

Report on the Discrepancy in the Ratio of
De-Inked Pulp Content

March 24, 2008

Investigation Committee

Preface

With respect to the issue of recovered fiber content in our products, the Company would like to express its sincere apology for causing great confusion, inconvenience and concern among the users and consumers as well as the related government authorities. We also deeply regret for betraying the trust of those who have cooperated with paper recycling on a regular basis through the sorting and collecting of wastepaper.

The Company established the Investigation Committee led by external experts to scrutinize the actual situations and the causes. This report summarizes the results of the investigation for your review. It revealed that a lack of awareness on compliance and some systemic issues are among the main causes, putting measures to address these factors and prevent a recurrence in place.

In the hope of regaining your trust, the management and company employees are united in their determination to preclude recurrence through the reconfiguration of the compliance system and any other means. Meanwhile, the Company seeks to contribute to the global environment by increasing the use of wastepaper. We would be grateful for your kind understanding and continued support.

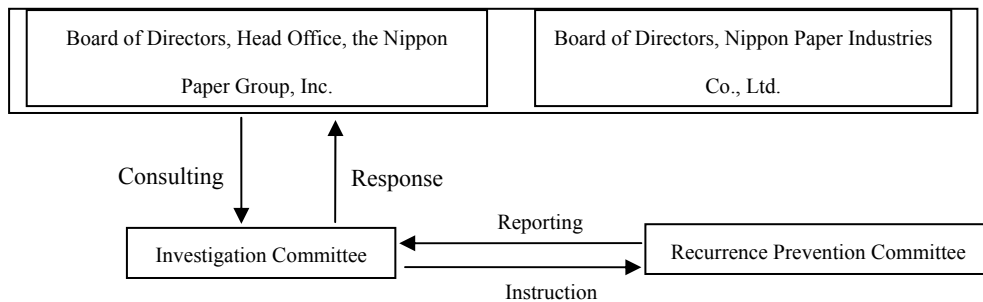
Noboru Hasegawa,
Chairperson, Investigation Committee

Table of Contents

1.	Investigation Committee and Prevention Committee	4
2.	Results of Investigation into the Discrepancy in the Ratio of De-Inked Pulp Content	5
2.1	Description of the Investigation	5
2.2	Time of Occurrence of Discrepancy	7
2.3	Sales Volume and Actual Number of Products with a Discrepancy (FY2003 onwards).....	7
3.	Causes of Discrepancy in the Ratio of De-Inked Pulp Content and Where Responsibility Lay	8
3.1	Causes of Discrepancy in the Ratio of De-Inked Pulp Content	8
3.2	Details on Organizational Factors in the Processes from Receiving an Order to Manufacture and Delivery	10
3.3	Examples of Technical Factors.....	11
3.4	Where Responsibility Lay Concerning the Chain of Events That Led to the Decision to Accept an Order	12
3.4.1	Flow of order acceptance procedures.....	12
3.4.2	Where the responsibility lay	13
3.5	Awareness among the Company Executives	14
4.	Measures to Prevent Recurrence	15
4.1	Emergency and Tentative Measures.....	15
4.2	Permanent Measures to Prevent Recurrence	16
4.2.1	Systematic measures concerning order acceptance and production	16
4.2.2	Compliance measures	18
Attachment 1	Results of Investigation on the Timing of the Discrepancy, How It Happened and the Causes	
Attachment 2	Actual Products with Discrepancy in the Ratio of De-Inked Pulp Content (Printing Paper)	
Attachment 3	Actual Products with Discrepancy in the Ratio of De-Inked Pulp Content (Business Communications and Envelope Paper)	
Attachment 4	Sales Volume by Product Type	
Attachment 5	Schematic Diagram before the Measures to Prevent Recurrence	
Attachment 6	Schematic Diagram after Measures to Prevent Recurrence	
Attachment 7	Responsibility and Authority of Managers in Charge after Measures to Prevent Recurrence	

1. Investigation Committee and Prevention Committee

To examine the situation in which products with lower-than-standard ratios of de-inked pulp content were manufactured and sold, an Investigation Committee was established, inviting experienced outside experts. A Prevention Committee consisting of internal members of the Company was also set up. These committees sought to determine the causes of the problem and where the responsibility lay, and to study measures to prevent recurrence based on the findings.



a) Investigation Committee

As a consultative body, the Committee verifies the actual investigations and countermeasures, and makes a response. The Committee consists of the following nine members, including experienced outside experts.

Chairperson:	Noboru Hasegawa	Executive Vice President, Nippon Paper Group, Inc. (Chairman, CSR Committee)
Vice Chairperson	Masaru Motomura	Director, Nippon Paper Group, Inc. (Chairman, Corporate Ethics Subcommittee)
	Mizue Unno	Representative Director, So-Tech Consulting Inc.
	Hiroshi Akiyama	Attorney at Law, Law Offices Yanagida & Nomura
	Keisuke Ito	Senior Corporate Auditor, Nippon Paper Group, Inc.
	Naoki Yanagida	Corporate Auditor, Nippon Paper Group, Inc.
	Yukitoshi Miyata	General Manager, Internal Auditing Office, Nippon Paper Group, Inc.

Tsutomu Naito	General Manager, CSR Office, Nippon Paper Group, Inc.
Shinichi Nakajima	General Manager, Compliance Office Nippon Paper Industries Co., Ltd.

b) Prevention Committee

The Committee works in parallel with the Investigation Committee to study measures to prevent recurrence, and reports to the Investigation Committee. The Committee is made up of the following five internal members of the Company.

Chairperson:	Noboru Hasegawa	Executive Vice President, Nippon Paper Group, Inc. (Chairman, CSR Committee)
Vice Chairperson	Tsutomu Naito	General Manager, CSR Office, Nippon Paper Group, Inc
	Tsunemasa Wakamatsu	Executive Managing Director, General Manager, Paper Sales Div. Nippon Paper Industries Co., Ltd.
	Fumihiko Noguchi	Managing Director, Communication & Industrial Paper Sales Div., Nippon Paper Industries Co., Ltd.
	Natsuo Fujisaki	Director, Deputy General Manager, Technical & Engineering Div. Nippon Paper Industries Co., Ltd.

This report has been examined, verified and organized by the Investigation Committee and Prevention Committee.

2. Results of Investigation into the Discrepancy in the Ratio of De-Inked Pulp Content

2.1 Description of the Investigation

Investigations were conducted to identify when the discrepancy in the ratio of de-inked pulp content started occurring, the sales volume of the products with discrepancies, the magnitude of the discrepancy, what factors led to the discrepancy and why the discrepancy continued to occur. Concerning the sales volume and the magnitude of the discrepancy, a large volume of historical data was not retained in the computer database on which the content ratio data of all the paper products are recorded, which was due to the modification

of computer systems associated with the merger of Daishowa with Nippon Paper. Only data on products with a discrepancy in the ratio of de-inked pulp content from FY2003 onwards could be tallied. Therefore, the investigation was performed separately with two different points of focus. The first was the time of occurrence of the discrepancy, how it happened and the causes, and the second was the sales volume and the magnitude of the discrepancy (FY2003 onwards).

Description of investigation	Method of investigation
Time of occurrence of discrepancy, how it happened and the causes	<p>Materials left at the head office and the mills, and interviews with Company employees</p> <p>Investigated Departments:</p> <p style="padding-left: 40px;">Governmental and Special Demand Paper Department, former <i>Jujo Paper</i></p> <p style="padding-left: 40px;">Business Communications Paper Department, former <i>Sanyo Kokusaku Pulp</i></p> <p style="padding-left: 40px;">Former Marketing Department, former Coated Paper Department, former Fine Paper Department, former Business Communication Paper Department, Quality Assurance Division, Business Administration Department, Publishing and Direct Demand Sales Department and Business Communication and Industrial Papers Sales Division of Nippon Paper Industries, Co., Ltd.</p> <p>Investigated mills:</p> <p style="padding-left: 40px;">Ishinomaki, Komatsushima and Yatsushiro Mills of Nippon Paper Industries, Co., Ltd.</p>
Sales volume and magnitude of discrepancy (FY2003 onwards)	<p>The data tallied from the database were cross-checked with materials left at the mills for verification.</p> <p>Investigated mills:</p> <p style="padding-left: 40px;">Ishinomaki, Fuji and Yatsushiro Mills of Nippon Paper Industries, Co., Ltd.</p> <p style="padding-left: 40px;">Nippon Daishowa Paperboard Yoshinaga Co., Ltd.</p> <p>*Commissioned products</p>

2.2 Time of Occurrence of Discrepancy

Since the discrepancy in the ratio of de-inked pulp content occurred in similar workflow procedures for all the product brands, the investigation focused on the major brand for each product type to clarify the time of occurrence of the discrepancy, how and why it happened. The investigation revealed the timing when the discrepancy occurred for the first time in each of the product types and brands indicated below.

Product type		First time the discrepancy occurred
Printing paper	Coated paper	1998
	Woodfree paper	1995
	Recycled high bright postcard paper	1992
Business communications paper	PPC paper	1990

Please refer to Attachment 1 for details of the investigation results for each product type and brand.

2.3 Sales Volume and Magnitude of Discrepancy (FY2003 onwards)

For the investigation, the actual content ratio data recorded on the computer database was tallied, from which the paper products with a discrepancy in the ratio of de-inked pulp content were extracted. Then, the data for these products were tallied and cross-checked with the materials left at the mills to verify the tallied data. During the verification operations performed at the mills, products with a discrepancy and the time of their production were extracted randomly. Consistency between the past data, such as the quality standards used in the course of mill operation and daily operation reports that record the readings of the actual pulp flow meter and suchlike, and the records of the database were checked. No errors or inconsistencies were found.

The verification operations were performed at each of the mills on the following dates.

Ishinomaki Mill	February 8			
Fuji Mill	February 11			
Yatshushiro Mill	February 8			
Nippon Daishowa Paperboard Yoshinaga	February 11			*Commissioned

products

The investigation results have been compiled in the following Attachments.

- Attachment 2 Products with a discrepancy in the ratio of de-inked pulp (printing paper)
- Attachment 3 Products with discrepancy in the ratio of de-inked pulp (business communications and envelope paper)
- Attachment 4 Sales volume by product type

Since actual content ratio of de-inked pulp fluctuates in daily operations, the ratio (actual value) of de-inked pulp content shown in the tables are the values of weighted averages, for the first and second half of each term. The tonnage for each brand has been tallied according to the sales quantity (ton/month). The data has been tallied separately for products subject to and not subject to the Law on Promoting Green Purchasing. Products subject to the Law include those purchased not only by government agencies but also by private-sector companies.

3. Causes of Discrepancy in the Ratio of De-Inked Pulp Content and Where Responsibility Lay

3.1 Causes of Discrepancy in the Ratio of De-Inked Pulp Content

The Company has engaged in the widespread use of de-inked pulp since before the current term, “recycled paper,” was first used in the industry (around 1981). Even though the Company did not disclose the ratio of de-inked pulp content, it was mainly mixed in newspaper and mechanical paper and sold. In those days, the purpose of using wastepaper was to solve the recycling problem (including the issue of waste disposal) that was rapidly coming into sharp focus as a social issue, and to reduce costs. As a consequence, in those times there was a tendency to increase the amount overall rather than focus on the mix ratio of each paper product.

Eventually, the demand for products with a predetermined percentage of de-inked pulp content grew. Under these circumstances, there were products that were produced with the correct percentage of de-inked pulp. Meanwhile, there were orders received without careful consideration in the hope that there would be technical developments that would enable the product to meet the strict quality standard specifications (suitability for processing such as the level of dust or dirt, the degree of curling, the runnability and printing together with quality requirements equivalent to those of non-recycled paper). However, it has not been

possible to bridge the gap until the present. In addition, the production site had targets to increase the use of wastepaper, and did not consider the component ratio of de-inked pulp itself as a factor in quality assurance. It can be said that there was no shared understanding between the Sales Division and the production site.

Based on the results of investigations into the discrepancy in the ratio of de-inked pulp content, the following items can be identified as factors in the discrepancy.

1) Lack of awareness of compliance

- Understanding was deficient concerning the fact that legal issues are involved in the sales of products with discrepancy between the indicated and actual ratios of de-inked pulp.
- The priority for complying with the ratio of de-inked pulp content guaranteed to customers was low.
- The attitude of the Company employees can be characterized as follows: they wanted to avoid failure in obtaining orders; they erroneously believed that the specified content ratio was a nonbinding target; they tended to echo the status quo; and they had an easygoing idea that the end users would not be troubled if the ratio of de-inked pulp content was low.
- The customers' demands for quality were given higher priority than compliance.

2) Insufficient management structure

a) Lack of mechanism for internal control

- The responsibilities and authorities of the related divisions (Sales and Quality Assurance Divisions, the Mills) were not clear, and mutual supervision was not working.
- The division responsible for managing the ratio of de-inked pulp was not clearly identified.

b) Insufficient communication of necessary information

- Information related to the ratio of de-inked pulp content (the nominal content standards and actual content standards) was not conveyed to the related divisions.
- The production site did not recognize the ratio of de-inked pulp content as a quality standard requiring compliance.
- The required ratio of de-inked pulp content was not achieved because higher priority was given to operation efficiency, such as pulp balance and combination in product manufacturing.

c) Deficiencies in the process for receiving orders

- The information is conveyed to the Sales Division via the Product Section at the mills and to the Quality Assurance Division via the Technical Service & Environmental Control Department at the mills, but information was not shared by the two divisions.
- The initial ratio of de-inked pulp content indicated in the quality standards used at production site was replaced with new standards when the ratio was changed to achieve the required paper quality.

3) Quality requirements

- Increase in the de-inked pulp content was difficult because quality problems regarding brightness, foreign matter, strength and curling had to be addressed.

4) Dealing with customer requirements

- The following occurred due to low awareness of the importance of consistency between the indication and content and of accountability to customers.
 - Readily accepted the demands for product development in haste, to accommodate customer strategies for recycled paper sales
 - Readily accepted the demands by agents to meet the product lineup
 - Readily accepted contradictory demands to manufacture products with a high ratio of de-inked pulp content while maintaining the same quality

5) Priority on order acceptance

- Failures in receiving orders had to be avoided.

6) Insufficient facility capacity

- The improvement in the capacity to manufacture de-inked pulp could not keep pace with the surge in demand for recycled paper.

7) Issues in wastepaper procurement

- The procurement of good-quality wastepaper became difficult.

3.2 Details on Organizational Factors in the Processes from Receiving an Order to Manufacture and Delivery

As discussed above, factors that resulted in the discrepancy were inherent in the conventional workflow system, in the process from receiving an order to manufacturing and delivery. The following factors were exposed in applying the measures to prevent recurrence.

1) The receiving of orders based on the decision of Sales Division (See ① in Attachment 5)

It was revealed that orders were received in many cases even though the nominal and actual content ratios differed, based only on the judgment of the Sales Division. As a result,

the production divisions responsible for managing production and the Quality Assurance Division responsible for quality management were not involved, and the orders were received without confirming whether it is possible to manufacture products with the standard ratio of de-inked pulp content.

2) Lack of awareness of the specification in the ratio standards (See ② in Attachment 5)

It was confirmed that the ratio of de-inked pulp content was not recognized as one of the quality standards to be complied with. At the production sites, the products are manufactured pursuant to the quality standards to make products that satisfy the required quality. The quality standards specify in detail the brightness, thickness, smoothness, degree of opacity and other requirements for paper mainly used in printing and wrapping, as well as the machinery settings to be applied in each manufacturing process to achieve the required quality. However, the ratio of de-inked pulp content was not indicated as an item that absolutely required compliance. In reality, the initial ratio of de-inked pulp content indicated in the quality standards was replaced with the actual content ratio that was changed to meet other quality requirements. This style of operation was repeated, allowing the standard for the ratio of de-inked pulp content at the mills to be changed easily without confirmation, even though other quality requirements were met.

3) Lack of confirmation on actual content ratio (See ③ in Attachment 5)

Even though the standard for the ratio of de-inked pulp content has been established, the actual ratio of de-inked pulp content in manufactured products were not confirmed because it was not recognized as a standard to be complied with. It was not checked at the mills, and was not clearly managed by the Quality Assurance Division responsible for quality management either.

4) Insufficient organization for monitoring the actual content ratio (See c in Attachment 5)

The responsibility for managing and monitoring the ratio of de-inked pulp content was not clear, so internal audits and independent audits were not performed. As such, no supervisory or corrective measures were implemented for working divisions, and the discrepancy with the standard was left uncorrected.

3.3 Examples of Technical Factors

The following cases can be cited as the bases for the technical factors that prevented the ratio of de-inked pulp content from being raised.

1) Quality of purchased wastepaper

In recent years, the absolute quantity of wastepaper has been deficient due to a surge in the exports of wastepaper to China. As a result, the quantity of relatively low-quality wastepaper purchased by paper manufacturers of Japan has increased. The following table

indicates the change over time of the amount of foreign matter contained in de-inked pulp manufactured at Mill F, or the so-called printing ink and other impurities.

Year	2003	2004	2005	2006	2007
Number of particles of foreign matter*	3100	4100	4700	5600	4900

*) The number of particles of foreign matter measuring 100 µm or more in diameter per square meter of paper

Also, the brightness of de-inked pulp manufactured at Mill I had fallen below 61% in 2007, even though the brightness of 63% was maintained in 2005. The major source material for de-inked pulp used with recycled paper is waste newspaper, but it is no longer possible to maintain the quality of de-inked pulp despite the improvements in manufacturing facilities, improvements in de-inking facilities and increase in the discharged amount of insufficiently de-inked pulp.

2) Compatibility with printing

The following table indicates the results of a paper running test conducted with a copying machine (high-speed printing machine), using PPC paper, 64 g/m² containing de-inked pulp.

Ratio of de-inked pulp content	40%	70%	85%	100%
Paper jamming	○	○	△	×

PPC paper gets jammed inside copy machines due to contraction or curling of the papers caused by changes in the temperature and humidity. When the ratio of de-inked pulp content is increased, the paper tends to get jammed more frequently.

3.4 Where Responsibility Lay Concerning the Chain of Events That Led to the Decision to Accept an Order

3.4.1 Flow of order acceptance procedures

The procedures for accepting orders for a product that has not yet been manufactured (hereinafter, the “acceptance of orders for new products”) starts with a request for trial production through a facsimile of the product specifications required by the customer, sent in the joint names of the General Manager of the Sales Division, the General Manager of the Quality Assurance Division and the General Manager of the division responsible for production planning to the General Manager of the Mill, the Manager of the Technical Services and Environmental Control Department and the Manager of the Product Section. Then, the Manager of the Technical Services and Environmental Control Department prepares the quality standards. If it is determined that it is possible to make the paper, the

mill notifies the Sales Division and the Sales Division studies the price indicated by the agent. The final decision to accept the order is made by General Manager of the Sales Division. However, it was revealed that for products that were manufactured before and for which the quality standards had already been prepared (hereinafter, the “acceptance of orders for ordinary products”), the decision to accept the order was in many cases made at the level of section manager at the Sales Division.

3.4.2 Where the responsibility lay

A lack of awareness on compliance lies at the base of the issue, for both the acceptance of orders for new products and ordinary products. However, organizational issues were also revealed, such as lack of internal control due to ambiguity in the responsibilities and authorities allocated to the related divisions and a system that allowed the acceptance of orders for ordinary products to be finalized subject to the decision of personnel at the manager level in the Sales Division. Keeping these issues in mind, we believe the following clearly indicates where the responsibility lay.

If orders were received as part of the procedures for accepting orders for new products with the discrepancy between nominal and actual content ratios intact, the General Manager of Sales Division should be held responsible. In the procedures for accepting orders for ordinary products, the managers at the Sales Division are obligated to report to the General Manager if they found a discrepancy in the ratios, but they are not authorized to turn down an order because of the discrepancy. The General Manager of the Sales Division should assume responsibility regarding the decisions to accept orders if he has received a report regarding the discrepancy. In interviews conducted as part of the investigation, it is believed that the (Executive) General Manager of the Sales Division at the time when the discrepancy started to occur was in a position to know the content ratio in the product, when the products manufactured in accordance with acceptance of orders for new products were launched. If there was a discrepancy between the nominal and actual content ratios, the (Executive) General Manager of the Sales Division was in a position to rectify the order. As such, he must assume supervisory responsibility as the head of the division.

In the course of performing the procedures for accepting orders, the Quality Assurance Division that designs and manages quality standards, the divisions that manage the production plans, the head of each section in the Technical Services and Environmental Control Department and the General Manager of the mills should assume responsibility for exercising internal control when the Sales Division makes a decision in relation to accepting an order, if they come to know there is a discrepancy between the nominal and

actual content ratios.

Concerning the means of preventing the discrepancy from continuing, the General Manager of Sales Division that makes decisions regarding the acceptance of orders is directly responsible, and the (Executive) General Manager of the Sales Division should assume supervisory responsibility as the head of the division. Also, the General Manager of the Quality Assurance Division, the General Manager of the divisions responsible for production planning, the General Manager of the Mills and the Manager of the Technical Services and Environmental Control Department of the Mills are responsible for exercising internal control over the discrepancy continuing if they come to know that there is such a discrepancy.

3.5 Awareness among the Company Executives

Concerning the compliance issue clarified from the factual relationships certified through the investigation on decisions to accept orders, awareness among the Company executives can be described as follows.

The Paper Sales Division, the Business Communication and Industrial Paper Sales Division and the related specific divisions and mills for the acceptance of orders have been aware of the discrepancy between the nominal and actual ratios of products with high de-inked pulp content since the onset of decision-making in relation to accepting orders. However, the issue was considered one that concerns only the Sales Division and the related specific divisions and mills.

Since 2001, when the Law on Promoting Green Purchasing was enacted, the Sales Division and the General Managers of some of the mills have come to regard the discrepancy between the nominal and actual content ratios to be a problem. However, they were accustomed to the inconsistent state since the initial decision to accept the order was made and failed to recognize its importance as a compliance issue. As such, the issue was not raised with the Company executives. Consequently, the discrepancy in the ratio of de-inked pulp content was considered only when the de-inked pulp facilities were to be expanded. Also, the ratio of de-inked pulp content was regarded as a nonbinding target. The President and Representative Director and the Executive Vice President became aware that there is a discrepancy in the content ratios of some of the products produced at the mills when they served as General Managers of the mills, while communicating with sales personnel. However, they did not recognize it as an important compliance issue at the time.

In December 2006, the Paper Sales Division submitted a proposal for the design of new products based on its unique environmental concept. In the proposal, the division announced to the Company executives that the Company was withdrawing from the sale of

recycled paper with 100% content ratio, and that there was a change in strategies to convert to environment friendly products overall. In March 2007, Business Communication and Industrial Paper Sales Division reported to Company executives concerning the new environmental strategies for business communication paper and the reorganization of production systems. Through these reports, the Company executives came to recognize that there was a discrepancy between the nominal and actual content ratios and that the matter was a compliance issue. In view of compliance, the Company executives should have disclosed the information regarding the discrepancy and studied corrective measures at this point.

4. Measures to Prevent Recurrence

The measures to prevent recurrence are described below, classified according to the initial emergency, tentative measures and permanent measures to prevent recurrence. Here, the measures to prevent recurrence are applicable also to non-wood pulp.

4.1 Emergency and Tentative Measures

1) Reporting of the discrepancy to customers

The persons in charge at the Sales Division have visited the customers to convey their apologies and to explain the discrepancy either orally or in writing. For customers who made inquiries through agents, similar documents have been prepared for response through the distribution route.

2) Emergency measures provided so far after the discrepancy issue was publicized

Manufacturing and shipment of the products concerned have been terminated, as well as the acceptance of all orders for the said products.

① When the ratio of de-inked pulp content is indicated on the product

Product returns are being accepted from customers who do not wish to use the product, and they are being dealt with individually through the recommendation of alternative products, etc. For customers who wish to use the products, the products are being reshipped after the indication has been corrected, or after attaching a label stating that the de-inked pulp content of the product differs from that indicated on the label. Reselling of the returned products is being attempted subject to the approval of the customers, so that the stock is not wasted.

② When the ratio of de-inked pulp content is not indicated on the product

The product is being sold to customers who wish to use the product, after explaining

the actual content ratio and obtaining their consent.

3) Tentative measures before implementation of the measures to prevent recurrence

The acceptance of orders and manufacture has been conducted on tentative mutual checking by the sales, manufacturing and quality assurance divisions. “Rules on In-house Confirmation on De-Inked Pulp Content Formula” was distributed among the related divisions dated February 14, which has gone into effect. The tentative rule specifies that the sales, the raw material procurement, production management, manufacturing and quality assurance divisions confirm the contractual aspect (illegal provisions and others) and the supply aspect (quantity, quality, raw materials, continuity and others) of the acceptance of orders and manufacturing of a product, and determine comprehensively whether the request can be met. This is a tentative process that will remain in place until the permanent measures to prevent recurrence take full effect. Its main purpose is to prevent the acceptance of orders and the production of products for which the acceptance of orders and production is not possible or which could cause misunderstanding among consumers.

4.2 Permanent Measures to Prevent Recurrence

The measures to prevent recurrence were studied from two aspects, namely the systematic and compliance aspects, based on the findings concerning the timing at which the discrepancy occurred, how it happened and the causes.

4.2.1 Systematic measures concerning order acceptance and production

1) Suppression of the acceptance of orders based on the decision of the sales division (See ① in Attachment 6)

To prevent the sales divisions from accepting orders without confirming if the product can be manufactured at the standard de-inked pulp and non-wood pulp content ratios, they should convey the customer’s requirements to each of the raw material procurement, production management, manufacturing (mills and manufacturing division) and quality assurance divisions. Whether the order should be accepted or not is to be determined by the three divisions: namely the Quality Assurance Division responsible for quality management and the Technical Service and Environmental Control Department at the mills engaged in manufacturing, in addition to Sales Division. Here, whether manufacturing is possible or not is determined taking into consideration the limit on the ratio of de-inked pulp content necessary for securing the required quality, as well as the production capacity of de-inked pulp at the mill. If production was found to be possible, it becomes possible to accept the order. Registration is made in the brand list managed in-house that guarantees the content ratios, and the information is stored and shared by the head office and the mills.

2) Eliminating deficiencies in recognizing the importance of the content ratio standards (See ② in Attachment 6)

A consistent Quality Specifications Document for the Company will be prepared to change the mindset behind the failure to recognize the content ratio as a quality standard requiring compliance. The Quality Specifications that specify the standards for the ratio of de-inked pulp content and other items is prepared by the mills (Technical Service and Environmental Control Department) and then verified by the Sales Division and approved by the Quality Assurance Division. The Quality Specifications are shared by the head office and the mills. The mills prepare the Quality Standards that specify the quality standards and settings for the manufacturing machines each time a product is manufactured. When the Quality Standards are prepared, the ratio of de-inked pulp content and other standards indicated in the Quality Specifications are copied to it before starting to manufacture the product.

3) Eliminating the failure to confirm the actual content ratio (See ③ in Attachment 6)

The mills confirm the content ratio after manufacture, and the Quality Assurance Division confirms the actual data. If a customer requests that a document certifying the content ratio be submitted, the Quality Assurance Division guarantees the content ratio in the product and the Sales Division submits the certificate to the customer.

4) Preparation of procedural document and performance of audit (See ④ in Attachments 6 and 7)

The above processes that cover order acceptance to production and confirmation of the actual content ratio are to be documented as the content ratio management procedures, and operated at the head office and all branch offices and mills. The documented content ratio management procedures shall set out the responsibilities of the head of each division. The operational circumstances are to be checked through internal and independent audits to ensure that both internal and external supervision is conducted through audits. Implementation of the corrective measures in the event of a violation is found shall also be ensured. SGS Japan Inc., a certification body for the forest certification programs, FSC and PEFC, has been appointed independent auditor. The audit was already performed as model cases at the head office (February 18) and Yatsushiro Mill (February 21). The audit will be performed sequentially at other mills. Action will be taken to ensure consistency with the verification method adopted by Japan Paper Association, of which the Company is a member.

5) Notification to customers and fulfillment of accountability (See ⑤ of Attachment 6)

The Quality Specifications for general-purpose products will be disclosed on the Company website, and that for specially-ordered products and specific OEM product brands will be submitted to the customer when requested.

4.2.2 Compliance measures

In view of the fact that the Company failed to recognize the ratios of de-inked pulp and non-wood pulp content as a compliance matter and failed to provide corrective measures after realizing that they were compliance matters, awareness of compliance needs to be thoroughly instilled among Company employees. Compliance shall be fully assured through the following measures:

1) Comprehensive compliance training

a) Compliance seminars for board members and employees

- General seminar on compliance

The information covered in the general seminars on compliance conducted to date will be reviewed, and the effectiveness of the training will be verified by linking them with training programs organized by the Personnel Division. In addition to the compliance seminars provided to each tier of employee at the head office, the compliance seminars will also be included in the training programs provided to each tier of employees at the mills.

- Compliance seminars on specific topics

Seminars will be conducted in relation to specific laws and types of work. In the first half of FY2008 in particular, seminars aimed at preventing the occurrence of similar problems will be conducted for the Sales Division, the Quality Assurance Division and the manufacturing divisions (mills).

b) Cultivation of compliance personnel and seminars targeting improvement

Seminars will be provided to the members of the Compliance Department and compliance personnel at the mills and Group companies to improve their level of expertise, so that they can serve as instructors when seminars are given at the mills or Group companies.

c) Implementation of tests and questionnaires on compliance awareness and understanding

The tests and questionnaires will be administered regularly to all employees at Nippon Paper Industries Co., Ltd. and its Group companies. Important issues will be extracted through analysis and evaluation on the results, and used to plan future

seminars.

2) Reconfiguration of compliance system

a) Enhancement of compliance system

- Reform and enhancement of organization in charge of compliance

Organizational reforms and improvements will be made to deal flexibly with compliance issues and to promote compliance education and awareness.

- The Corporate Ethics Committee and Group Compliance Liaison Conference will be initiated to promote sharing of compliance information and to improve awareness.

b) Making all personnel aware of the Group's whistle-blowing system (Nippon Paper Group Help Line)

All personnel of the Company and Group companies shall be made fully aware of the objectives in setting up and using the current Nippon Paper Group Help Line to ensure the information transmission system is independent of the ordinary management line.

c) Strengthening the supervisory and monitoring functions

To enhance the effectiveness of the compliance audit, the exchange of information among the Board of Auditors, the Business Audit Office and the Compliance Office will be improved so that the three may function in an even more collaborative manner.

Attachment 1 Survey Results on the Time the Discrepancy Occurred, How It Happened and the Causes

I. Survey results on the time the discrepancy occurred, how it happened and the causes

1) Printing paper and coated paper

a) How the discrepancy came to occur

- | | |
|---------------|--|
| August 1998 | Daishowa Paper released Recycled Coated/Matte.
The actual content ratio is unknown. |
| December 1998 | Nippon Paper Industries released NPi Coatland 100/100 (M) as a 100%-recycled paper. (Production mill: Ishinomaki Mill)
The ratio of waste paper content was almost 100%, and the thin products contained LBKP to satisfy the quality requirements (strength). |
| April 2001 | Nippon Paper Industries shifted to OEM production, except for some matte paper products left at the Company, also to rescue Nippon Kakoh Seishi. (The actual content ratio of products of Nihon Kakoh Seishi is unknown.) |
| April 2002 | It was decided to include the products of Nippon Kako Seishi in the integrated brands, in the process of integrating the product brands of Nippon Paper Industries and Daishowa Paper.
However, preparations were made for production at Nippon Daishowa Paperboard Yoshinaga due to the uncertain creditworthiness of Nippon Kakoh Seishi. |
| May 2002 | Nippon Kakoh Seishi filed for voluntary bankruptcy. |
| July 2002 | Nippon Paper Industries and Daishowa Paper integrated the products under the brand, Recycled Coat 100/Matte 100. Sales of the products manufactured at Yoshinaga started.
The actual content ratio is about 70%. To satisfy the quality requirements, the ratio of de-inked pulp content was reduced when production was transferred to in-house manufacture from the OEM product of Nippon Kakoh Seishi. The ratio was further reduced when a claim was filed. |
| June 2007 | Released Recycled Coated T-6/Matte T-6
(Green Proportion Recycled Paper product based on a unique environmental concept) |

September 2007 Terminated manufacture and sales of Recycled Coat 100/Matte 100 due to restructuring in recycled paper. (There were no more A2/A3 coated paper products with a high ratio of de-inked pulp content.)

b) Causes of and background to the discrepancy occurring

- Although Recycled Coat 100/Matte 100 released in 2002 are products with a 100% ratio of de-inked pulp content, a discrepancy occurred with the products manufactured at Yoshinaga Mill due to limitations in terms of quality and operations. Also, a high ratio of de-inked pulp content could not be achieved with the products manufactured at Ishinomaki Mill because of the scale of the paper manufacturing machines and the balance of de-inked pulp in the mill.
- When the brands were integrated in 2002, one of the options was to correct the ratio of de-inked pulp content of Recycled Coat 100/Matte 100 to 70%. However, a rapid change was not implemented because the product with 100% content ratio had already established itself in the market.
- Since agents and users placed importance on quality even with recycled paper that had a high ratio of de-inked pulp content, the willingness to comply with the standard ratio of de-inked pulp content declined as a result. Agents in particular made strong demands to Nippon Paper Industries also to enhance the product lineup, as competitors had supplied recycled paper products having a high ratio of de-inked pulp content.
- As the demands on recycled paper with high ratio of de-inked pulp content increased and such products had become established, it was already very difficult for the people in charge of and the people responsible at sales divisions to turn down orders. As a result, sales were given higher priority than awareness concerning compliance.
- In response to Nippon Kako Seishi filing for voluntary bankruptcy in 2002, to whom OEM production was consigned, it was decided for reasons pertaining to sales to produce recycled paper with a high ratio of de-inked pulp content in-house. Since it was difficult to meet the quality and operational requirements at Ishinomaki and Yoshinaga Mills, the discrepancy increased.
- While restructuring the recycled paper business in 2006, the sales divisions requested that recycled paper products with ratio of de-inked pulp content of 70% be provided and trial manufacture was attempted. However, the idea was abandoned because volume production using the No.7 machine at Ishinomaki Mill was difficult even though it was possible to products in small lots. As an alternative

product, T-6 with 6% less weight per square meter was released.

- The people in charge of and the people responsible at the sales divisions rarely notified agents that the nominal and actual content ratio differed. One witness stated that awareness of the content ratio was very low until quite recently.

2) Printing paper/woodfree paper

a) How the discrepancy came to occur

1993 and before Sanyo-Kokusaku Pulp released Refreshland (the product name at that time was SK Refresh).

The nominal ratio of de-inked pulp content was 70% or more. The actual content ratio at the time of release is unknown.

1995 Manufacture of Refreshland was transferred from Asahikawa Mill to Ishinomaki Mill.

Production started with the actual ratio of de-inked pulp content at 10%, and the discrepancy remained. The reason was to meet the required quality and color.

November 1998 Refreshland 100 was released.

No discrepancy is seen with the initial ratio of de-inked pulp content.

The discrepancy started occurring around 1999 due to insufficient capacity in de-inked pulp production.

July 2002 With the merger between Nippon Paper Industries and Daishowa Paper, the brand name for recycled woodfree paper was integrated to become Recycled Woodfree and Recycled Woodfree 100. (The name changed from Refreshland Series)

June 2007 The product lineup was reorganized as Green Proportion Recycled Paper based on a unique environmental concept.

Recycled Woodfree (about 30% waste paper content/ conventionally 70%)

Recycled Woodfree 70 (70% or more of the same/conventionally 100%)

Recycled Woodfree T-6 (about 70% of the same/a new product)

b) Causes of and background to the discrepancy occurring

- The capacity of de-inked pulp manufacturing facilities had been insufficient since 1998 due to the increase in sales volume of recycled woodfree paper

accompanying more stringent user requirements concerning recycled paper.

- The sales divisions placed top priority in fulfilling the responsibility to provide supplies in response to the stringent user requirements concerning recycled woodfree paper, and could not turn down the orders.
- Since the Company is a late-starter in the manufacture of recycled woodfree paper, the sales divisions wished to avoid a decrease in sales.
- Almost all the claims from agents and users pertained to suitability for printing and other quality matters, and the ratio of de-inked pulp content was almost never mentioned. As such, awareness of the issue concerning the discrepancy was low.
- It is believed that the people at the Technical Service and Environmental Control Department and the product sections of mills were aware of the discrepancy in the standard content ratio. However, they failed to recognize the importance of complying with the ratio of de-inked pulp content guaranteed to customers, so no action was taken to correct the discrepancy.
- When an order is received for a new product the Quality Assurance Division and the General Manager of the Sales Division requests that the mills undertake studies. However, the Quality Standard prepared at the mills in response to the request did not indicate the nominal ratio of de-inked pulp content as a standard to be complied with.
- The initial ratio of de-inked pulp content indicated in the Quality Standard was replaced with a new content ratio when it was changed at the time of actual paper manufacture to meet the quality requirements. As a result, the discrepancy between the nominal and actual ratio of de-inked pulp content was never corrected.

3) Printing paper/recycled postcard paper of high brightness

a) How the discrepancy came to occur

From 1992	Postcard with donation and advertisement (Green Echo Postcard)
From 1993	Postcard for summer greetings
From 1996	Use of recycled paper for New Year cards
From 2003	Ordinary postcard

* All were manufactured at Yatsushiro Mill. The ratio of de-inked pulp content in the specifications was 40% (common for all postcards).

Actual ratio of de-inked pulp content (common for all postcards)

1992	6%	
1993	4%	* The ratio was reduced to deal with paper breakages during printing.

1994	3%	* The ratio was reduced to deal with paper breakages during printing.
1995 to 1999	1%	* The ratio was reduced to improve quality in relation to foreign matter (dust and ink debris).
2000	5%	* The ratio was increased because the brightness of de-inked pulp improved.
2001 to 2002	3%	* The ratio was reduced because of strong comments concerning foreign matter (dust and ink debris)
From 2003	1%	* The ratio was reduced because of strong comments concerning foreign matter (dust and ink debris)

b) Causes of and background to the discrepancy occurring

- Around 1992 when orders for recycled postcard paper of high brightness were first received, Company employees believed that waste paper generated at the mills could also be used for recycling.
- The Survey and Research Council on the Use of Recycled Paper for Mail organized in April 1991 indicated that waste paper content of 40% was desirable. The General Post Office and Printing Bureau of Ministry of Finance requested that the ratio of waste paper content be 40% and that the color and quality be close to those of current postcards.
- Around July 1992, the specification for waste paper content was set at 40%. According to the person in charge of accepting orders at the sales divisions, a decision was made to accept the orders because Yatsushiro Mill reported that waste paper content of 40% could be achieved if the waste paper produced at the mill was taken into consideration.
- However, the actual ratio of de-inked pulp content that excluded waste paper generated at the mill was 6%. Data concerning the ratio of waste paper content produced at the mill was not available and was not revealed in the survey.
- It was subsequently found that waste paper generated at the mill were not approved for inclusion in the de-inked pulp. The ratio of de-inked pulp content should have been increased, but the increase would increase the level of foreign matter such as dust and ink debris from waste paper and the required quality would not be attained. For this reason, orders continued to be received with the content ratio remaining low.
- On the other hand, demand for quality management increased with regard to the decline in the quality of shipped waste paper and the inclusion of foreign matter.

Consequently, there was no choice but to keep the ratio of waste paper content low to meet the orders, and the discrepancy remained to the present without being corrected.

4) Business communication paper/PPC paper

a) How the discrepancy came to occur

- | | |
|-------|--|
| 1990 | Sanyo Kokusaku Pulp
Manufactured products with ratio of de-inked pulp content of 70% for hardware manufacturers.
Purchased de-inked pulp in-house and from external parties, and the actual content ratio was about 50%. It was confirmed that the nominal content ratio would have been reached if about 20% of the waste paper generated at the mill was included. (From materials at Komatsushima Mill) |
| 1990 | Jujo Paper
Released Reborn PPC (general-purpose product). (Containing 70% waste paper).
Started with the content ratio of 40% (from materials relating to business meetings) |
| 1990 | Daishowa Seishi
Manufactured products containing 70% of de-inked pulp for hardware manufacturers.
Could not confirm the actual content ratio. |
| 1992 | Formerly Jujo Paper
Release Reborn PPC White (ratio of waste paper content: 70%; brightness: 75%)
Released Reborn PPC Clean (ratio of waste paper content: 70%; brightness: 80%)
Released Reborn PPC Natural (ratio of waste paper content: 70%; brightness: 70%)
Could not confirm the actual content ratio. |
| (1997 | A competitor released a product with ratio of de-inked pulp content of 100% and brightness of 70% → other manufacturers followed suit) |
| 1998 | Nippon Paper Industries Co., Ltd.
Released Reborn PPC Natural 100 (ratio of waste paper content: |

- 100%; brightness: 70%)
 Released Reborn PPC Clean 100 (ratio of waste paper content: 100%; brightness: 80%)
 Could not confirm the actual content ratio.
- October 1998 Started manufacturing a product with a ratio of de-inked pulp content of 100% and brightness of 70% for hardware manufacturers at Komatsushima Mill.
 The content ratio during trial manufacture was 100%, but that in 1999 was 42%. (Materials from Komatsushima Mill)
- December 1998 Daishowa Seishi
 Manufactured a product with ratio of de-inked pulp content of 100% and brightness of 80% for hardware manufacturers.
 Could not confirm the actual content ratio.
 Hereafter, efforts were made in-house to increase the content ratio according to witnesses and materials, but curling and other quality issues and requirements for higher quality and brightness were also made at the same time. Measures to deal with these requests seem to have been given priority.

b) Causes of and background to the discrepancy occurring

- At the initial stage of recycled PPC around 1990, both paper manufacturers and hardware manufacturers were trying in haste to establish recovery and recycling techniques in response to increased requirements in society for recycled paper stemming from the urban garbage issue. At Komatsushima Mill, products that conform to the nominal waste paper content (70%) were manufactured with de-inked pulp purchased in-house and from external parties and with waste paper generated at the mill included.
- On the other hand, witnesses who were in charge of sales at the time indicate that the focus was on the development of recycled PPC to reducing paper associated with office automation, which was one of the most prominent issues concerning urban garbage at the time. Even though a higher ratio of de-inked pulp content was desirable, it is assumed to have been regarded as a nonbinding target. The perception that the ratio of de-inked pulp content was a nonbinding target, which has been reported by many witnesses who worked in sales, is believed to have been cultivated in the Company since around this time.
- Around 1994, the office of the neighborhood association started recommending a

brightness of 70%, which gave the understanding that lower brightness was desirable in expanding the usage of waste paper.

- Due to the launch by a competitor in 1997 of a product with a ratio of de-inked pulp content of 100% and brightness of 70%, demands for the Company develop a similar product intensified. The witnesses obtained reported the following comments:

“We initiated action hoping that the technology would catch up with demand. We thought we would be able to manufacture products containing 100% waste paper before too long.”

“We assumed that products containing 100% waste paper could be manufactured if we used purchased de-inked pulp, as there is no pulp facility at Komatsushima Mill.”

“We were aware that a waste paper content of 100% was difficult to achieve from the start of development.”

“We could not turn down the users’ requests.”

“We were apprehensive that competitors might succeed in developing similar products.”

These comments indicate the low level of awareness among personnel in the sales divisions, Quality Assurance Division and other related divisions concerning the importance and seriousness of the discrepancy in ratio of de-inked pulp content.

- On the other hand, the Company has initiated operations to increase the production at de-inked pulp manufacturing facilities and measures to improve quality as necessary at the major manufacturing mills of PPC. However, according to one witness, “High-speed printers by hardware manufacturers quickly became popular the same time that PPC paper containing 100% waste paper became widespread in the market, making the demand for higher quality paper more pressing.” Although it is highly unsatisfactory to use this point as an excuse, it is also a fact that increasing the ratio of waste paper content was difficult. We believe it is a factor that caused the discrepancy to continue over an extended period.
- A witness who was working in sales at the time stated that the definition of waste paper was ambiguous, even at the launch of a product containing 100% waste paper in 1998. The definition of waste paper had then been reported by the (then) Ministry of International Trade and Industry in 1991, but a survey revealed that knowledge of the definition was not widespread among employees at the Company.

II. Measures taken to correct the discrepancy

1. Investment in and enhancement of de-inked pulp facilities

(1) Ishinomaki Mill

1998	Work to improve the quality of de-inked pulp
1998	Work to improve de-inking of de-inked pulp
2000	Construction of new de-inked pulp facilities (200 ton/day)
2001	Increased production of de-inked pulp (by 20 ton/day)
2003	Increased production of de-inked pulp (by 20 ton/day)
2007	Construction of new de-inked pulp facilities (400 ton/day)

(2) Iwanuma Mill

2007	Construction of new de-inked pulp facilities (200 ton/day)
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(3) Komatsushima Mill

1998	Construction of new de-inked pulp facilities (60 ton/day)
1999	Work to improve the quality of de-inked pulp
2003	Work to improve the quality of de-inked pulp

(4) Yatsushiro Mill

1999	Work for recycled paper production (Production of II system F de-inked pulp became possible)
2002	Work for recycled paper production (Production was increased with system II for the ratio of de-inked pulp and content was increased for machines 4, 6 and N1)
2003	Work to improve the quality of PPC paper (Eliminated the curling issue for the N1 machine)
2007	Work to improve the quality of de-inked pulp

III. Measures taken with regard to Eco Mark and other standards on the ratio of de-inked pulp content

February 1989	Eco Mark system started
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Standards for the ratio of waste paper content: 35% for printing paper, 50% for PPC paper

September 1997 [Japan Paper Association] Submitted a request for the draft revision of Eco Mark certification standard to make the requirements for the ratio of waste paper content for printing paper to be 40% or more and 50% or more for PPC paper, as the ratio of 70% was difficult to

achieve due to technological limitations, economical factors and environmental issues. (“Opinion and Request Regarding the Draft Revision on Eco Mark Certification Standards for Business Communication Paper and Printing Paper”)

November 1997	Revision of Eco Mark certification standards Printing paper: 35% → 50%; PPC paper: 50% → 70%
October 1998	Guidelines were established based on the Implementation Initiative Plan for each area related to paper. The increase in waste paper content for business communication paper from 70% to 100% and for printing paper from 50% to 70% was clearly specified, targeting the end of FY2000.
October 2000	[Japan Paper Association] Made a request regarding the procurement standards stipulated in the Law on Promoting Green Purchasing to revise the standard for the ratio of waste paper content to 70%. The environmental burden and production costs are larger with the products having 100% content compared to products having 70% content. Dissemination of products having 70% content can contribute to the increased use of waste paper. (“Requests Regarding the Draft Procurement Standards as per Law on Promoting Green Purchasing”)
December 2000	In response to public opinion regarding the Law on Promoting Green Purchasing that the 100% standard for the ratio of waste paper content for copy paper is too high, the Environmental Agency indicated at a study meeting the view that the Guidelines by Area had a target of achieving 100% by the end of FY2000 and that, since the Environmental Agency and other government agencies had already used copy paper with a 100% content ratio, there was no reason to reduce the ratio below 100%.
January 2001	Revision of Eco Mark certification standards Standards for the ratio of waste paper content: changed from 50% to 70% for printing paper and from 70% to 100% for PPC paper.

April 2001	<p>Law on Promoting Green Purchasing enacted</p> <p>The standard for the ratio of waste paper content: 70% for printing paper, 100% for PPC paper</p>
November 2002	<p>[The Company] Submitted an opinion that opposed the maintaining the 100% waste paper content ratio for PPC paper in the draft revision of Eco Mark certification standards. The Company strongly opposed the 100% standard for the ratio of waste paper content and requested that an appropriate standard for the ratio of waste paper content be studied. (“Presentation of Opinion on the Draft Product Category Standards for the Eco Mark”)</p>
February 2003	<p>Revision of Eco mark certification standards</p> <p>No change in the standard ratio for waste paper content: 70% for printing paper and 100% for PPC paper</p> <p>* The content ratio was changed from the ratio of waste paper content ((waste paper + purchased de-inked pulp)/all raw fiber materials) to the ratio of de-inked pulp content (De-inked pulp/(virgin pulp + de-inked pulp)).</p>
2003	<p>[The Company] Removed the Eco Mark from its brand of PPC paper products</p>
October 2004	<p>The definition of waste paper was revised with regard to the Eco Mark</p> <p>* The exemption for industrial waste paper was changed from: “The paper generated in the manufacturing process of the base paper and used again as a raw material in the same process is excluded” to: “The paper generated in the manufacturing process (plant) of the base paper and used again as a raw material in the same process (plant) is excluded.”</p>
January 2006	<p>[The Company] Submitted a public comment to the Ministry of the Environment concerning the draft revision of the standards for the Law on Promoting Green Purchasing that the 100% standard for the</p>

ratio of de-inked pulp content for PPC paper should be abolished, and that the lowest ratio of de-inked pulp content for PPC paper and other business communication and printing paper should be 30%.

(Opinion on the outline (draft) of revisions to the standards for the specified procurement items and related judgments as laid out in the “Basic Policies on Promoting the Procurement of Environmentally Friendly Articles”)

January 2006 [The Company] Submitted a statement indicating a preference for a revision regarding the Law on Promoting Green Purchasing to the Japan Paper Association. The statement noted that even though the numeric standard of 70% will be complied with, the standard should read, “the de-inked pulp + environmentally friendly pulp = 70% or more and that legal materials shall be used.” However, the content ratio only of de-inked pulp should be 50% or more for PPC paper. (“Indication of Preference for Revision Related to the Law on Promoting Green Purchasing”)

April 2007 [The Company] Reorganized the product lineup for recycled printing paper based on a unique environmental concept, “Green Proportion,” and announced that the Company will abolish products with a 100% ratio of waste paper content.

May 2007 [The Company] Released a PPC paper product based on the environmental concept, Green Proportion, and announced that the Company will abolish products with 70% and 100% ratios of waste paper content.

July 2007 [Japan Paper Association] Submitted a note containing a request to the Ministry of the Environment concerning the standards laid out in the Law on Promoting Green Purchasing. The note requested that the standard ratio of waste paper content be lowered (especially for the 100% standard content ratio for PPC paper, as all member companies found it critically difficult to continue with its manufacture) and to study the possible inclusion of environmentally friendly pulp in the judgment criteria. (Request Concerning Criteria

for Judging Specified Survey Items for Paper Products (Business Communication and Printing Paper) Mentioned in the Law on Promoting Green Purchasing)

July 2007

[The Company] Submitted a written proposal to Ministry of the Environment concerning the standards laid out in the Law on Promoting Green Purchasing. The suggestion stated that the standard for printing and form paper should be changed from a ratio of 70% or more waste paper content to 70% or more de-inked pulp + environmentally friendly pulp combined, provided that the ratio for de-inked pulp be 20% or more. (“Proposal for Specified Procurement Items”)

December 2007

[The Company] Submitted a public comment concerning the standards laid out in Law on Promoting Green Purchasing. The comment stated that for form paper, an additional standard for the ratio of de-inked pulp content of 70% or more should be that up to 30% of the 70% of de-inked pulp be able to be replaced with environmentally friendly pulp. (Call for opinions on the Outline (Draft) of Revision of Specified Procurement Items and Judgment Criteria for Them Laid Out in “Basic Policies for Promoting the Procurement of Environmentally Friendly Articles”)

Attachment 2 Actual products with discrepancy in de-inked pulp content ratio (printing paper)

ITEM	BRAND NAME	Ratio of de-inked pulp content		Quantity sold						Ratio of de-inked pulp content (actual)								Production mill and machine number (Base paper machine number for coated paper)		
		Nominal	Actual	2003	2004	2005	2006	2007 1st half	2007 2nd half *	2003 1st half	2003 2nd half	2004 1st half	2004 2nd half	2005 1st half	2005 2nd half	2006 1st half	2006 2nd half		2007 1st half	2007 2nd half
■ Subject to Law on Promoting Green Purchasing																				
Woodfree Paper	Recycled Woodfree 100	100	75 - 82	2,910	3,574	3,887	4,256	4,309	—	81	77	82	79	78	75	75	76	80	—	Ishinomaki (4/6), Fuji (7/11)
Mechanical Paper	Greenland 100	100	67 - 83	491	425	531	502	287	—	71	72	67	70	73	68	70	71	83	—	Ishinomaki (4/6)
Coated Woodfree Paper	Recycled Coat 100	100	43 - 64	2,436	2,752	2,990	2,975	2,836	—	43	55	53	53	58	64	62	63	57	—	Yoshinaga (N2)
	Recycled Matt 100	100	44 - 63	3,223	3,759	4,616	5,234	4,852	—	44	57	55	51	57	62	58	63	58	—	Yoshinaga (N2)
	Subtotal		44 - 63	5,659	6,511	7,607	8,209	7,688	—	44	56	54	52	57	63	60	63	58	—	
Lightweight Coated Woodfree Paper	Recycled Coat L100	100	26 - 62	992	708	811	1,084	971	—	37	27	26	33	30	28	38	53	62	—	Ishinomaki (7), Fuji (13)
	Recycled Coat L Matt	70	30 - 43	136	193	441	547	319	—	33	30	35	35	34	37	37	43	37	—	Fuji (13)
	Subtotal		27 - 56	1,129	901	1,252	1,631	1,289	—	37	27	28	34	31	32	37	50	56	—	
Lightweight Coated Printing Paper	Recycled S-100	100	52 - 72	496	442	485	624	642	—	57	56	52	60	54	61	65	69	72	—	Fushiki (6), Fuji (13)
	Recycled S2-100	100	86 - 100	700	661	514	415	367	—	94	94	86	88	94	100	95	97	96	—	Fuji (11/13)
	Recycled S Soft 100	100	56 - 85	241	427	332	510	473	—	61	60	56	59	67	73	83	85	79	—	Fushiki (6), Fuji (11)
	Subtotal		69 - 84	1,437	1,530	1,331	1,549	1,482	—	76	75	69	71	73	78	79	81	80	—	
TOTAL			57 - 68	11,626	12,941	14,607	16,146	15,055	—	57	61	62	61	63	65	64	67	67	—	
■ Not Subject to Law on Promoting Green Purchasing																				
Woodfree Paper	PB/Made to order (30 brands)		29 - 46	1,885	1,862	1,786	1,745	1,674	351	34	34	33	34	33	29	35	32	31	46	Ishinomaki (4), Fuji (7), Yatsushiro (6)
Mechanical Paper	General Product	70	44 - 54	3,435	3,175	2,993	2,863	2,608	—	49	48	48	45	46	48	45	44	45	—	Ishinomaki (4-6-8), Fuji (7), Fushiki (5)
	PB/Made to order (22 brands)		41 - 56	938	767	503	523	512	738	41	47	49	50	47	43	50	47	56	55	Asahikawa (5), Ishinomaki (6), Fuji (7/12), Fushiki (5)
	Subtotal		46 - 55	4,372	3,942	3,497	3,385	3,120	738	48	48	49	48	48	49	48	46	50	55	
Woodfree Colored Paper	Woodfree colored	70	38 - 43	2,581	2,759	2,894	2,582	2,758	—	42	43	43	39	39	39	38	41	39	—	Ishinomaki (2), Fuji (2/7)
	Recycled Woodfree colored	100	44 - 71	401	130	162	170	44	—	44	61	67	67	67	69	70	71	71	—	Ishinomaki (2), Fuji (2/7)
	Subtotal		40 - 44	2,982	2,889	3,055	2,752	2,801	—	42	44	44	41	40	41	41	43	40	—	
Coated Woodfree Paper	PB/Made to order (24 Brands)		13 - 26	1,665	1,951	2,119	1,478	1,481	1,643	15	14	13	13	19	19	26	23	25	25	Ishinomaki (N2/N4)
Lightweight Coated Woodfree Paper	PB/Made to order (23 brands)		8 - 24	2,297	1,966	2,170	2,024	1,660	868	8	10	11	8	8	16	16	19	16	24	Ishinomaki (7/N4), Fuji (13)
Lightweight Coated Printing Paper	PB/Made to order (50 brands)		27 - 50	3,169	3,358	4,278	4,099	4,035	3,770	30	30	29	27	45	50	44	41	40	32	Fuji (11/13), Ishinomaki (8/N4/N5), Fushiki (6)
Coated Mechanical Paper	PB/Made to order (12 brands)		33 - 46	1,865	2,029	1,705	1,904	1,053	943	43	39	40	38	37	33	36	45	46	43	Ishinomaki (7), Fuji (11/13)
Postcard Paper	Postcard	40	1 - 1	621	546	421	528	906	280	1	1	1	1	1	1	1	1	1	1	Yatsushiro (6)
India	Recycled 25A India	5	0 - 2	—	—	3	4	6	7	—	—	—	—	2	0	0	0	0	0	Fushiki (4)
TOTAL			31 - 38	18,858	18,541	19,034	17,920	16,736	8,601	33	33	33	31	34	37	36	37	35	32	
GRAND TOTAL			42 - 51	30,484	31,482	33,641	34,066	31,791	8,601	42	44	45	43	46	50	49	51	50	32	

Notes

The column for the second half of 2007 shows the data for October to December 2007, and the quantity shown is the production volume.

As publicly announced, the product lineup has been reorganized (termination of production or change in the nominal ratio) as of October 2007.

Attachment 3 Actual products with discrepancy in de-inked pulp content ratio (Business communications and envelope paper)

ITEM	BRAND NAME	Ratio de-inked pulp content		Quantity sold						Ratio of de-inked pulp content (actual)										Production mill and machine number (Raw paper machine for coated paper)
		Nominal	Actual	2003	2004	2005	2006	2007 1st half	2007 2nd half *	2003 1st half	2003 2nd half	2004 1st half	2004 2nd half	2005 1st half	2005 2nd half	2006 1st half	2006 2nd half	2007 1st half	2007 2nd half	
■ Subject to Law on Promoting Green Purchasing																				
PPC Paper	PPC Paper OEM Product *1	100	29 - 67	6,322	6,273	6,692	5,692	5,035	4,985	29	34	34	35	36	39	39	49	62	67	Yoshinaga (N1), Komatsushima (1), Yatsushiro (N1)
	Reborn Natural 100	100	24 - 39	820	1,164	1,101	1,323	1,545	1,555	39	34	24	27	33	37	29	29	31	33	Yatsushiro (N1)
	Subtotal	100	30 - 59	7,142	7,437	7,793	7,015	6,580	6,540	30	34	32	33	36	39	37	44	55	59	
Notebook Paper	Recycled Notebook paper	80	23 - 37	—	75	95	97	116	58	—	—	34	23	31	32	36	35	37	35	Yoshinaga (N1)
Business Form Paper	Recycled Form N	70	4 - 42	443	513	481	431	504	412	42	19	11	11	8	12	8	4	4	5	Yoshinaga (N1), Suzukawa (8)
	Reborn NIP	70	4 - 36	40	32	23	22	17	21	36	19	17	13	8	12	8	4	4	5	Suzukawa (8)
Printing Paper (Communications related)	Business Communication Related Printing Paper (OEM)	70	23 - 54	135	157	171	172	165	179	27	23	52	50	52	54	47	53	53	50	Yatsushiro (N1)
Business Envelope with Window (Bleached)	Rappa and Other Bleached Kraft	100	19 - 59	96	75	105	107	110	93	59	19	21	24	20	25	24	26	28	32	Fuji (7)
		70	4 - 12	941	820	1,134	1,119	1,051	670	12	11	11	12	8	6	6	4	4	8	Suzukawa (4)
Business Envelope with Window (Semi-Bleached)	RC Olympus	40	4 - 15	1,889	1,315	1,726	1,541	1,520	1,400	15	13	10	9	11	7	9	4	5	5	Suzukawa (4/7)
Others	Recording Base Paper	100	0 - 1	519	527	587	512	391	210	0	1	1	1	1	0	1	1	0	1	Shiraoui (8)
TOTAL			25 - 43	11,204	10,952	12,116	11,015	10,452	9,583	25	26	27	25	26	29	27	31	37	43	
■ Not subject to Law on Promoting Green Purchasing																				
PPC Paper	PPC Paper OEM Product *2	100	8 - 16	2,332	2,385	2,604	2,509	2,063	339	14	16	12	10	11	8	11	10	8	10	Suzukawa (8/9), Komatsushima (1)
	Reborn Clean 100	100	7 - 14	254	346	431	290	283	127	10	9	9	9	8	7	9	9	7	14	Komatsushima (1)
	PPC Paper OEM Product *2	70	10 - 19	3,530	3,000	2,869	3,199	3,623	3,558	18	19	15	13	14	13	19	19	12	10	Komatsushima (1), Yatsushiro (N1)
	Reborn PPC Series	70	14 - 22	398	465	557	578	547	244	22	20	19	16	15	14	22	19	20	21	Yatsushiro (N1), Komatsushima (1)
	PPC Paper OEM Product *2	30	16 - 33	84	231	324	310	338	398	25	33	22	21	19	19	16	16	16	22	Komatsushima (1), Suzukawa (8)
	Reborn PPC Series	30	11 - 22	29	51	66	85	83	90	11	19	14	16	13	14	15	16	17	22	Komatsushima (1)
	Subtotal	11 - 18	6,627	6,478	6,851	6,971	6,937	4,756	16	18	14	13	13	11	16	15	11	12		
Ink-jet Paper	RYIJ	100	34 - 73	30	52	68	70	49	41	73	57	56	50	52	53	44	47	34	55	Yoshinaga (N1)
	Recycled IJ Postcard	40	1 - 1	191	225	135	147	313	—	1	1	1	1	1	1	1	1	1	—	Asahikawa (4)
Carbonless Copying Paper	Reborn CCP 100	100	33 - 46	50	53	106	126	109	116	45	34	33	38	37	36	39	46	36	40	Ishinomaki (5), Suzukawa (8)
Notebook Paper	Recycled Notebook paper	80-55	1 - 5	—	209	263	255	208	53	—	—	1	1	1	1	1	2	3	5	Yatsushiro (4)
Business Form Paper	Recycled Form	70	7 - 16	1,137	1,279	1,414	1,398	1,506	1,452	11	16	10	14	12	8	8	9	7	8	Suzukawa (8), Yoshinaga (N1)
		50	10 - 46	287	258	243	240	220	241	46	19	10	13	17	14	18	18	19	20	Yoshinaga (N1)
Thermal Recording Paper	Recycled Thermal	70	1 - 3	19	18	20	20	20	9	1	3	1	1	3	2	1	2	2	2	Yufutsu (5)
		50	1 - 3	931	1,072	1,168	1,227	1,245	1,336	1	3	1	1	3	2	1	2	2	2	Yufutsu (5)
Business Envelope with Window (Semi Bleached)	Semi Bleached Kraft	40	5 - 10	—	112	140	262	392	498	—	—	10	9	10	8	8	5	5	5	Suzukawa (4/7)
Others	Recording Base Paper (OEM)	100	8 - 12	84	26	1	—	—	—	12	8	8	—	—	8	—	—	—	—	Suzukawa (8) Abolished brand
	Recycled Color Kraft	100	9 - 36	184	147	178	179	170	130	29	26	35	34	31	9	34	36	30	13	Suzukawa (4)
	Heat Transfer Printing Paper TRW	100	6 - 27	23	26	29	22	11	—	18	14	17	7	6	13	17	9	27	—	Fushiki (4) Abolished brand
	Recycled Color Kraft	70	2 - 4.8	46	36	67	59	91	55	5	4	4	3	2	3	4	2	2	2	Suzukawa (4)
	Recording Base Paper (OEM)	50	0 - 12	4	3	4	5	4	—	12	8	0	8	8	8	8	8	8	—	Suzukawa (8) Abolished brand
TOTAL			10 - 16	9,612	9,996	10,686	10,981	11,275	8,687	15	16	12	12	12	10	13	13	10	10	
GRAND TOTAL			19 - 27	20,817	20,948	22,802	21,996	21,726	18,270	20	22	19	19	19	20	20	22	23	27	

Notes

PPC paper OEM Products are broken down into numerous brands for individual clients. (56 brands for *1 and 131 brands for *2, total 187 brands)

"Suzukawa" indicated in the production Mill are facilities located in the Suzukawa area of the Fuji Mill.

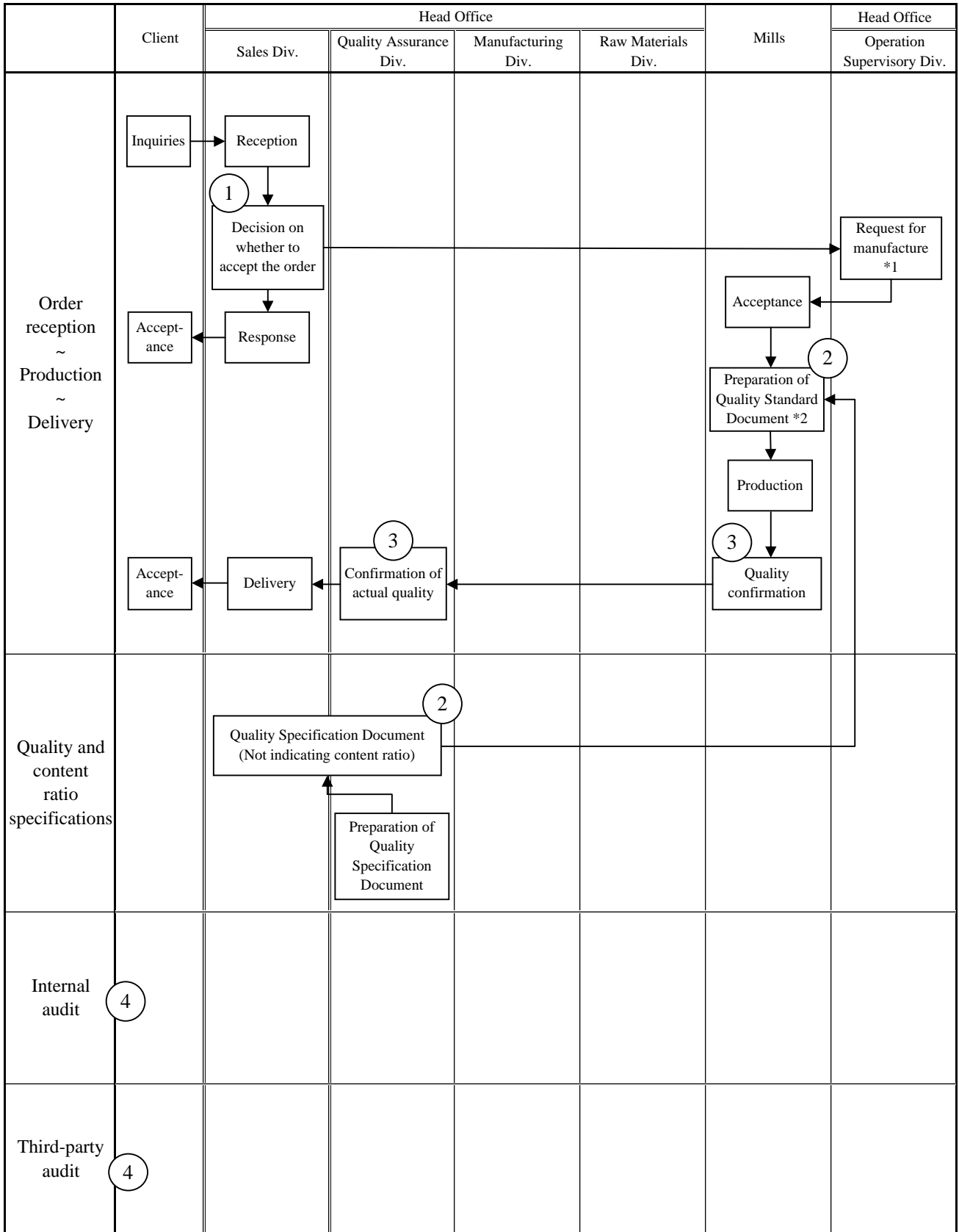
"Yoshinaga" indicated in the production Mill are products entrusted for production to Nippon Daishowa Paperboard Yoshinaga Co., Ltd.

The column for the second half of 2007 shows the data for October to December 2007, and the quantity shown is the production volume.

Attachment 4 Sales volume by product type

Fiscal Year	ITEM	All products						
		Products containing de-inked pulp					Products with discrepancies	
				With content ratio standards				
		Sales volume (1,000 t/month)	Sales volume (1,000 t/month)	Content ratio (%)	Sales volume (1,000 t/month)	Content ratio (%)	Sales volume (1,000 t/month)	Content ratio (%)
2003	Newsprint	98	98	71	-	-	-	-
	Uncoated paper	64	35	49	20	58	13	50
	Coated paper	154	70	34	36	44	17	37
	PPC Paper	29	16	19	14	25	14	25
	Others	53	14	34	7	13	7	13
	Total	398	233	51	77	41	51	34
2004	Newsprint	100	100	73	-	-	-	-
	Uncoated paper	64	37	47	20	58	13	52
	Coated paper	159	67	36	37	44	18	38
	PPC Paper	29	17	16	14	24	14	24
	Others	52	14	34	7	9	7	9
	Total	404	234	52	77	41	52	34
2005	Newsprint	101	101	73	-	-	-	-
	Uncoated paper	63	36	47	19	58	13	52
	Coated paper	168	78	37	39	48	20	45
	PPC Paper	33	20	17	15	26	15	26
	Others	51	11	26	8	9	8	9
	Total	416	246	51	81	42	56	37
2006	Newsprint	102	102	73	-	-	-	-
	Uncoated paper	62	35	50	19	56	13	52
	Coated paper	171	81	39	39	51	21	49
	PPC Paper	33	20	17	14	28	14	28
	Others	51	11	25	8	8	8	8
	Total	419	248	52	79	44	56	39
2007 1st half	Newsprint	101	101	74	-	-	-	-
	Uncoated paper	61	39	44	19	57	13	52
	Coated paper	167	76	40	36	51	19	48
	PPC Paper	36	22	19	14	33	14	33
	Others	52	9	25	8	7	8	7
	Total	417	248	52	76	45	53	39

Attachment 5 Schematic diagram before recurrence prevention measures

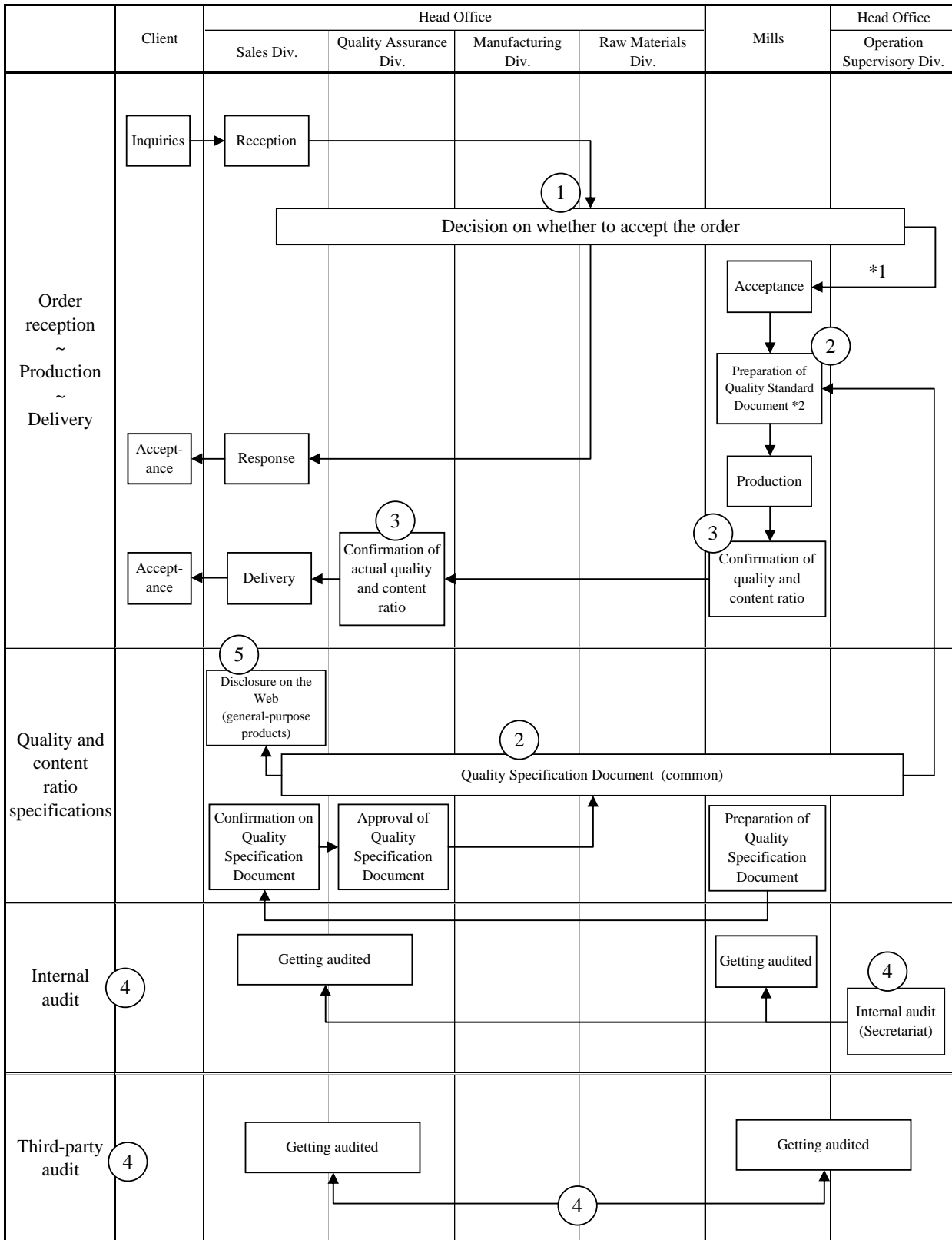


Notes

*1 Manufacture is requested by the division in charge of production planning for each sales division (e.g. Operation Supervisory Division for printing paper)

*2 The Quality Standard Document indicates the quality required mainly for printing and wrapping paper, such as brightness, thickness, smoothness and opacity of products, as well as the settings of machines to be adjusted in each process for obtaining the required quality. It is prepared for each mill.

Attachment 6 Schematic diagram after recurrence prevention measures



Notes

- *1 Manufacture is requested by the division in charge of production planning for each sales division (e.g. Operation Supervisory Division for printing paper)
- *2 The Quality Standard Document indicates the quality required mainly for printing and wrapping paper, such as brightness, thickness, smoothness and opacity of products, as well as the settings of machines to be adjusted in each process for obtaining the required quality. It is prepared for each mill.
- *3 The above work will be clearly indicated in the procedural document.

Attachment 7 Responsibilities and Authority of General Managers after Measures to Prevent Recurrence

Title	Responsibilities and authorities
General Manager of the Quality Assurance Division	<ul style="list-style-type: none"> • As the person responsible for contracts with customers on the ratios of product content and quality for all Nippon Paper Industries, judges whether an agreement related to the ratios of product content and quality is acceptable and manages compliance with the agreement
General Manager of the Manufacturing Divisions	<ul style="list-style-type: none"> • Maintains and manages the production means (mills and facilities) for complying with contracts entered into with the customers • Provides advice from a production viewpoint when judging and ensuring compliance with contracts related to the ratios of product content and quality • When there are plans to modify or establish production facilities that may affect contracts that have been made with customers, evaluates and studies the impact and promptly reports to the General Manager of the Quality Assurance Division
General Manager of the Sales Divisions	<ul style="list-style-type: none"> • As the contact person for the customers, clarifies the customers' requests • Supervises operations so that no orders accepted and no sales activities violate any contracts with the customers • When sales plans are modified or the market situation changes in a way that could affect contracts that have been made with customers, evaluates and studies the impacts and promptly reports to the General Manager of the Quality Assurance Division • Is accountable to customers as the contact person, so that orders are accepted and issued for products that conform to the customers' purpose of use, quantity and requirements
General Manager of the Forestry Division	<ul style="list-style-type: none"> • Procures appropriate raw materials that are suitable for the contracts entered into with customers, and promptly notifies the General Manager of the Quality Assurance Division when procurement is difficult
General Manager of the Waste Paper Procurement Division	<ul style="list-style-type: none"> • Procures appropriate raw materials that are suitable for the contracts concluded with customers, and promptly notifies the General Manager of the Quality Assurance Division when procurement is difficult.

<p>General Manager in charge of production planning</p>	<ul style="list-style-type: none"> • Communicates with the production mills so that the contracts entered into with customers are complied with, and formulates appropriate production plans. Also, reports promptly to the Sales Divisions if such plans cannot be implemented, and requests that the order be revised.
<p>Manager of Technical Services and Environment Control Department</p>	<ul style="list-style-type: none"> • As the superintendent for contracts with customers concerning ratios of product content and quality, judges whether an agreement related to the ratios of product content and quality is acceptable and manages compliance with the agreement. • Clearly records the content ratios and quality values indicated in the contract with the customer (destination of delivery) in the Quality Standard when manufacturing products at the mills • When there are plans to modify or establish production facilities or implement an organizational change in the mill that may affect contracts that have been made with customers, evaluates and studies the impact and promptly reports to the General Manager of the Quality Assurance Division
<p>General Manager of Operation Supervisory Division</p>	<ul style="list-style-type: none"> • As the executive director of internal audits, manages procedural documents related to the measures to prevent recurrence and assumes responsibility for auditing each division