased 24.2%) and net income of ¥26 billion (increased 14.2%). The price hikes made in fiscal 2013 are expected to remain effective throughout fiscal 2014, and we plan to conduct price hikes for containerboard and other products. The possible effect of those price revisions is reflected in the above forecast.

Although damaged by the earthquake, our financial standing has been improving steadily. In fiscal 2013, we reduced net interest-bearing debt by ¥41 billion chiefly through the sale of assets. **For fiscal 2014, we project a further shrinkage of the balance of net interest-bearing debt to ¥650 billion** to fulfill the target for improvement of the financial position set forth in the Fourth Medium-Term Business Plan.

Reduction of net interest-bearing debt



Forecast for March 31, 2015
Balance of net interest-bearing debt **¥650 billion**
Debt-equity ratio **1.55 times**

Reinforcing the corporate structure for the paper and paperboard businesses

While proceeding with the change of product mix, we will build up the Pacific Rim marketing network. On the production front, we will make investments to stabilize operations.

As for the reinforcement of the corporate structure for the paper and paperboard businesses—our core fields—it is absolutely critical to support the continuous income expansion until investments for the growth takes effect.

To enhance our marketing, we have been proceeding with the change of product lineup in the field of high-functioned products such as industrial paper and so on. This is achieved by mobilizing the expertise of engineers on the front line of marketing so that customer needs can be better and more precisely satisfied, and the results have been positive.

Led by the International Sales Management & Planning Department established in September 2013, we have been cooperating with our overseas subsidiaries to build up the Pacific Rim marketing network. We used to lack such cooperation, but optimization of the intergroup alliances has enabled an organic connection between the Group companies for effective cooperation in the export of Group products.

As regards production, we will invest ¥20 billion to improve domestic production facilities in the next three years for the stabilization of operations. In addition, Japanese technical experts will be sent to overseas facilities to improve production efficiency and promote the introduction of new equipment. To accommodate the change of product mix, we are going to invest in the changeover of production equipment as needed.



Progress of overseas business development centering in strategic areas

Recognizing Asia and Oceania as key strategic areas, we are working on the new initiatives.

Thailand

In March 2014, Siam Nippon Industrial Paper Co., Ltd. (“SNP”), a joint venture company established by the Company and SCG Paper Public Company Limited (“SCG Paper”), initiated the operation of a paper machine for industrial one-sided glazed paper with a production capacity of 43 thousand tons per year. SNP focuses on sales of high-value-added products centering on industrial and functional paper, mainly targeting at Southeast Asia.

To establish the foothold for further expansion of businesses in these regions, we acquired 22% of the shares of the operation company with the fibrous chain business belonging to SCG Paper. By utilizing the management resources of both companies, we will develop into these regions.



Paper machine at SNP

China

Lee & Man Paper Manufacturing Limited, an equity-method affiliate, is steadily expanding its businesses. In 2012, the company introduced the new paper machine for white paperboard with an annual production capacity of 600 thousand tons, and some of its products are distributed through the Group’s sales network.



Newly introduced paper machine for white paperboard

Other areas

In 2013, the Company converted AMCEL, a Brazilian subsidiary engaging in afforestation, into its wholly-owned subsidiary through the additional stock acquisition. We anticipate the demand expansion for trees not only for paper but also for fuels and chemical products. At present, the Company has completed afforestation in half of its 130 thousand-hectare available area, where there is more space for further afforestation remaining.



AMCEL’s afforested land

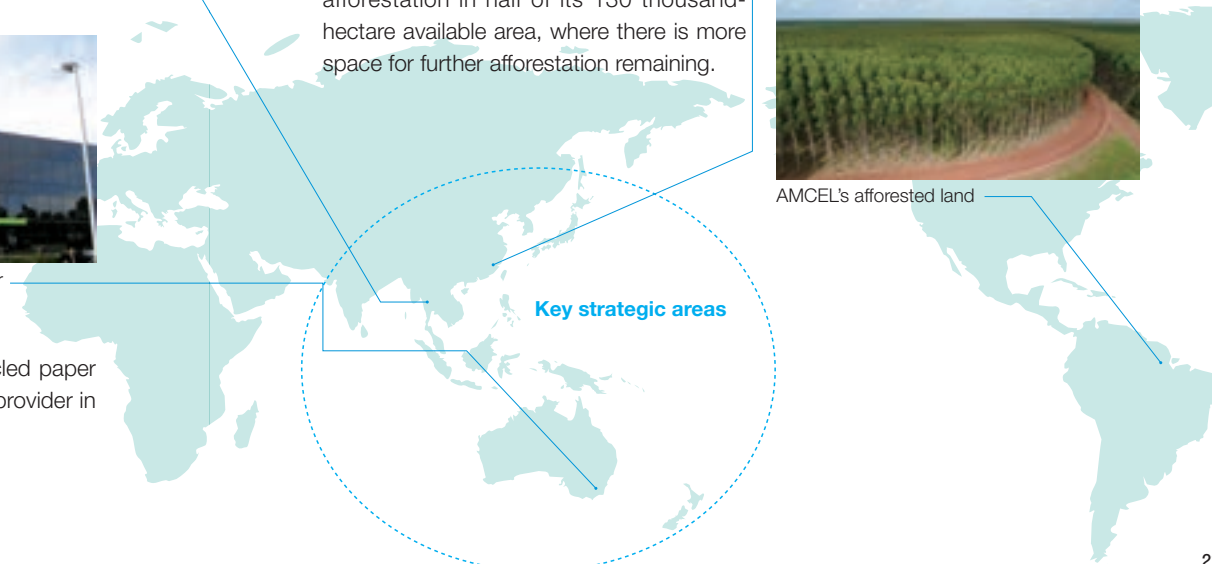
Australia

Although this is a relatively small market with the combined population of Australia and New Zealand being 28 million, we are operating businesses to meet the specific needs recognizing their high environmental awareness.

In 2014, Australian Paper plans to begin operations with an annual production capacity of 50 thousand tons at the recycled pulp plant, Maryvale Mill, with the technologies developed in Japan. Through our development in recycled paper products, we intend to represent our products as a differentiated service provider in this environment-conscious market.



Headquarters of Australian Paper



Key strategic areas

Initiatives for expanding and creating growing fields

Regarding the energy business, the Group has been promoting the power sources development toward the net sales target of ¥50 billion. As for the biochemicals business, we are accelerating the initiatives for the commercialization of CNF.

The Group's initiatives for expanding and creating growing fields **centered on four business fields: energy, biochemicals, healthcare and packaging & industrial materials.**

For the energy business, we have been promoting the development of power sources with an aim **to attain net sales of ¥50 billion** within several years. In addition to the supply of excess electricity by utilizing existing power generation plants, we have decided to expand our power-supply capacity by introducing solar power generation at the Company-owned land at Otake Mill (Hiroshima) and Komatsushima Mill (Tokushima), biomass power generation at Yatsushiro Mill (Kumamoto) and coal-fired thermal power generation at Fuji Mill Suzukawa (Shizuoka). Considerations are also under way for the construction of a coal-fired thermal power plant at Ishinomaki Mill (Miyagi). In 2013, the Company registered itself as a power producer and supplier.

For the biochemicals business, **we have accelerated efforts to realize the commercialization of cellulose nanofiber (CNF).** The production verification facilities for CNF started operations in November 2013 on the site of Iwakuni Mill. Currently, evaluation of the feasibility of the CNF business is under way, with sample products being supplied to potential users, including companies and research organizations. We are considering the introduction of a larger-scale CNF production plant in the future.



Photovoltaic equipment at Otake Mill

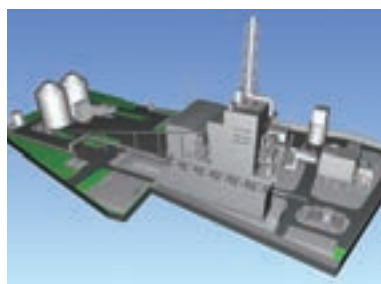


Image of a coal-fired power plant (Suzukawa Energy Center)

For details, please refer to the "Special Feature: From the Frontline of Our Growth Strategy" on pages 25-32.

The Group's future direction and strategic investments

While promoting measures to improve the profitability of existing businesses, we plan to invest approximately ¥200 billion over the next three years for the future growth.

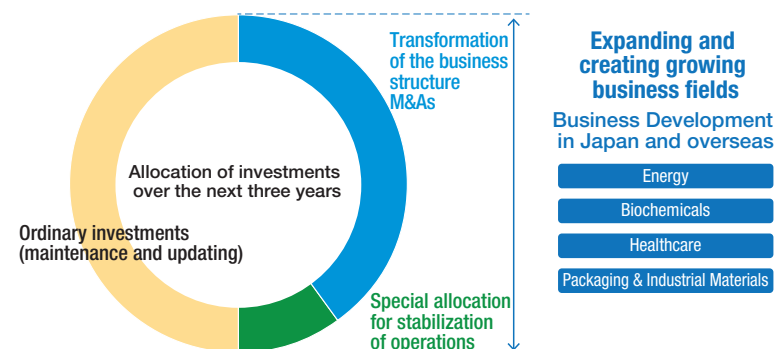
As to the future direction of the Group, we will continue efforts to improve the profitability of overseas business operations and review the businesses not fully optimizing their potentialities, while taking on new initiatives for the additional earnings.

As part of such efforts, we will not only make investments in growing fields such as the energy and chemicals businesses but also explore M&A opportunities that can enhance the Group's business portfolio as a "comprehensive biomass company," thereby expanding its scale of business operations.

The Group has made investments with the amount of ¥50 billion a year. However, restructuring financial foundation is mostly completed, therefore, we plan to invest approximately ¥200 billion, of which 40% or so will be allocated to the transformation of the business structure and M&As over the next three years.

Allocation of investments over the next three years

Making investments actively for the transformation of the business structure.



To Our Stakeholders

Returning profits to our shareholders

The annual dividend per share for the fiscal year ended March 31, 2014, remained unchanged from a year earlier at ¥40 per share, consisting of ¥10 interim and ¥30 year-end dividends. For the fiscal year ending March 31, 2015, we project an increase of ¥10 to ¥50 per share, consisting of ¥20 interim and ¥30 year-end dividends.

For future dividends, we aim to return to the pre-disaster level of ¥80 per share, while taking our level of earnings into account. In parallel, growth investments will be promoted to increase the future corporate value of the Group so that we can fulfill the expectations of our shareholders.

Centering on two key phrases—“people’s lives and cultures” and “being sustainable”—we seek to enhance our corporate value.

We are working on a long-term vision to shape the future of the Group over the next 10–20 years. Such a vision is expected to center on two catchphrases—“people’s lives and cultures” and “being sustainable.”

Our future growth fields, including energy, biochemicals and packaging, are closely connected with our lives, whereas paper as a medium of providing information will continue to contribute to the enhancement of cultural value. In other words, it can be said that our mission is to continue to benefit society in terms of “people’s lives and cultures.”

Meanwhile, in the future, **all business activities will be tasked with ensuring global environmental sustainability.** When we grow as a “comprehensive biomass company,” operating businesses based on our own wood resources will provide a great advantage for the Group.

We will continue to pursue the sustainable application of wood resources, thereby contributing to the enhancement of the value of “people’s lives and cultures.” The continuing support of our valued stakeholders would be greatly appreciated.



Special Feature

From the Frontline of Our Growth Strategy

The Company is accelerating its resource distribution to potential businesses that would assume our future growth strategy on the basis of the conventionally accumulated strengths. We introduce below the outline of our frontline initiatives.

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Initiatives in the Energy Business

Interview with the key person in the energy business

Perspective of Nippon Paper's Energy Business and its Potentiality

Tomoko Murai

Deputy General Manager of Energy Business Department

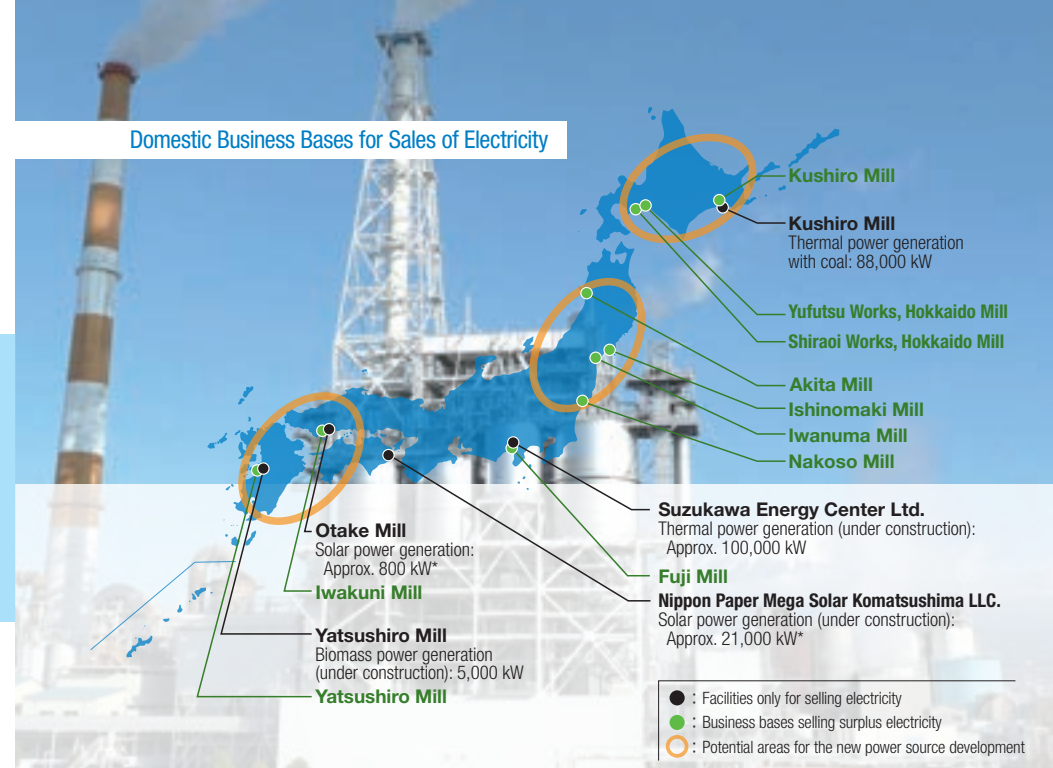
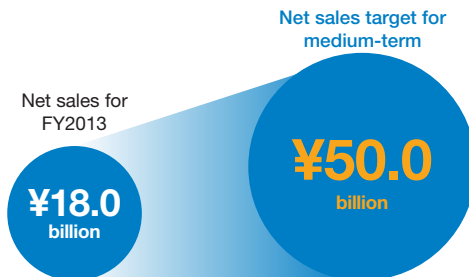


We address the development of the energy business by making the most of power generation facilities and the know-how on fuel procurement and facility operation, which are important management resources of the Group.

Following the Great East Japan Earthquake, the business environment surrounding electric power industry has considerably changed. In addition, the feed-in tariffs (FIT) scheme for renewable energies serves as a spur of our business. We will expand the business based on our strengths with the accumulated expertise in fuel procurement for power plants, which utilizes various kinds of fuels and operating know-how.

In FY2013, we decided to construct a power plant on the site of the Company's former plant in Fuji City. We also successfully moved ahead on projects such as the solar power generation at Otake Mill and the sales of electricity on JEPX, the sole wholesale electric power exchange in Japan.

In the near future, we will promote various initiatives such as the sales of surplus electricity to be generated from existing power plant facilities, the new development of power sources in addition to the FIT-based power generation business with renewable energy and the operation business with medium sized power plants on the scale of 100,000 kW. As the goal for the medium-term business plan, we aim to achieve the net sales of ¥50 billion.



*The power generation capacity with solar energy represents the capacity of photovoltaic modules.

▶ Ongoing Projects for New Power Generation

Biomass power generation (in Yatsushiro City)

A new power generation facility with 5,000 kW capacity at the Yatsushiro Mill that solely utilizes unused domestic lumber as a fuel is under construction. The electricity sales amount is expected to be about ¥1.3 billion per annum on the basis of the FIT scheme, and the Group plans to start power generation from March 2015.



Yatsushiro Biomass Power Plant (under construction)

Solar power generation (in Komatsushima City and Otake City)

Nippon Paper Mega Solar Komatsushima LLC., in which the Group has a 50% stake, will soon start power generation with approximately 21,000 kW* capacity at the site owned by the Company in Komatsushima City. The sales amount is expected to be about ¥0.8 billion per annum, and the Group plans to start power generation from February 2015.



Otake Mill (Photovoltaic power plant)

Furthermore, solar power generation (approximately 800 kW*) using part of the plant site in Otake City started in February 2014.

*Power generation capacity of photovoltaic module

Construction of a new thermal power plant (in Fuji City)

The Group will newly construct a thermal power plant with 100,000 kW capacity at Company's former plant site in Fuji City. Suzukawa Energy Center Ltd., established through a joint capital investment from Mitsubishi Corporation, Chubu Electric Power Co., Inc., and the Company. The Company secures the revenue from consignment of operating the plant in addition to the earnings generated by its power generation business.



Suzukawa Energy Center (rendering image)

The Second Stage of Cellulose Nanofiber

Accelerating initiatives toward the practical use

Challenge under way with production verification facilities

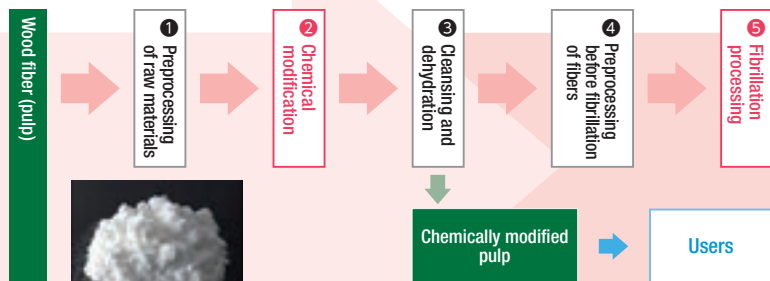


Aiming for the practical use of cellulose nanofiber (CNF) as early as possible and its commercialization by accelerating the establishment of mass-production technology and the development of applications

In October 2013, the Group established Japan's first production verification facilities (production capacity: more than 30 tons per year) for CNFs at Iwakuni Mill. At present, we distribute sample products to potential customers in diversified industries for application development while addressing the establishment of mass-production technology and cost improvement toward industrial applications.

CNF has excellent features such as lightness, high strength, low thermal expansion, barrier against oxygen and thickening. In particular, as our CNFs are chemically modified, diverse development can be projected in response to meet each customer needs. For example, the oxidation method with TEMPO catalyst* ensures the production of CNFs with uniform fiber width, which enables them to be highly functionalized such as metal nano particles supported on the fiber surface. Meanwhile, carboxymethylated CNF is expected to be used for foods.

Oxidation method with TEMPO catalyst CNFs react mutually with repulsive force due to the electrification of negative charge (carboxyl group) on the surface of each CNF applying TEMPO catalyst. Such repulsion is used to detach CNFs respectively to ensure complete nano dispersion by fibrillation.



Application Fields of Cellulose Nanofiber (CNF)

Nano-composite materials



For automobile parts
Lightweight and high-strength automobile parts can be produced by mixing CNF with resin or rubber.

Functional sheets



For packaging materials for foods, etc.
Films featuring gas barrier function have an excellent effect in preserving the freshness of foods.

Functional additive



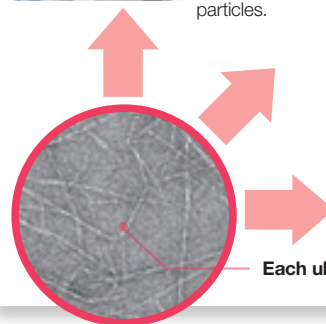
For cosmetics, foods, paints, etc.
CNF makes it possible to add viscosity in water and disperse micro particles.



For industrial filters, masks, etc.
Sheets made from CNF with high-specific surface effectively capture grit and dust in the air.



For electronic materials and transparent displays
CNF transparent sheets are expected to be used in the electronics field due to their high transparency and low thermal expansion.



Each ultrathin fine fiber is CNF!

What is Cellulose Nanofiber?

CNF is the world's most-advanced biomass material, which sophisticatedly refines wood fibers (pulp) up to nano-order particulates. As it originates from plant fibers, CNF features environmental load-reducing in terms of its production process and waste disposal, and also its lightness. In addition, CNF's elastic modulus is as high as that of aramid fiber, which is known as a high-strength fiber. It has low thermal expansion on par with glass with good barrier property against gases such as oxygen.



6 Cellulose Nanofiber

3 Development into the Growing Southeast Asian Markets

For the further strengthening of the relationship with SCG Paper Public Company Limited, Thailand

Participating in the Fibrous Chain business (afforestation, pulp and paper)



Accelerating our business development in Thailand as a key base in Southeast Asia

The Company acquired approximately 22% of the shares of SCG Paper's Fibrous Chain*1 on June 26, 2014, for about ¥11.0 billion to participate in the business. The Company plans to increase its equity ratio up to approximately 30% by around 2016.

Recognizing Thailand as one of our strategic bases for the production and sales in Southeast Asia, the Company has commenced its comprehensive business alliance with SCG Paper in 2008. In 2012, the Group established Siam Nippon Industrial Paper Co., Ltd. (SNP)*2 as a joint venture with SCG Paper. SNP started the operation of new facilities for machine glazed paper in March 2014.

Taking the stock acquisition as an opportunity, we will accelerate business development with the management resources of both companies in the pursuit of the Group's sustainable growth in Southeast Asia.



● Major production sites of SCG Paper's Fibrous Chain

*1 SCG Paper's operating company comprised of three product categories for afforestation, pulp (produced 470 thousand tons per year) and paper (produced 570 thousand tons per year). The net sales for 2012 was approximately 17.0 billion baht (approximately 53.0 billion yen).

*2 Nippon Paper Group holds 55% of the equities as investment ratio.

New paper machine equipped for our joint venture company, SNP

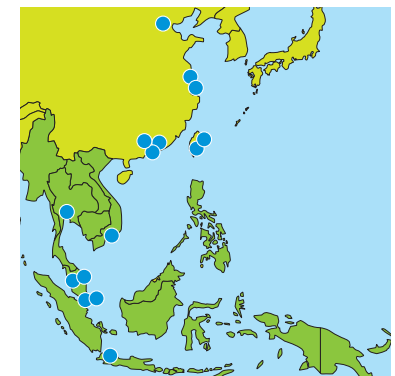
Producing 43 thousand tons of machine glazed paper per annum



In the emerging Asian countries, the demand for high-value-added industrial paper has been increasing in accordance with their economic growth. It is required in the fields of food-packaging, medical products, architectural materials and so forth. To meet such demand, SNP has newly installed the world's largest paper machine with a capacity of 43 thousand tons per year and its operation has been started in March 2014. The Group aims to maximize profits by fully taking advantage of its production expertise and its sales routes in Asia.

Sales network in Asia

The Group has 15 sales bases in Asia outside Japan and sells approximately 350 thousand tons of paper and paperboard a year, including sales of other company's products. We will accelerate business development in Asia centered in Thailand by enhancing the existing sales network.



● Sales bases in Asia

A New Production Line for Cellulose Powder Has Started its Operation

In response to the demand expansion in the food and healthcare products sectors

At the Yufutsu Works of the Hokkaido Mill, the newly installed cellulose powder production facility started commercial operation in May 2014. We aim to reinforce our profit-earning capacity while endeavoring to ensure the stable supply of products in response to the expected demand expansion in the food and healthcare products sectors.

Cellulose powder is an impalpable pulverulent body made from selected pulp, which is first hydrolyzed then refined, dried and pulverized. The Company provides various products ranging from food to industrial applications in a wide variety of fields as the largest cellulose powder manufacturer in Japan.

With the installation of this new facility, the Group now operates four cellulose powder production facilities, consisting of two lines in the Hokkaido Mill and two lines in the Gotsu Works in Shimane.

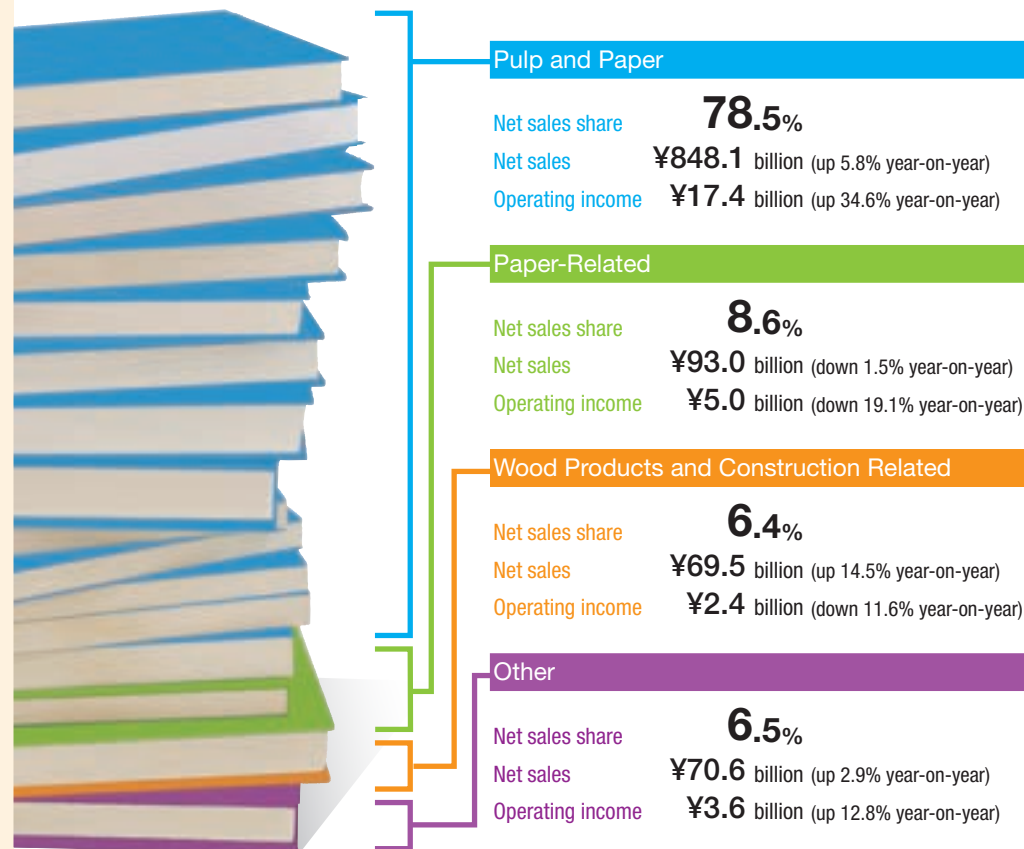
Research on a Production Increase of Wood Biomass Adopted as an NEDO Project

Joint R&D project with Tokyo University of Agriculture and Technology and Chiba University

The Group's R&D project was selected by the New Energy and Industrial Technology Development Organization (NEDO) as a "Project on the Development of Useful Elemental Technology for Biofuel Production."

The Group is committed to this joint R&D project with Tokyo University of Agriculture and Technology and Chiba University. We will work toward practical use of the yield-enhancing technology for wood biomass suitable for biofuel and the evaluation and screening technology for highly productive wood biomass during the selection period by the end of March 2015. At the same time, we intend to make use of the results for the future development of the overseas energy business by using the eucalyptus forests planted and owned by Amapa Florestal e Cellulose S.A. ("AMCEL"), a subsidiary of the Company in Brazil.

Business Overview



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Pulp and Paper

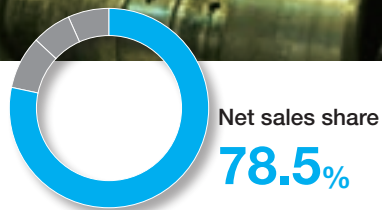


Description of Business

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

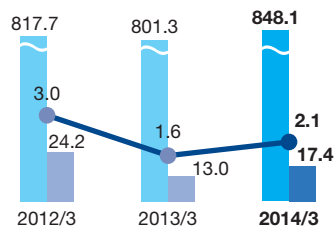
Main Products

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



Change in performance

■ Net sales (¥ billion) ■ Operating income (¥ billion)
● Sales to operating income (%)



FY2013 operating results

Net sales **¥848.1 billion**
(up ¥46.8 billion year-on-year)

Operating income **¥17.4 billion**
(up ¥4.5 billion year-on-year)

Review of FY2013 operating results

Although prices of raw materials and fuel increased due to yen depreciation, sales and profits in the segment increased due to increased sales volumes, price hikes and cost-cutting efforts.

Domestic demand for paper and paperboard was firm mainly supported by the economic recovery. Sales of printing and business communication paper increased due to an expansion of exports, as well as for the usage as a substitution for the declined portion of imported paper. Sales of newsprint decreased slightly, affected by the decline in the circulation of newspapers. As for paperboard and household paper products, the last-minute demand before the consumption tax hike was a contributive factor to increased sales.

Paper-Related



Description of Business

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

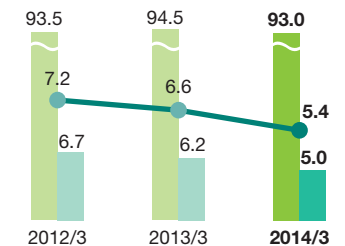
Main Products

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



Change in performance

■ Net sales (¥ billion) ■ Operating income (¥ billion)
● Sales to operating income (%)



FY2013 operating results

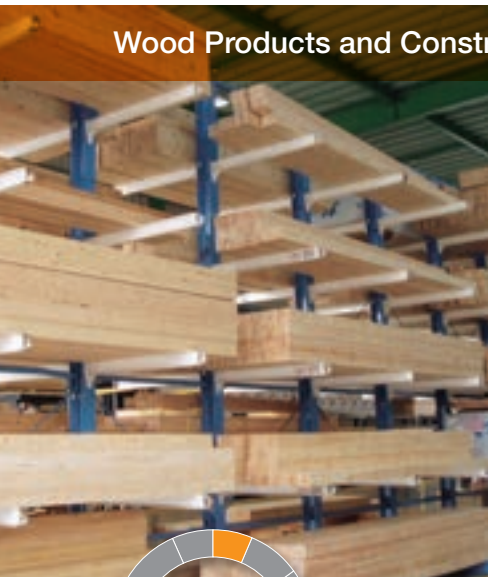
Net sales **¥93.0 billion**
(down ¥1.5 billion year-on-year)

Operating income **¥5.0 billion**
(down ¥1.2 billion year-on-year)

Review of FY2013 operating results

Sales and profits in the segment declined due to decreased sales of liquid-packaging cartons, dissolving pulp and functional materials, as well as an increase in prices of raw materials and fuel.

Despite an increase in demand for liquid-packaging cartons for vegetable beverages, the sales volume declined mainly due to ongoing negative trends such as a decline of the population and consumers' tendency to turn away from milk. Although sales of chemical products centering on concrete admixture were favorable, demand for dissolving pulp and functional films was stagnant.



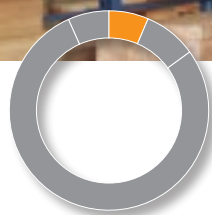
Wood Products and Construction Related

Description of Business

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

Main Products and Services

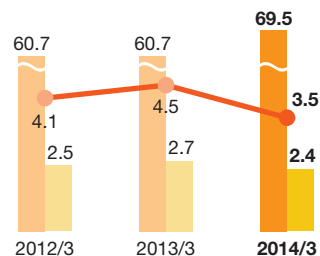
- Lumber
- Construction materials
- Civil engineering



Net sales share
6.4%

Change in performance

- Net sales (¥ billion)
- Operating income (¥ billion)
- Sales to operating income (%)



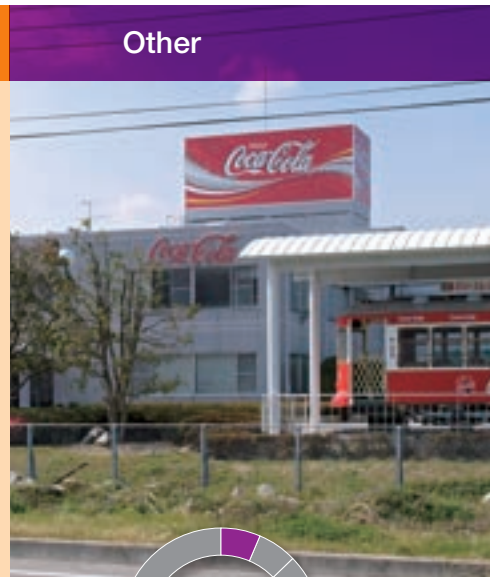
FY2013 operating results

Net sales **¥69.5 billion**
(up ¥8.8 billion year-on-year)

Operating income **¥2.4 billion**
(down ¥0.3 billion year-on-year)

Review of FY2013 operating results

Sales volume increased considerably in the lumber and construction materials sectors mainly due to the increase in housing starts. Meanwhile, profits were stressed by the rise in labor costs from the shortage of manpower, as well as increases in materials, fuel and logistics expenses, thereby resulting in an increase in sales but a decrease in profits.



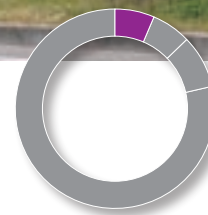
Other

Description of Business

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

Main Products

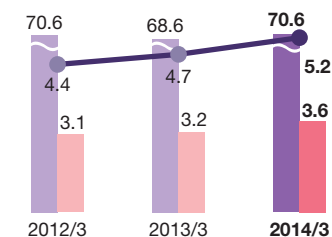
- Beverages
- Warehousing and transportation
- Sports and leisure



Net sales share
6.5%

Change in performance

- Net sales (¥ billion)
- Operating income (¥ billion)
- Sales to operating income (%)



FY2013 operating results

Net sales **¥70.6 billion**
(up ¥2.0 billion year-on-year)

Operating income **¥3.6 billion**
(up ¥0.4 billion year-on-year)

Review of FY2013 operating results

In addition to the intensified competition among beverage manufacturers in the beverages business, fuel costs rose and personnel expenses increased in the logistics business primarily due to the shortage of truck drivers. However, sales and profits in the segment increased partly due to the steady performance of the sports and leisure business by more than offsetting such negative factors with cost-cutting efforts such as the reduction of the cost of manufactured goods and selling, general and administrative expenses.

Pulp and Paper

Paper : Summary of Business Strategy

- Maintain sales prices after price hike
- Develop products that appropriately meet user needs
- Increase exports mainly for Asia and Oceania markets



Interview with the key person in the

Paper Business

Shinichi Sato

Managing Executive Officer
General Manager of Printing Paper Sales Division

In FY2013, it became indispensable for us to **raise prices to reproducible levels** given weakening market price with significant increase of imported paper in the previous fiscal year and the rises of raw material and fuel prices due to yen depreciation. To this end, we raised product prices of printing paper, of which prices had fallen significantly, by about 20% in the first half of FY2013. In the second half, we subsequently addressed price increase by more than 10% for all types of printing and business communication paper and processing base paper, thereby achieving positive results to a certain level.

Our domestic sales volume restored mainly by recapturing volumes from imported paper. At the same time, exports almost doubled the sales volume in the previous fiscal year.

In FY2014, we will strive to increase profitability through the integrated manufacturing and sales structure, which was streamlined in the past year. Our priority is to maintain the raised price. In addition, we intend to raise the value of paper via **customizing of products that incorporate customer needs** so as to connect this initiative with product renewal and/or new products. We will work to raise our market evaluation by gaining customers' trust through these customer-focused initiatives.

We will also continue to focus on increasing exports, and a year-on-year increase of approximately 20% is projected primarily for Asia and Oceania markets.

Paperboard : Summary of Business Strategy

- Improve profitability via price hike of our products and by reducing energy costs
- Aim to increase sales volumes exceeding the average market level by responding to customers' needs for thinner and lighter products, streamlining production systems
- Expand exports with products that leverage the characteristics of each mill

Interview with the key person in the

Paperboard Business

Hironori Iwase

Executive Vice President and Representative Director
In charge of Paperboard Division



In FY2013, the sales volume of paperboard was higher than that for the previous fiscal year, mainly sustained by stable demand for corrugated box. However, we faced a harsh business environment in the aspect of profits, affected by such adverse factors as the weakened prices of containerboard and **rises of raw materials and fuel prices, especially the increase in waste paper and natural gas prices.**

To cope with these difficult circumstances, we addressed **a price hike of about 15% for containerboard** in January 2014, and our customers understood and accepted such price correction by the end of FY2013.

In the domestic paperboard market, a slight positive growth rate is predicted in FY2014. The Company aims to achieve a **growth rate exceeding the average in the market** by streamlining its production systems to fit well with market needs for thinner and lighter corrugated board and developing new products with improved printability. On the profit front, although the Company is breaking away from the difficult situation due to the price hike, we will pursue further reduction in energy costs with measures such as the improvement of operating efficiency of our production facilities.

Meanwhile, in FY2013, we focused on exports for Asian countries into which Japanese companies entered, thereby raising sales volume from the previous 4–5 thousand tons per month to 7 thousand tons. In FY2014, to increase the sales volume to 10 thousand tons per month, we will export products such as the kraft liner, which is produced at the Akita mill, utilizing competitive in-house kraft pulp. We also plan to **expand sales of these products to other Asian companies.**

Pulp and Paper

Household paper products : Summary of Business Strategy

- Promote profit improvement measures in the aspect of production, sales and logistics
- Pursue improving product value along with price hike
- Proactively invest management resources for the expansion of the healthcare products business



Interview with the key person in the

Household Paper Products Business

Yasunori Nanri

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

In FY2013, we expanded the healthcare products business, which is a growth field, while striving to **improve profitability of the household paper products**.

For profits, given the harsh business environment with rises of raw material and fuel costs despite the expansion of sales volume due to the last-minute demand before the consumption tax increase, we **ensured profits at the same level as that for the previous fiscal year** through comprehensive profit improvement efforts in production, sales and logistics operations. We **reinforced our production capacity and reduced fixed costs**, whereas we reduced logistics expenses via consolidation of stocking warehouses, in addition to sales expansion by drawing on the power of our brands and maintenance of product prices.

In the healthcare products business, we **focused efforts on sales of the Poise® healthcare products to care for light incontinence**. We achieved **an approximately 30% year-on-year sales expansion** by newly **establishing a production line in the Kyoto Mill** and running TV commercials and storefront sales promotion activity. We launched ultra-slim types for women and renewed the overall Poise® series. In addition, we reinforced the lineup for men by offering three types. **With the Healthcare Products Sales Division** as the newly formed **core organization**, we intend to strengthen our production system toward further business expansion and **proactively invest our management resources in sales and R&D activities**.

In FY2014, we will **actively launch new products** for the respective product sectors including the mainstay brands Kleenex® and Scottie®, which celebrate their 50th anniversary since entering the market. We will pursue enhanced value of our products that would propose more affluent lives to consumers by increasing the number of character goods including those of *Frozen*, of Disney.

Paper-Related

Paper-Pak : Summary of Business Strategy

- Propose new containers that appropriately meet the needs for smaller packaging and higher added value
- Conduct price hike to improve profitability
- Promote in-house manufacturing of base paper and sales to markets overseas

Interview with the key person in the

Paper-Pak Business

Tetsuya Oichi

Executive Officer
General Manager of Paper-Pak Division

In FY2013, despite steady performance of products for soft drinks, sales volume of liquid-packaging cartons was lower than that of the previous fiscal year partly due to the recent consumer trend of turning away from milk. Furthermore, the division's profits declined by half from a year earlier, affected by negative factors such as the impact of yen depreciation, **price increase of imported base paper**, for which the supply-demand relationship tightened, and **the rise of energy costs**.

Meanwhile, **the non-aluminum FUJIPAK container**, our new product that enables long-life storage of beverages without using aluminum, **was adopted for vegetable beverages by leading beverage manufacturers**. This achievement was a successful result of meeting customers' need for environmental-friendly products as we have a long-term record of providing liquid-packaging cartons that directly pack beverage in.

In FY2014, following the consumption tax hike, beverage manufacturers are to consider a review of packaging modes to reduce container capacity and add high value. We see this change as an opportunity and proactively propose new paper containers.

Moreover, to cope with the deteriorating profitability mainly due to the rise of imported base paper prices, we **conducted a price hike for paper containers for beverages** in April 2014. In FY2014, we will address profitability as the most important issue in the business with these measures and cost-reduction efforts.

For the medium- and long-term perspectives, we will promote in-house manufacturing of base paper within the Group. In addition, we will take the initiative of proposing original packages for overseas markets to support Japanese-affiliated beverage manufacturers to develop overseas business.

Business Strategy

Paper-Related

Chemical Products and Functional Materials : Summary of Business Strategy

- Increase production capacity and sales of chemical products
- Improve profitability for dissolving pulp (DP) and functional films
- Expand exports

Interview with the key person in the

Chemical Products and Functional Materials Business

Masahiko Ota

Managing Executive Officer
General Manager of Chemicals Division



This division promotes **R&D type manufacturing** centering on the effective utilization of wood components, and its feature is that many products boast high market shares in Japan and overseas although their markets are niches. As the new general manager of the division, I intend to strengthen close ties with customers of our staff at the respective research, manufacturing and sales fields so as to steadily reinforce the strength of our businesses.

In FY2013, although **chemical products performed stably** such as in chlorinated polyolefin resin and concrete admixture, the international market conditions for DP remained sluggish due to excessive supply and the expansive trend of functional films in FY2012 slowed. Consequently, both sales and profits of the division declined, on the whole.

In FY2014, we aim to achieve increases in sales and profits with measures such as sales expansion of chemical products and improving profits for DP and functional films. We have been active **in capital investments for a production increase** of chemical products, as represented by the start-up of new facilities for cellulose powder and chlorinated polyolefin in 2013 and 2014, and **expansion of exports is also planned**. We will strive to reduce the impact of market conditions and increase profits by expanding sales of **high-value-added DP products**. Meanwhile, we will aim to expand sales of functional films by precisely and flexibly responding to users' requests.

Through investments in recent years, we have determined that our medium- and long-term growth will come from the double axes of chemical and DP products, which are showing stable growth rates, and functional films, for which we project high growth potential capturing the market expansion. In the future, the division will assume the important role in the comprehensive biomass company through the sophisticated utilization of wood biomass.

Sustainability



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

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For more detailed CSR information, visit:

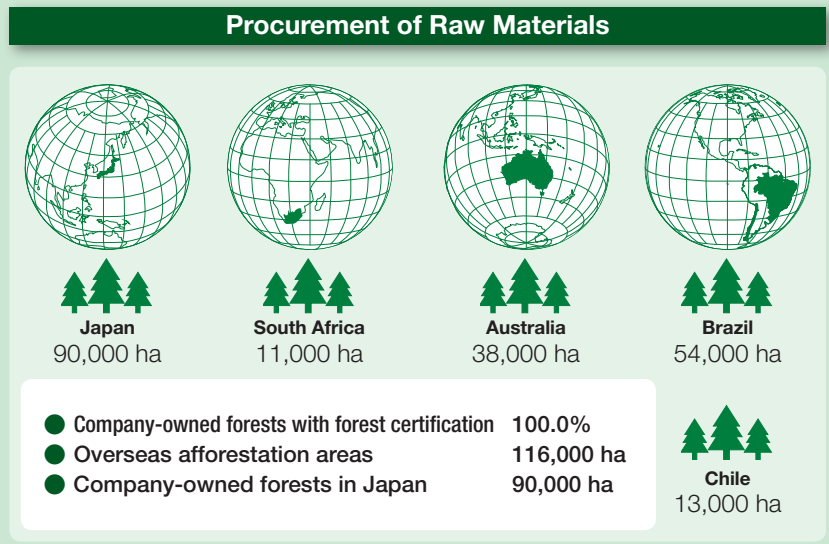
Our Environmental and Corporate Social Responsibility (CSR) website

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

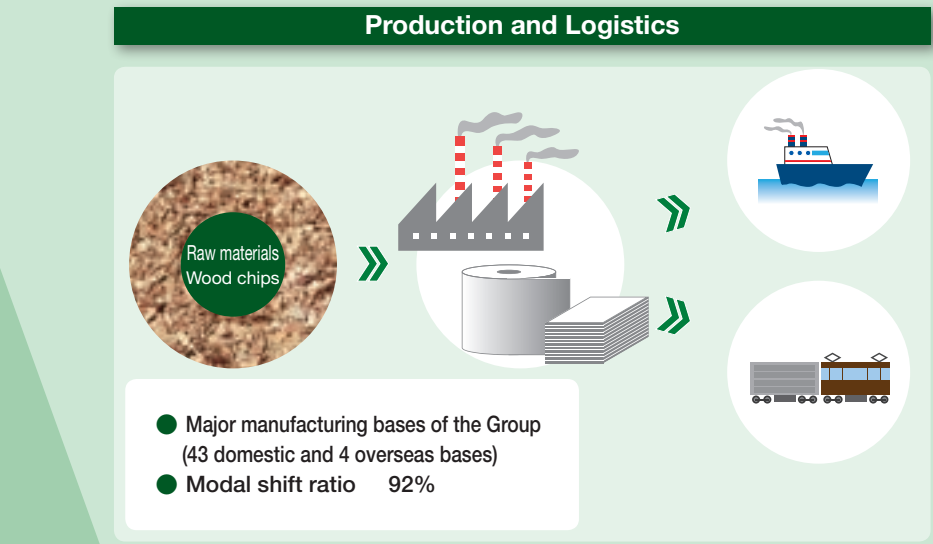


The Nippon Paper Group's CSR efforts throughout its value chain

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



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



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

To be continued on page 46.

Sales and Uses

Domestic production shares for major paper and paperboard products*

Newsprint
35%

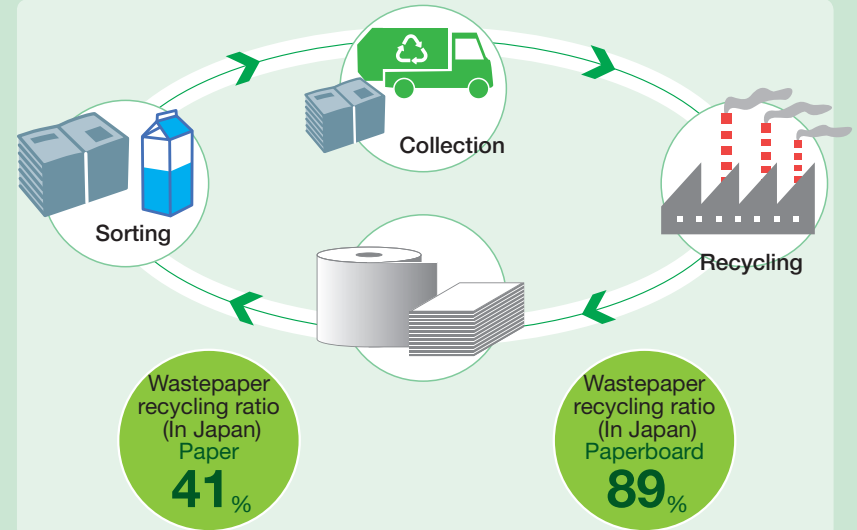
Printing and business communication
30%

Household paper products
13%

Paperboard
15%

*Source: 2013 Annual Review of Pulp and Paper Statistics of Japan Paper Association

Sorting, Collection, Recycling and Disposal



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

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

Basic Structure for Corporate Governance

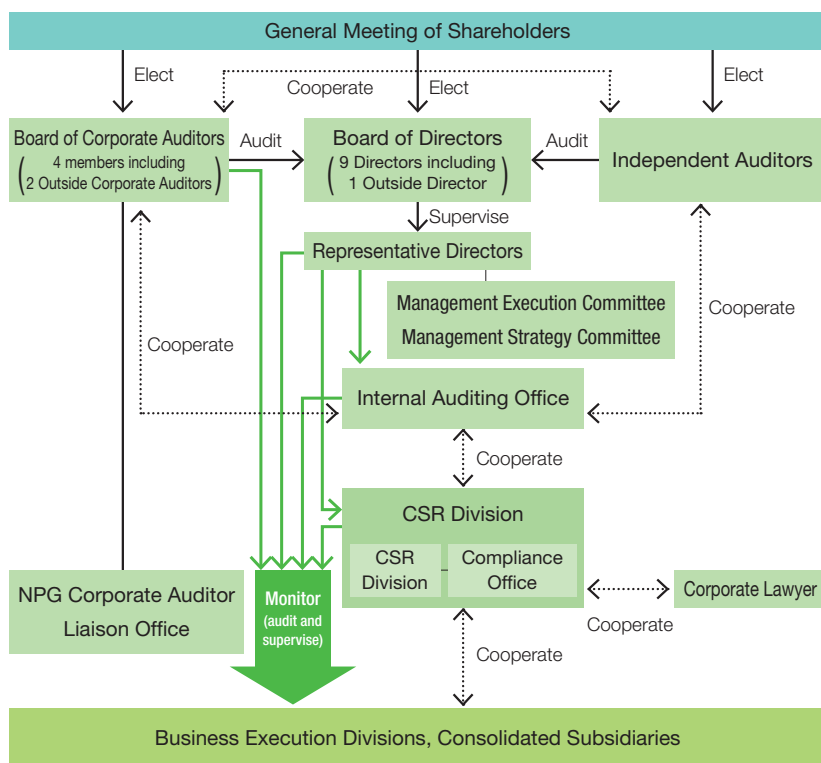
Clear Separation of Business Execution from Management Functions

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

With its reorganization as of April 1, 2013, the Company shifted from a pure holding company to an operating holding company. The Company will maintain and continue its various functions as the controller of management of the group. To this end, the Company conducts monitoring—auditing and supervising—group companies’ activities and promotes compliance and growth strategies of the Group, building on its experience as a pure holding company. To separate management functions from business execution clearly as an operating holding company, the Company introduced the executive officer system and adopted an Outside Director to further enhance the management supervision function.

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

Corporate Governance Structure (As of July 1, 2014)



Roles of Each Office and Division

● Board of Directors

The Company’s Board of Directors consists of nine Directors, of which eight are internal Directors and one is an Outside Director (as of July 1, 2014). The Board of Directors determines basic policies for the management of the Company and the Nippon Paper Group, matters related to stipulations in laws, regulations and the Articles of Incorporation of the Company and other important managerial matters. The board also supervises the business execution of the Group.

Attendance of Outside Directors at the Board of Directors (Since the election in June 2013)	100%
Attendance of Outside Corporate Auditors at the Board of Directors	100%

● Management Execution Committee and Management Strategy Committee

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

Activities during FY2013	
Management Execution Committee : 42	
Management Strategy Committee : 19	

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

● Board of Corporate Auditors

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

Activities during FY2013	
Board of Corporate Auditors : 13	
Attendance of Outside Corporate Auditors at the Board of Corporate Auditors	100%

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

● Internal Auditing Office

The Internal Auditing Office, which is directly under the President’s control and consists of 14 members, conducts an internal audit of the Company and each company of the Group and a comprehensive evaluation of the internal control reporting system regarding financial reporting. The internal audits are conducted in terms of legality and fairness from fair and independent perspectives.

Enhancement of the Transparency of Management

Executive Compensation

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

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

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

Executive compensation limits

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

Basic Policy Concerning the Control of a Company

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

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

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

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

IR Activities

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

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

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



Activities during FY2013
2 operating results briefings
2 operating results conference calls
326 individual meetings

Socially Responsible Investment (SRI)

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

In May 2014, the Company was again selected as a member of the Ethibel EXCELLENCE Investment Register, which is the investment universe of Forum ETHIBEL—a Belgium-based consultancy agency for CSR and SRI. The criteria for selection cover human rights, environment, corporate governance, business behavior, community involvement and human resources. The Company was evaluated on all these criteria and recognized as performing above average in the global pulp and paper industry.



Information Disclosure

To disclose the status of the Company's management and activities widely to stakeholders is an important responsibility of a company. The Group discloses its corporate information pursuant to the Group's Action Charter, thereby enhancing the soundness and transparency of management. As our guideline, we formulated the Nippon Paper Group Disclosure Policy ("Disclosure Policy") in October 2005.

Following the guidelines of this basic policy, we comply with the provisions of the Financial Instruments and Exchange Act of Japan and other relevant laws and regulations. We also adhere to the prompt disclosure rules stipulated by securities exchanges and disclose information in a timely manner, standing on the principles of transparency, fairness and continuity. Furthermore, we disclose information that might not be required under applicable laws, regulations or prompt disclosure rules as quickly and accurately as possible if deemed to be of interest to our stakeholders and other members of society.

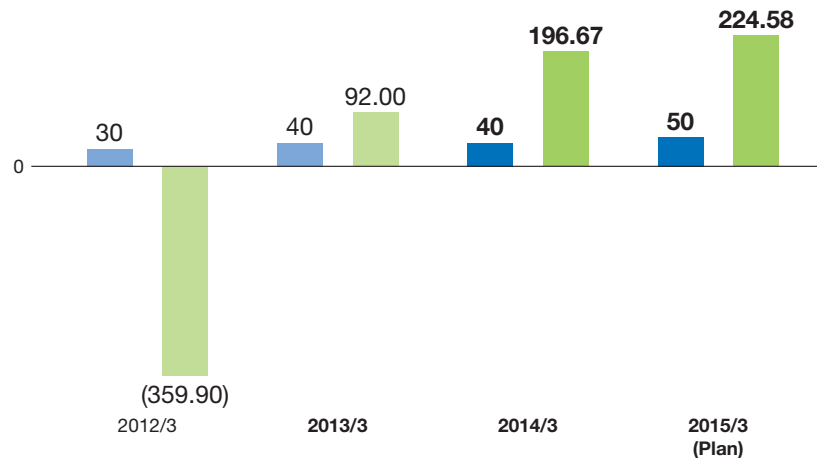
Information Disclosure Policy ► <http://www.nipponpapergroup.com/english/ir/disclosure/policy/>

Basic Policy for Profit Distribution to Shareholders

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

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

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



Message from an Outside Director

Facing a Turning Point in the Company's Business Structure and Managerial System, I am Committed to a Supervising Function and Providing Useful Advice from the Perspective of the General Shareholders



Outside Director
Yoshimitsu Aoyama

Specializing in Civil Procedure Law, I worked for the University of Tokyo for decades. Currently, I work as a specially-appointed professor for the Meiji University Graduate School of Law. Recommended by the Company's retainer law firm as Outside Director, I assumed that position in June 2013.

The reason I have been nominated as Outside Director of the Company could be my experience of having worked as Vice President of The University of Tokyo during the period of transition of a national university turning into a corporate entity and later contributed to the legislation on Civil and Criminal Law as Chairman for the Legislative Council of the Ministry of Justice (e.g., summarizing opinions).

The year 2013 was a significant turning point for the Company, shifting to the new Corporate Group structure by integrating its operating holding company and the Group's major operating companies, as well as introducing the executive officer system at the same time. The Company also adopted Outside Directors to enhance the function of supervising the corporate management. The former President Mr. Haga also insisted to maintain "outside perspective."

At the meeting of the Board of Directors and of the Management Execution Committee held on a monthly basis, I was impressed by the open and active exchange of many opinions yet in disciplined and well-organized proceedings. The role of Outside Director is to reinforce corporate governance by supervising managerial decisions toward the enhancement of corporate value on behalf of or representing the general shareholders. Such managerial decisions are made on a diverse range of issues, for which simple risk avoidance is not necessarily required. As the Company aims to transform itself to an "comprehensive biomass company" on a global scale, however, supervision and advice from the perspective of compliance and CSR will become increasingly important. I will take responsibility for duties in this area.

Although the Nippon Paper Group is one of the companies most seriously afflicted by the Great East Japan Earthquake, we reconstructed our plants and mills and revitalized our operation, and the Company's damaged financial foundation also has been recovering through companywide concerted efforts. In addition to this solid fundamental strength that achieved revitalization of the Company, it handed over to the new managerial system smoothly in fiscal 2014, revealing its high capacity for self-transformation.

I would truly appreciate any support from the shareholders and investors keeping eyes on such high potential of the Company, developing itself as an comprehensive biomass company.

Chairman and Representative Director
Yoshio Haga
Number of the Company's shares held:
22,274 shares



Brief History
1949 Born
1974 Joined Jujo Paper Co., Ltd.
2008 Appointed President and Representative Director of Nippon Paper Group, Inc. (NPG)
President and Representative Director of Nippon Paper Industries Co., Ltd. (NPI)
2014 Appointed Chairman and Representative Director of NPI (current position)

Responsibility and important positions:
• Director of Lee & Man Paper Manufacturing Limited

President and Representative Director
Fumio Manoshiro
Number of the Company's shares held:
10,589 shares



Brief History
1953 Born
1975 Joined Jujo Paper Co., Ltd.
2009 Appointed Director of NPG
2013 Appointed Director of NPI
2014 Appointed President and Representative Director of NPI (current position)

Responsibility and important positions
• Chief Executive Officer

Executive Vice President and Representative Director
Hironori Iwase
Number of the Company's shares held:
15,339 shares



Brief History
1949 Born
1974 Joined Jujo Paper Co., Ltd.
2009 Appointed President and Representative Director of Nippon Daishowa Paperboard Co., Ltd.
Appointed Director of NPG
2013 Appointed Executive Vice President and Representative Director of NPI (current position)

Responsibility and important positions:
• In charge of the Research & Development Division
• General Manager of Paperboard Division
• Executive Vice President and Executive Officer

Executive Vice President and Representative Director
Masaru Motomura
Number of the Company's shares held:
13,755 shares



Brief History
1950 Born
1974 Joined Jujo Paper Co., Ltd.
2005 Appointed Director of NPG
2013 Appointed Executive Vice President and Representative Director of NPI (current position)

Responsibility and important positions:
• General Manager of Financial Division and General Manager of CSR Division
• Executive Vice President and Executive Officer

Director
Shuhe Marukawa
Number of the Company's shares held:
10,395 shares



Brief History
1951 Born
1975 Joined Jujo Paper Co., Ltd.
2008 Appointed Director of NPG
2013 Appointed Director of NPI (current position)

Responsibility and important positions:
• General Manager of Personnel & General Affairs Division
• Senior Managing Executive Officer

Director
Kazufumi Yamasaki
Number of the Company's shares held:
7,542 shares



Brief History
1955 Born
1980 Joined Sanyo-Kokusaku Pulp Co., Ltd.
2012 Appointed Director of NPG
2013 Appointed Director of NPI (current position)

Responsibility and important positions:
• General Manager of Technical & Engineering Division, General Manager of Energy Business Division
• Managing Executive Officer

Director
Haruo Fujisawa
Number of the Company's shares held:
5,119 shares



Brief History
1954 Born
1979 Joined Sanyo-Kokusaku Pulp Co., Ltd.
2013 Appointed Director of NPI (current position)

Responsibility and important positions:
• General Manager of Raw Material & Purchasing Division
• Executive Officer

Director
Toru Nozawa
Number of the Company's shares held:
3,083 shares



Brief History
1959 Born
1981 Joined Jujo Paper Co., Ltd.
2014 Appointed Director of NPI (current position)

Responsibility and important positions:
• General Manager of Corporate Planning Division and in charge of Associated Companies
• Executive Officer
• Audit & Supervisory Board Member of Lintec Corporation

Outside Director
Yoshimitsu Aoyama
Number of the Company's shares held:
0 share



Brief History
1939 Born
1977 Professor, Faculty of Law, The University of Tokyo
1999 Vice President, The University of Tokyo
2001 Professor Emeritus, The University of Tokyo
2007 Chairman, Legislative Council of the Ministry of Justice
2013 Appointed Director of NPI (current position)

Responsibility and important positions:
• Specially-appointed Professor, Law School, Meiji University

Senior Corporate Auditor
Hiroshi Matsuo
Number of the Company's shares held:
200 shares



Brief History
1952 Born
1970 Joined Kokusaku Pulp Co., Ltd.
2014 Appointed Corporate Auditor of NPI (current position)

Standing Corporate Auditor
Mitsuo Nagoshi
Number of the Company's shares held:
1,899 shares



Brief History
1954 Born
1978 Joined Sanyo-Kokusaku Pulp Co., Ltd.
2014 Appointed Corporate Auditor of NPI (current position)

Outside Corporate Auditor
Seichi Fusamura
Number of the Company's shares held:
0 share



Brief History
1947 Born
1971 Assistant Judge, Kyoto District Court
2006 President, Saitama District Court
2009 Chief Justice, Sendai High Court
2011 Chief Justice, Nagoya High Court
2012 Appointed Corporate Auditor of NPI (current position)

Responsibility and important positions:
• Lawyer
• Chairman, Public Security Examination Commission of the Ministry of Justice
• Chairman of the Labor Relations Commission, Tokyo Metropolitan Government

Outside Corporate Auditor
Kunio Sakamoto
Number of the Company's shares held:
0 share



Brief History
1948 Born
1994 Registered as Certified Public Accountant and started practicing
2005 Partner, Ernst & Young Japan (currently Ernst & Young ShinNihon LLC)
2010 Senior Partner, Ernst & Young ShinNihon LLC
2012 Appointed Corporate Auditor of NPI (current position)

Responsibility and important positions:
• Certified Public Accountant and President, Kunio Sakamoto Certified Tax Accountant Office

Note: The above "Number of the Company's shares held" is the number as of March 31, 2014.

Started Selling Newly Developed “Non-Aluminum FUJIPAK” Cartons

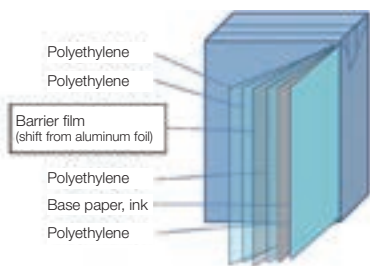
Environment-friendly aluminum foil-free liquid-packaging cartons for long-term storage of beverages at room temperature

The Company started selling aluminum foil-free liquid-packaging cartons for long-term storage of beverages at room temperature. This environment-friendly product can be collected and recycled on the same recycling routes as cartons for milk and other liquid products. This product was adopted as Eco-Friendly cartons by ITO EN, LTD., for four products in the *Jujitsu Yasai* (vegetables galore) series.

For liquid-packaging cartons for long-term storage of beverages at room temperature, aluminum foil had been used as a gas barrier. However, in our products, we adopted a film that has the same barrier function as aluminum foil, yet possesses recyclability, which enabled the use of general recycling route that is used for milk cartons. Now we can develop liquid packaging cartons with both features of long-term storage of beverages at room temperature and environment friendliness.

The Non-Aluminum FUJIPAK cartons, which can address eight kinds of containers with a capacity of 80 ml to 300 ml, are expected to be adopted for various beverages. Responding to rising environmental conservation needs, we will actively promote the sales of the product.

FUJIPAK layer of structure



Renewed ITO EN's four products as *Jujitsu Yasai* (vegetables galore) series for which our Non-Aluminum FUJIPAK was adopted as Eco-Friendly cartons (released on March 3, 2014)



Financial Section

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

Consolidated Six-Year Summary

Nippon Paper Industries Co., Ltd., and Consolidated Subsidiaries (Note 1)
(Fiscal Year Ended March 31, 2009 to Fiscal Year Ended March 31, 2014)

						Millions of yen	Thousands of U.S. dollars (Notes 2)
	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2014/3
Fiscal year							
Net sales	¥ 1,188,136	¥ 1,095,233	¥ 1,099,817	¥ 1,042,436	¥ 1,025,078	¥ 1,081,277	\$ 10,600,755
Cost of sales	958,464	844,033	854,238	803,653	796,411	844,603	8,280,422
Operating income	19,951	43,149	35,608	36,524	25,145	28,536	279,765
Ordinary income	17,944	37,547	31,599	6,057	23,081	28,188	276,353
Net income (loss)	(23,330)	30,050	(24,172)	(41,675)	10,652	22,770	223,235
Capital investment	64,940	35,587	46,591	57,172	53,323	47,162	462,373
Depreciation	83,294	81,943	78,639	74,352	64,903	63,181	619,422
Free cash flow	18,988	45,974	21,987	13,488	4,212	50,902	499,039
End of fiscal year							
Total assets	¥ 1,492,027	¥ 1,500,246	¥ 1,560,592	¥ 1,527,635	¥ 1,497,729	¥ 1,480,894	\$ 14,518,569
Total current assets	436,021	450,529	515,392	546,344	507,335	505,417	4,955,069
Property, plant and equipment, net	851,921	837,698	798,482	752,501	747,423	729,179	7,148,814
Other fixed assets	204,083	212,017	246,718	228,789	242,970	246,297	2,414,676
Liabilities	1,067,475	1,040,267	1,151,829	1,160,983	1,101,269	1,054,309	10,336,363
Net assets	424,551	459,978	408,762	366,652	396,460	426,584	4,182,196
Interest-bearing debt	784,333	762,899	832,347	838,285	830,220	775,597	7,603,892
Per share data							
						Yen	U.S. dollars
Net income (loss)	¥ (208.60)	¥ 264.03	¥ (208.73)	¥ (359.90)	¥ 92.00	¥ 196.67	\$ 1.93
Net assets	3,601.71	3,940.06	3,496.49	3,135.48	3,391.59	3,652.76	35.81
Cash dividends	80.00	80.00	60.00	30.00	40.00	40.00	0.39
Ratios							
						%	
Operating income margin	1.7%	3.9%	3.2%	3.5%	2.5%	2.6%	
Net income (loss) to net sales	(2.0)	2.7	(2.2)	(4.0)	1.0	2.1	
Equity ratio	27.0	30.4	25.9	23.8	26.2	28.6	
Return on equity (ROE)	(5.4)	7.0	(5.6)	(10.9)	2.8	5.6	
Return on invested capital (ROIC)	2.4	4.0	3.5	1.5	2.9	3.3	
Return on assets (ROA)	1.9	3.2	2.7	1.2	2.3	2.7	
Debt/equity ratio (times)	1.9	1.6	1.8	1.9	1.9	1.7	
Number of employees	13,088	14,210	13,834	13,407	13,052	13,107	

Notes:

- Nippon Paper Group, Inc. and Nippon Paper Industries Co., Ltd. (hereinafter the "Company"), conducted an absorption-type merger and the Company was listed on the Tokyo Stock Exchange on April 1, 2013. Therefore, the business results of the Nippon Paper Group up to the fiscal year ended March 31, 2013 appearing in this report represent those of Nippon Paper Group, Inc.
- Amounts in US dollars are included solely for convenience and are translated at a rate of ¥102 = US\$1.00, the approximate rate of exchange on March 31, 2014.

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

Financial Position

Consolidated assets decreased ¥16,835 million from ¥1,497,729 million at the end of March 2013 to ¥1,480,894 million at the end of March 2014. This was mainly due to a decrease in property, plant and equipment.

Current assets decreased ¥1,918 million year-on-year to ¥505,417 million.

Property, plant and equipment decreased ¥18,244 million year-on-year to ¥729,179 million, reflecting the restricted capital investment amount within the scope of depreciation.

Other fixed assets increased ¥3,327 million year-on-year to ¥246,297 million. This was mainly due to a rise in the market value of investments in securities.

Current and long-term liabilities decreased ¥46,960 million year-on-year to ¥1,054,309 million, partly due to the repayment of interest-bearing debt.

Net assets were up ¥30,124 million year-on-year to ¥426,584 million. This was mainly because retained earnings increased and translation adjustments increased due to the advanced depreciation of the yen.

As a result, the equity ratio increased 2.4 percentage points from 26.2% to 28.6%.

Cash Flows

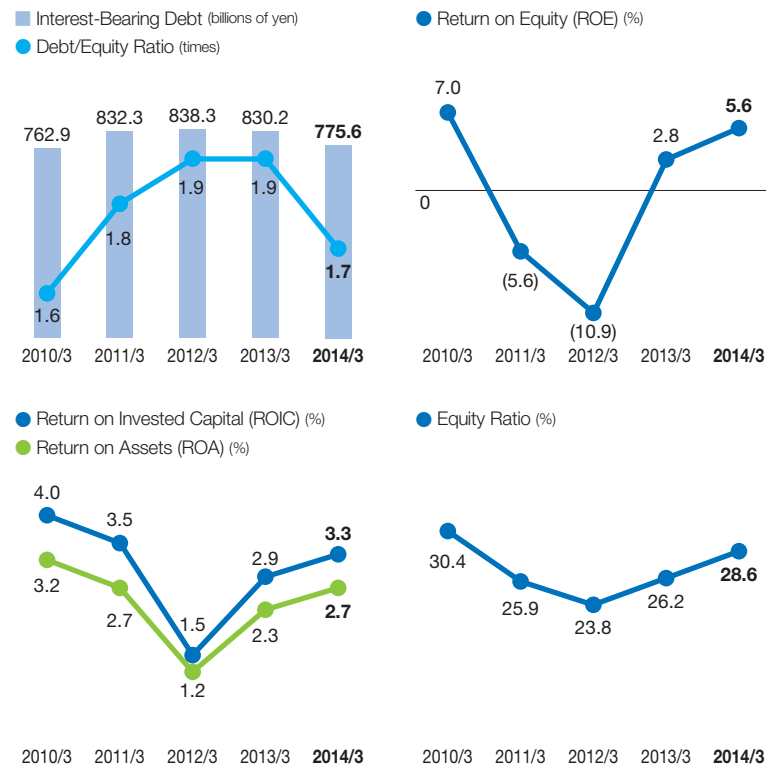
Consolidated cash and cash equivalents decreased ¥13,664 million from the end of March 2013 to ¥97,149 million at the end of March 2014.

Net cash provided by operating activities increased ¥9,785 million year-on-year to ¥75,763 million.

Net cash used in investing activities decreased ¥36,905 million year-on-year to ¥24,861 million. Major details of investing activities were increases in revenue from sales of investments in securities and fixed assets and a decrease in expenses for purchases of property, plant and equipment.

Net cash used in financing activities increased ¥51,102 million year-on-year to ¥65,487 million, mainly because the Company promoted the repayment of interest-bearing debt.

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



	2010/3	2011/3	2012/3	2013/3	2014/3
Equity ratio (%)	30.4	25.9	23.8	26.2	28.6
Equity ratio based on market capitalization (%)	18.6	13.1	13.1	11.3	15.2
Interest-bearing debt/cash flow (times)	6.5	7.2	13.9	12.6	10.2
Interest coverage ratio (times)	10.8	10.2	5.1	5.4	6.4

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

Notes:

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

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

(1) Product demand and market conditions

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

(2) Manufacturing conditions

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

(3) Foreign exchange

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

(4) Raw material and fuel prices

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

(5) Stock prices

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

(6) Interest rates

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

(7) Overseas businesses

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

(8) Litigation

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

(9) Impairment of fixed assets

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

(10) Natural disasters

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

(11) Credit risk

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

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

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

Consolidated Balance Sheets

As of March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2014	2014
Assets			
Current assets			
Cash and deposits	¥ 110,911	¥ 97,247	\$ 953,402
Notes and accounts receivable-trade	198,916	201,713	1,977,578
Merchandise and finished goods	81,175	81,465	798,676
Work in process	17,739	16,884	165,529
Raw materials and supplies	50,388	52,899	518,618
Deferred tax assets	7,970	16,273	159,539
Other current assets	40,883	39,194	384,255
Allowance for doubtful receivables	(650)	(261)	(2,559)
Total current assets	507,335	505,417	4,955,069
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	487,605	491,774	4,821,314
Accumulated depreciation	(341,162)	(348,323)	(3,414,931)
Buildings and structures, net	146,442	143,450	1,406,373
Machinery, equipment and vehicles	2,118,113	2,164,286	21,218,490
Accumulated depreciation	(1,794,789)	(1,849,355)	(18,130,931)
Machinery, equipment and vehicles, net	323,323	314,930	3,087,549
Land	225,729	223,863	2,194,735
Construction in progress	19,437	14,649	143,618
Other	92,161	90,940	891,569
Accumulated depreciation	(59,671)	(58,655)	(575,049)
Other, net	32,490	32,284	316,510
Total property, plant and equipment	747,423	729,179	7,148,814
Intangible assets	22,724	21,804	213,765
Investments and other assets			
Investments in securities	197,323	201,973	1,980,127
Net defined benefit asset	—	1,562	15,314
Deferred tax assets	7,613	9,614	94,255
Other	16,301	12,524	122,784
Allowance for doubtful receivables	(992)	(1,182)	(11,588)
Total investments and other assets	220,246	224,493	2,200,912
Total noncurrent assets	990,393	975,477	9,563,500
Total assets	¥ 1,497,729	¥ 1,480,894	\$ 14,518,569

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2014	2014
Liabilities			
Current liabilities			
Notes and account payable-trade	¥ 137,861	¥ 130,997	\$ 1,284,284
Short-term loans payable	248,235	292,326	2,865,941
Accrued income taxes	3,501	4,561	44,716
Other	86,989	81,348	797,529
Total current liabilities	476,588	509,234	4,992,490
Long-term liabilities			
Bonds payable	48,000	48,000	470,588
Long-term loans payable	531,992	432,719	4,242,343
Deferred tax liability	5,627	16,031	157,167
Accrued retirement benefits	29,252	—	—
Accrued environmental costs	539	783	7,676
Net defined benefit liability	—	37,650	369,118
Other	9,268	9,889	96,951
Total long-term liabilities	624,680	545,075	5,343,873
Total liabilities	1,101,269	1,054,309	10,336,363
Net assets			
Shareholders' equity			
Common stock	55,730	104,873	1,028,167
Capital surplus	266,249	217,105	2,128,480
Retained earnings	60,705	77,994	764,647
Treasury stock, at cost	(1,308)	(1,336)	(13,098)
Total shareholders' equity	381,376	398,636	3,908,196
Accumulated other comprehensive income			
Net unrealized holding gain on other securities	4,708	7,814	76,608
Net deferred gain on hedges	1,810	1,325	12,990
Translation adjustments	4,811	21,567	211,441
Remeasurements of defined benefit plans	—	(6,463)	(63,363)
Total accumulated other comprehensive income	11,330	24,244	237,686
Minority interests in consolidated subsidiaries	3,753	3,703	36,304
Total net assets	396,460	426,584	4,182,196
Total liabilities and net assets	¥ 1,497,729	¥ 1,480,894	\$ 14,518,569

Consolidated Statements of Operations

Fiscal Years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013/3	2014/3	2014/3
Net sales	¥ 1,025,078	¥ 1,081,277	\$ 10,600,755
Cost of sales	796,411	844,603	8,280,422
Gross profit	228,667	236,674	2,320,333
Selling, general and administrative expenses			
Freightage related expenses	58,940	63,418	621,745
Sales related expenses	65,481	66,085	647,892
Salaries and allowances	44,737	44,607	437,324
Other	34,362	34,025	333,578
Total selling, general and administrative expenses	203,521	208,137	2,040,559
Operating income	25,145	28,536	279,765
Other income			
Interest income	420	371	3,637
Dividend income	1,851	1,961	19,225
Equity in earnings of affiliates	4,316	6,704	65,725
Subsidy	645	1,922	18,843
Reversal profit of loss on seismic disaster	3,035	—	—
Other	4,833	4,177	40,951
Total other income	15,103	15,138	148,412
Other expenses			
Interest expense	12,038	11,259	110,382
Other	5,129	4,227	41,441
Total other expenses	17,167	15,486	151,824
Ordinary income	23,081	28,188	276,353
Extraordinary income			
Gain on sales of noncurrent assets	360	5,854	57,392
Gain on sales of investments in securities	470	3,272	32,078
Subsidy	566	—	—
Other	215	392	3,843
Total extraordinary income	1,613	9,519	93,324
Extraordinary loss			
Loss on retirement of noncurrent assets	1,699	2,053	20,127
Business restructuring expenses	2,244	1,356	13,294
Impairment loss	1,072	1,352	13,255
Other	3,632	2,446	23,980
Total extraordinary loss	8,649	7,209	70,676
Income before income taxes and minority interests in consolidated subsidiaries	16,045	30,498	299,000
Income taxes—current	4,830	6,210	60,882
Income taxes—deferred	559	1,939	19,010
Total income taxes	5,389	8,150	79,902
Income before minority interests	10,655	22,348	219,098
Minority interests in consolidated subsidiaries	2	(422)	(4,137)
Net income	¥ 10,652	¥ 22,770	\$ 223,235

Consolidated Statements of Comprehensive Income

Fiscal Years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013/3	2014/3	2014/3
Income before minority interests	¥ 10,655	¥ 22,348	\$ 219,098
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	2,728	2,960	29,020
Net deferred gain (loss) on hedges	625	(1,043)	(10,225)
Translation adjustments	10,232	6,007	58,892
Share of other comprehensive income of affiliates accounted for using the equity method	6,311	11,591	113,637
Total other comprehensive income	19,897	19,516	191,333
Comprehensive income	¥ 30,553	¥ 41,864	\$ 410,431
(Details)			
Comprehensive income attributable to shareholders	¥ 30,299	¥ 42,049	\$ 412,245
Comprehensive income attributable to minority interests	254	(184)	(1,804)

Consolidated Statements of Changes in Net Assets

Fiscal Years ended March 31, 2013 and 2014

	Millions of yen				
	Number of shares of issued common stock (Shares)	Shareholders' equity			
		Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost
Balance at April 1, 2012	116,254,892.00	¥ 55,730	¥ 266,252	¥ 50,849	¥ (1,307)
Changes of items during the period					
Cash dividends paid	—	—	—	(3,475)	—
Net income	—	—	—	10,652	—
Purchase of treasury stock	—	—	—	—	(8)
Disposition of treasury stock	—	—	(2)	—	7
Changes in scope of consolidation	—	—	—	2,678	—
Changes in items other than shareholders' equity, net	—	—	—	—	—
Total changes of items during the period	—	—	(2)	9,856	(1)
Balance at March 31, 2013	116,254,892.00	¥ 55,730	¥ 266,249	¥ 60,705	¥ (1,308)
Balance at April 1, 2013	116,254,892.00	¥ 49,143	¥ 183,639	¥ 72,942	—
Balance at beginning of year of the Company (surviving company of the absorption-type merger)		(49,143)	(183,639)	(72,942)	—
Balance at beginning of year on the consolidated financial statements assumed by the Company		104,873	217,106	60,705	(1,308)
Changes of items during the period					
Cash dividends paid	—	—	—	(4,633)	—
Net income	—	—	—	22,770	—
Purchase of treasury stock	—	—	—	—	(33)
Disposition of treasury stock	—	—	(0)	—	5
Changes in scope of consolidation	—	—	—	(847)	—
Change in treasury stock due to changes in equity in affiliates accounted for by equity method	—	—	—	—	(0)
Changes in items other than shareholders' equity, net	—	—	—	—	—
Total changes of items during the period	—	—	(0)	17,289	(27)
Balance at March 31, 2014	116,254,892.00	¥ 104,873	¥ 217,105	¥ 77,994	¥ (1,336)

	Thousands of U.S. dollars			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost
Balance at April 1, 2013	\$ 481,794	\$ 1,800,382	\$ 715,118	—
Balance at beginning of year of the Company (surviving company of the absorption-type merger)	(481,794)	(1,800,382)	(715,118)	—
Balance at beginning of year on the consolidated financial statements assumed by the Company	1,028,167	2,128,490	595,147	(12,824)
Changes of items during the period				
Cash dividends paid	—	—	(45,422)	—
Net income	—	—	223,235	—
Purchase of treasury stock	—	—	—	(324)
Disposition of treasury stock	—	(0)	—	49
Changes in scope of consolidation	—	—	(8,304)	—
Change in treasury stock due to changes in equity in affiliates accounted for by equity method	—	—	—	(0)
Changes in items other than shareholders' equity, net	—	—	—	—
Total changes of items during the period	—	(0)	169,500	(265)
Balance at March 31, 2014	\$ 1,028,167	\$ 2,128,480	\$ 764,647	\$ (13,098)

	Millions of yen								
	Total shareholders' equity	Accumulated other comprehensive income						Minority interests in consolidated subsidiaries	Total net assets
		Net unrealized holding gain (loss) on other securities	Net deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2012	¥ 371,524	¥ 1,866	¥ 376	—	¥ (10,700)	—	¥ (8,458)	¥ 3,586	¥ 366,652
Changes of items during the period									
Cash dividends paid	(3,475)	—	—	—	—	—	—	—	(3,475)
Net income	10,652	—	—	—	—	—	—	—	10,652
Purchase of treasury stock	(8)	—	—	—	—	—	—	—	(8)
Disposition of treasury stock	4	—	—	—	—	—	—	—	4
Changes in scope of consolidation	2,678	—	—	—	—	—	—	—	2,678
Changes in items other than shareholders' equity, net	—	2,842	1,433	—	15,512	—	19,788	166	19,955
Total changes of items during the period	9,851	2,842	1,433	—	15,512	—	19,788	166	29,807
Balance at March 31, 2013	¥ 381,376	¥ 4,708	¥ 1,810	—	¥ 4,811	—	¥ 11,330	¥ 3,753	¥ 396,460
Balance at April 1, 2013	¥ 305,725	¥ 6,166	¥ 1,810	¥ 18,827	¥ (8,490)	—	¥ 18,314	¥ 3,676	¥ 327,715
Balance at beginning of year of the Company (surviving company of the absorption-type merger)	(305,725)	(6,166)	(1,810)	(18,827)	8,490	—	(18,314)	(3,676)	(327,715)
Balance at beginning of year on the consolidated financial statements assumed by the Company	381,376	4,708	1,810	—	4,811	—	11,330	3,753	396,460
Changes of items during the period									
Cash dividends paid	(4,633)	—	—	—	—	—	—	—	(4,633)
Net income	22,770	—	—	—	—	—	—	—	22,770
Purchase of treasury stock	(33)	—	—	—	—	—	—	—	(33)
Disposition of treasury stock	4	—	—	—	—	—	—	—	4
Changes in scope of consolidation	(847)	—	—	—	—	—	—	—	(847)
Change in treasury stock due to changes in equity in affiliates accounted for by equity method	(0)	—	—	—	—	—	—	—	(0)
Changes in items other than shareholders' equity, net	—	3,106	(485)	—	16,756	(6,463)	12,914	(50)	12,864
Total changes of items during the period	17,260	3,106	(485)	—	16,756	(6,463)	12,914	(50)	30,124
Balance at March 31, 2014	¥ 398,636	¥ 7,814	¥ 1,325	—	¥ 21,567	¥ (6,463)	¥ 24,244	¥ 3,703	¥ 426,584

	Thousands of U.S. dollars								
	Total shareholders' equity	Accumulated other comprehensive income						Minority interests in consolidated subsidiaries	Total net assets
		Net unrealized holding gain (loss) on other securities	Net deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2013	\$ 2,997,304	\$ 60,451	\$ 17,745	\$ 184,578	\$ (83,235)	—	\$ 179,549	\$ 36,039	\$ 3,212,892
Balance at beginning of year of the Company (surviving company of the absorption-type merger)	(2,997,304)	(60,451)	(17,745)	(184,578)	83,235	—	(179,549)	(36,039)	(3,212,892)
Balance at beginning of year on the consolidated financial statements assumed by the Company	3,738,980	46,157	17,745	—	47,167	—	111,078	36,794	3,886,863
Changes of items during the period									
Cash dividends paid	(45,422)	—	—	—	—	—	—	—	(45,422)
Net income	223,235	—	—	—	—	—	—	—	223,235
Purchase of treasury stock	(324)	—	—	—	—	—	—	—	(324)
Disposition of treasury stock	39	—	—	—	—	—	—	—	39
Changes in scope of consolidation	(8,304)	—	—	—	—	—	—	—	(8,304)
Change in treasury stock due to changes in equity in affiliates accounted for by equity method	(0)	—	—	—	—	—	—	—	(0)
Changes in items other than shareholders' equity, net	—	30,451	(4,755)	—	164,275	(63,363)	126,608	(490)	126,118
Total changes of items during the period	169,216	30,451	(4,755)	—	164,275	(63,363)	126,608	(490)	295,333
Balance at March 31, 2014	\$ 3,908,196	\$ 76,608	\$ 12,990	—	\$ 211,441	\$ (63,363)	\$ 237,686	\$ 36,304	\$ 4,182,196

Consolidated Statements of Cash Flows

Fiscal years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013/3	2014/3	2014/3
Operating activities			
Income (loss) before income taxes and minority interests in consolidated subsidiaries	¥ 16,045	¥ 30,498	\$ 299,000
Depreciation	64,903	63,181	619,422
Amortization of goodwill	1,433	2,284	22,392
Increase (decrease) in allowance for doubtful receivables	(169)	(205)	(2,010)
Increase (decrease) in allowance for loss on seismic disaster	(10,026)	—	—
Increase (decrease) in accrued retirement benefits	(271)	—	—
Increase (decrease) in net defined benefit liability	—	(391)	(3,833)
Increase (decrease) in accrued environmental costs	(60)	244	2,392
Interest and dividend income	(2,271)	(2,333)	(22,873)
Interest expense	12,038	11,259	110,382
Equity in (earnings) losses of affiliates	(4,316)	(6,704)	(65,725)
Net loss (gain) on sales of noncurrent assets	(360)	(5,854)	(57,392)
Net loss (gain) on sales of investments in securities	(470)	(3,272)	(32,078)
Net loss on disposal of noncurrent assets	1,699	2,053	20,127
Business restructuring expenses	2,244	1,356	13,294
Impairment loss	1,072	1,352	13,255
Decrease (increase) in receivables	8,028	(230)	(2,255)
Decrease (increase) in inventories	8,722	1,069	10,480
Increase (decrease) in payables	8,486	(9,499)	(93,127)
Other	(24,256)	3,426	33,588
Subtotal	82,470	88,233	865,029
Interest and dividends received	4,026	4,703	46,108
Interest paid	(12,133)	(11,771)	(115,402)
Payments for supplementary retirement benefits	(3,256)	(8)	(78)
Income taxes paid	(5,128)	(5,392)	(52,863)
Net cash provided by (used in) operating activities	¥ 65,978	¥ 75,763	\$ 742,775

	Millions of yen		Thousands of U.S. dollars
	2013/3	2014/3	2014/3
Investing activities			
Purchases of time deposits	¥ (98)	¥ (100)	\$ (980)
Withdrawals of time deposits	97	100	980
Purchases of noncurrent assets	(58,048)	(51,414)	(504,059)
Proceeds from sales of noncurrent assets	1,390	7,218	70,765
Purchases of investments in other securities	(1,823)	(673)	(6,598)
Proceeds from sales of investments in other securities	677	15,214	149,157
Proceeds from redemption of investments in securities	—	2,500	24,510
Decrease (increase) in short-term loans receivable	(1,358)	(138)	(1,353)
Payments of long-term loans receivable	(267)	(126)	(1,235)
Collection of long-term loans receivable	370	305	2,990
Other	(2,705)	2,253	22,088
Net cash provided by (used in) investing activities	(61,766)	(24,861)	(243,735)
Financing activities			
Increase (decrease) in short-term loans payable	12,551	4,817	47,225
Proceeds from long-term loans payable	43,043	4,061	39,814
Repayment of long-term loans payable	(45,058)	(68,531)	(671,873)
Redemption of bonds	(20,000)	—	—
Purchases of treasury stock	(8)	(33)	(324)
Proceeds from sales of treasury stock	2	1	10
Cash dividends paid	(3,488)	(4,662)	(45,706)
Repayment to minority shareholders	(81)	(81)	(794)
Finance lease principal payments	(1,345)	(1,058)	(10,373)
Net cash provided by (used in) financing activities	(14,385)	(65,487)	(642,029)
Effect of exchange rate changes on cash and cash equivalents	990	768	7,529
Increase (decrease) in cash and cash equivalents	(9,183)	(13,816)	(135,451)
Cash and cash equivalents at beginning of year	119,265	109,870	1,077,157
Cash and cash equivalents at beginning of year of the Company (surviving company of the absorption-type merger)	—	(109,870)	(1,077,157)
Cash and cash equivalents at beginning of year on the consolidated financial statements assumed by the Company	—	110,813	1,086,402
Increase due to inclusion of certain subsidiaries in consolidation	731	152	1,490
Cash and cash equivalents at end of year	¥ 110,813	¥ 97,149	\$ 952,441

Increase the Production of “Sun Rouge” Next-Generation Tea with High Function

Product development drawing on various functionalities is highly expected

The Company has nurtured a new species of tea plant, “Sun Rouge,” containing many anthocyanin, which have a function to keep the blood sugar level from rising and an anti-asthenopic function, as next-generation function tea. Also, we are promoting the development of this tea as a health food for use in salad dressings and dietary supplements.

Although seedling production of “Sun Rouge” had been considered to be difficult, the Group solved this issue with its proprietary photoautotrophic culture technology. Currently, we are establishing production bases for cutting plantlets of Sun Rouge mainly in Tokunoshima, Kagoshima Prefecture.

The Company is cultivating tea seedlings using the plantlet cutting technology nurtured in its afforestation activity and currently leads the industry in the number of tea seedling species handled. Our tea cell seedlings have been highly acclaimed for their productivity and quality. Our agricultural business is expanding steadily, boosting the number of seedlings being nurtured per year up to approximately 860,000 in 2014, double the number nurtured the previous year.

With the technology and our assets that we have nurtured in the efforts as an comprehensive biomass company, we will continue to expand our agribusiness.



Corporate Data



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Pulp & Paper

Consolidated Subsidiaries	Capital (¥ million)	Location	Ratio of voting rights (%)
Nippon Paper Crecia Co., Ltd.	3,067	Japan	100.00
Nippon Paper Papylia Co., Ltd.	3,949	Japan	100.00
Paper Australia Pty Ltd. (and its 7 subsidiaries)	AUD1,000 662,280	Australia	100.00
NP Trading Co., Ltd.	1,000	Japan	98.35
Kokuei Paper Co., Ltd.	100	Japan	100.00
SUN OAK CO., LTD.	75	Japan	100.00
Kitakami Paper Co., Ltd.	300	Japan	62.90
Daishowa North America Corporation	CAD1,000 165,800	Canada	100.00
Nippon Paper Industries USA Co., Ltd.	USD1,000 53	U.S.A.	100.00
Dyna Wave Holding Asia	HKD1,000 1	The British Cayman Islands	100.00
Jujo Thermal Oy	EURO1,000 7,651	Finland	100.00
Equity-method Affiliates			
North Pacific Paper Corporation	USD1,000 28	U.S.A.	50.00
Daishowa-Marubeni International Ltd.	CAD1,000 262,000	Canada	50.00
Kyodo Paper Holdings Co., Ltd.	2,381	Japan	31.06
Lee & Man Paper Manufacturing Limited	HKD1,000 117,402	The British Cayman Islands	15.30

Paper-Related

Consolidated Subsidiaries	Capital (¥ million)	Location	Ratio of voting rights (%)
Sakurai Co., Ltd.	120	Japan	54.49
Nippon Seitai Corporation	424	Japan	100.00
Flowric Co., Ltd.	172	Japan	100.00
Equity-method Affiliates			
Daishowa Paper Converting Co., Ltd.	235	Japan	44.68
Dixie Japan Co., Ltd.	1,059	Japan	44.44
Nippon Tokan Package Co., Ltd.	700	Japan	45.00
Lintec Corporation	23,201	Japan	31.00

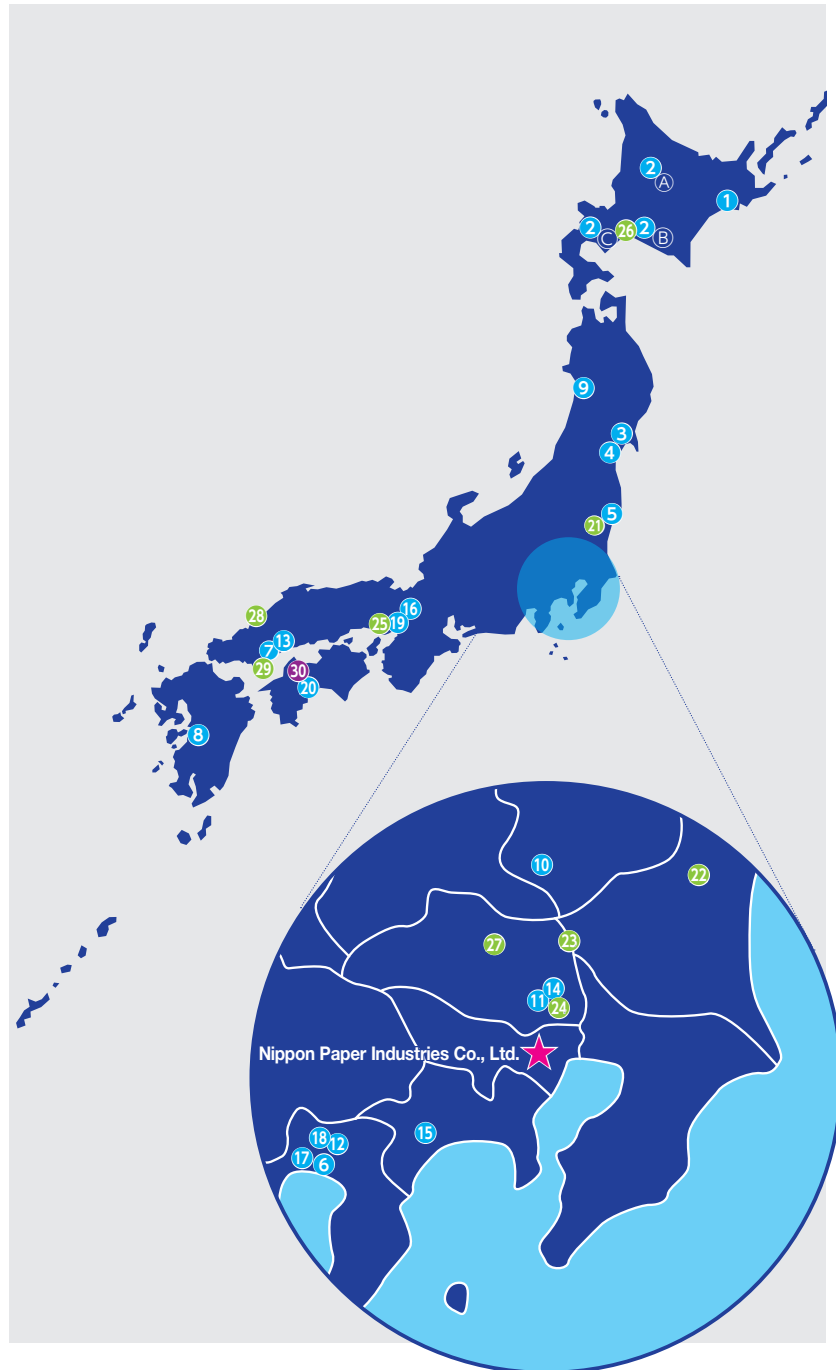
Wood Products and Construction Related

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

Other

Consolidated Subsidiaries	Capital (¥ million)	Location	Ratio of voting rights (%)
Nanko Unyu Co., Ltd.	160	Japan	100.00
Kyokushin Transport Co., Ltd.	80	Japan	100.00
Nippon Paper Logistics Co., Ltd.	70	Japan	100.00
Hotoku Co., Ltd.	25	Japan	100.00
Shikoku Coca-Cola Bottling Co., Ltd. (and its 3 subsidiaries)	5,576	Japan	100.00
Nippon Paper Development Co., Ltd.	710	Japan	100.00
GAC CO., LTD.	480	Japan	100.00
Equity-method Affiliates			
Resources Co., Ltd.	40	Japan	44.00
Chiyoda SVAC CO., LTD.	200	Japan	32.50

Major Subsidiaries and Manufacturing Bases (As of March 31, 2014)



Pulp and Paper

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

Nippon Paper Crecia Co., Ltd.

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

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

Nippon Paper Papylia Co., Ltd.

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

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

NP Trading Co., Ltd.

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

Paper-Related

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

Chemical Division, Nippon Paper Industries Co., Ltd.

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

Wood Products and Construction Related

Nippon Paper Lumber Co., Ltd.

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

Other

SHIKOKU COCA-COLA BOTTLING CO., LTD.

1378 Kasuga-cho, Takamatsu, Kagawa
761-0197, Japan
Tel: +81-87-841-9191, Fax: +81-87-841-5292

- 30 Komatsu Mill (Ehime)

Nippon Paper Development Co., Ltd.

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

Overseas Branches and Offices (As of April 1, 2014)



Pulp and Paper

Nippon Paper Industries Co., Ltd.

1 Longview Office

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

2 Bangkok Representative Office

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

3 China Office

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

4 Concepción Office

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

5 Pietermaritzburg Office

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

6 Europe Office

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

NP Trading Co., Ltd.

7 Jakarta Office

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

8 Malaysia Office

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

9 Hochiminh Office

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

10 Taiwan Office

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

Major Overseas Subsidiaries and Affiliates (As of April 1, 2014)



ASIA

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

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

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

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

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

3 Shanghai Office

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

4 Beijing Office

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

5 Paper Products Marketing (Singapore) Pte. Ltd.

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

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

Suite 25 – 03, Level 25, Centro Office Tower No.8, Jalan Batu Tiga Lama, 41300 Klang, Selangor, Malaysia
Tel : +603-3344-5805, +603-3344-5806
Fax : +603-3344-5807

7 Paper Products Marketing (Hong Kong) Ltd.

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

8 Paper Products Marketing (Taiwan) Ltd.

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

9 NP Trading Co., (H.K.) Ltd.

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

10 NP Trading (S) Pte. Ltd.

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

11 NP Trading (Bangkok) Co., Ltd.

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

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

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

13 Siam Nippon Industrial Paper Co., Ltd.

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



OCEANIA

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



NORTH AND SOUTH AMERICA

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



EUROPE

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



AFRICA

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

Company name: Nippon Paper Industries Co., Ltd.
Head office: 4-6, Kanda-Surugadai,
Chiyoda-ku, Tokyo 101-0062, Japan
Establishment: August 1, 1949
Number of employees: 5,039 (non-consolidated)
13,107 (consolidated)
Capital: ¥104,873 million

Corporate history:

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

Shares

Number of shares authorized to be issued: 300,000,000 shares
Number of shares issued: 116,254,892 shares
 (Including 292,801 shares of treasury stock)
Number of shareholders: 67,690

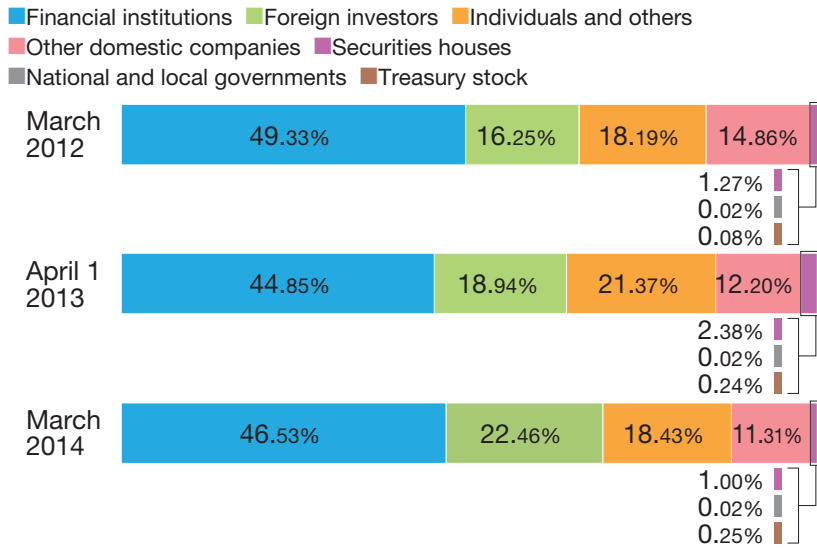
Major shareholders

Name	Shares held (Thousand shares) ¹	Shareholding ratio (%) ²
Japan Trustee Services Bank, Ltd. (Trust Account)	11,522	9.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,701	5.78
Mizuho Bank, Ltd.	4,341	3.74
Rengo Co., Ltd.	3,351	2.89
Nippon Life Insurance Company	3,263	2.81
Nippon Paper Industries Employee Share Ownership	3,258	2.81
THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT	2,566	2.21
Mitsui Life Insurance Company Limited	2,258	1.95
Sumitomo Mitsui Banking Corporation	1,993	1.72
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	1,782	1.54

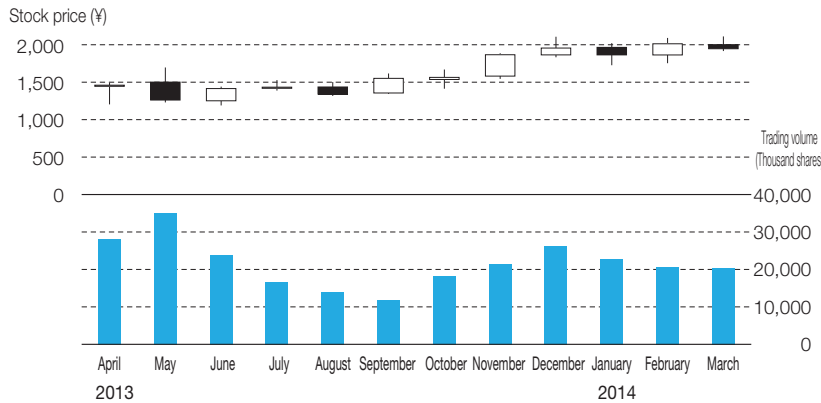
1. Amounts less than a thousand shares held are truncated.

2. The shareholding ratio was calculated deducting treasury stock of 292,801 shares.

Share ownership by shareholder category



Stock price and trading volume trends

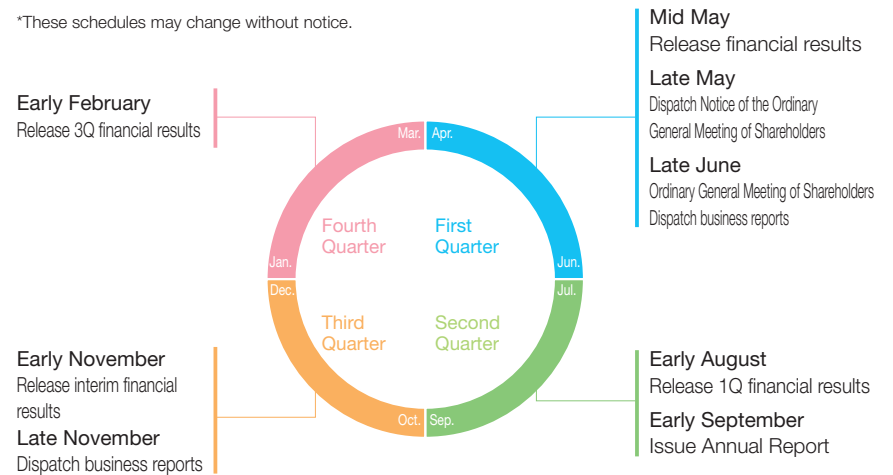


Investor Information

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

IR Calendar

*These schedules may change without notice.



Introduction of the papers utilized in this Annual Report

- Cover: **U-light Natural F** (157.0g/m²) produced by Nippon Paper Industries Co., Ltd.
- Contents: **b7 Bulky** (95.0g/m²) produced by Nippon Paper Industries Co., Ltd.