



NIPPON PAPER GROUP

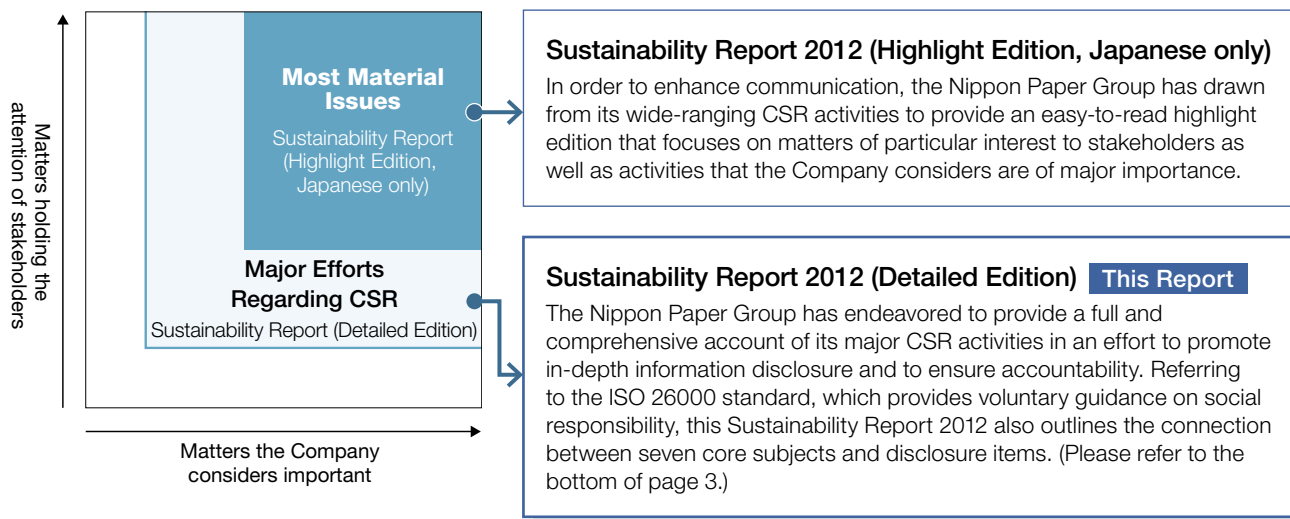
Sustainability Report 2012

Detailed Edition



Editorial Policy

The Nippon Paper Group has this year published an English-language detailed edition sustainability report to provide both in-house and external stakeholders an in-depth account of the Group's corporate social responsibility (CSR) activities. In addition, the Group has published an annual report covering the economic and financial aspects of the Group's activities.



The Selection of Reporting Items

The selection of reporting items was made taking into consideration matters holding the attention of stakeholders and items that the Company considers are of major importance. Selection was also based on an exhaustive review of issues of priority to society drawing on a wide variety of sources including past questionnaire surveys, guidelines and other requirements, daily communication activities and SRI research.

Period Covered

April 1, 2011–March 31, 2012*

* Includes some information from before April 1, 2011 and after March 31, 2012

Scope of Organizations Covered

This report positions Nippon Paper Group, Inc., the holding company, as the principal reporting entity, while also covering the activities of the Company as well as its 48 consolidated subsidiaries.

The scope of the report covers the basic environmental policies, systems, environmental accounting and environment performance data of the following 24 companies, which include all major production bases. Also included within the scope of the report is data for six non-consolidated subsidiaries of the aforementioned major production bases.

Consolidated: Nippon Paper Group, Inc.; Nippon Paper Industries Co., Ltd.; Nippon Daishowa Paperboard Co., Ltd.; Nippon Paper Crecia Co., Ltd.; Nippon Paper Papyrus Co., Ltd.; SHIKOKU COCA-COLA BOTTLING CO., LTD.; NIPPON PAPER-PAK CO., LTD.; Nippon Paper Chemicals Co., Ltd.; Nippon Paper Lumber Co., Ltd.; NP Trading Co., Ltd.; Nippon Paper Development Co., Ltd.; KOYO PAPER MFG. CO., LTD.; Kitakami Paper Co., Ltd.; Nippon Paper Industries USA Co., Ltd.; Nippon Seitai Corporation; PAL WOOD MATERIAL CO., LTD.; PAL CO., LTD.; N&E Co., LTD.; Daishowa Uniboard Co., Ltd.

(The contribution to total consolidated sales of the companies listed here was 89%).

Non-consolidated: Akita Jujo Chemicals Co., Ltd.; SOKA PAPER-PAK CO., LTD.; EGAWA PAPER-PAK CO., LTD.; MIKI PAPER-PAK CO., LTD.; ISHIOKA KAKO CO., LTD.; Nakoso Film Co., Ltd.

Nippon Paper Group, Inc. and the companies listed above are defined as “the Company” and “The Nippon Paper Group,” respectively, in this report. In addition, the four companies Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. merged on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company. Certain information relating to more recent data is based on the Group's company structure following the merger. The date is identified as appropriate in each instance.

Referenced Guidelines

- *Environmental Reporting Guidelines* (2012) of the Ministry of the Environment
- *Sustainability Reporting Guidelines* (Version 3.1) issued by the Global Reporting Initiative (GRI)
- United Nations Global Compact
- ISO 26000, etc.

Disclaimer

This report includes statements of fact and historical data as well as plans, forecasts and estimates (forward-looking statements) based on the business plan and policies of the Nippon Paper Group. These forward-looking statements are the result of assumptions or judgments based on currently available information as this report was prepared. Be advised that the estimates described in the forward-looking statements may differ significantly from actual results due to a number of important factors including future business activities and changing market conditions.

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Guideline Comparison Table (Environmental Reporting Guidelines (2012))

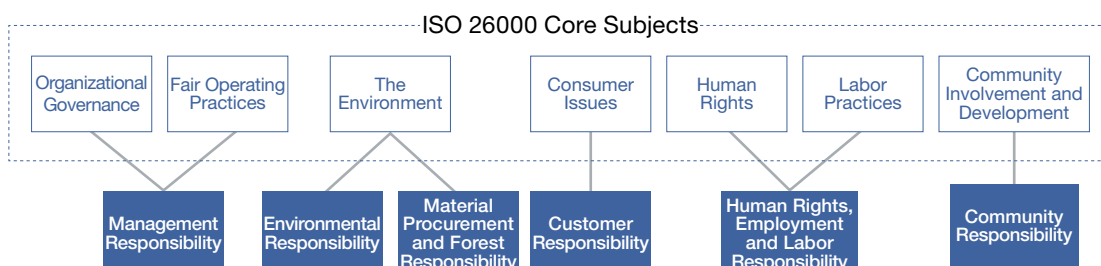
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The Connection between the Seven Core Subjects of ISO 26000 and Disclosure Items

The Nippon Paper Group is guided by ISO 26000 in its efforts to fully grasp the needs of society and engage in comprehensive information disclosure. The connection between the disclosure items of the Group's Sustainability Report 2012 (Detailed Edition) and the seven core subjects of ISO 26000 is presented as follows. Recognizing that the Nippon Paper Group, which relies heavily on timber as a source for manufacturing paper and related products, has a particularly close association with forests compared with other industries, this report includes a section on material procurement and forest resources that is independent of the section on the environment. In addition, steps have been taken to comment on the Group's responsibility with respect to management encompassing organizational governance as well as fair operating practices and responsibility with respect to human rights, employment and labor covering human rights and labor practices.



We will carve out a new future by promoting growth as a comprehensive player in biomass businesses while harnessing the experience gained in overcoming the earthquake disaster.



The Nippon Paper Group will create a new future by building on the experience gained in overcoming adversity.

2011 was a difficult year. The Great East Japan Earthquake, flooding in Thailand, and the financial crisis in Europe all had a dampening effect on conditions around the world. The earthquake disaster in Japan, in particular, took its toll on both domestic and overseas markets. For its part, the Nippon Paper Group was not spared from the disaster with damage to production bases in the Tohoku region including the Ishinomaki, Iwanuma, and Nakoso mills owned and operated by Nippon Paper Industries Co., Ltd. While all production facilities at the Iwanuma and Nakoso mills resumed operations in May 2011, rebuilding the mainstay Ishinomaki Mill, which bore the full brunt of the tsunami, was a major issue throughout fiscal 2011.

The Nippon Paper Group faced considerable difficulty in bringing about a recovery of the Ishinomaki Mill damaged by the tsunami. This included the removal of large volumes of debris and rubble. Thanks largely to the support of all related parties and the unified efforts of the Group, production facilities including paper machines resumed operations on a progressive basis from September 2011 with a full restoration completed on August 30, 2012 according to plans. I would like to extend my sincere thanks to business partners, equipment manufacturers, local residents, government agencies, Group employees, and their families for their invaluable support.

In the immediate aftermath of the earthquake disaster, our energies were directed toward confirming the safety of employees, promoting mutual cooperation with local residents, and ensuring the stable supply of products to customers. In addition, we were able to assist in the reconstruction of devastated areas through the removal of wood debris and the supply of electric power. In working to fulfill our social responsibilities through each of these initiatives, we were again reminded of the inextricable link between corporate and CSR activities.

Utilizing the collective capabilities of the Group to carry out reconstruction against adverse conditions provided not only me, but also the entire Group, with considerable confidence. In light of the experience gained, we promoted risk countermeasures including a review of natural disaster response initiatives. With the knowledge acquired while overcoming this crisis, we will chart a new future as a more robust Nippon Paper Group.

Striving to promote increased growth as a comprehensive player in biomass businesses

The mission of management is to ensure that it remains one step ahead of even the slightest shift in the market. We have therefore implemented appropriate countermeasures while contributing to reconstruction efforts following the earthquake disaster. In response to the slump in demand in Japan caused by such factors as the Lehman Brothers shock in 2008, the Nippon Paper Group put in place its Third Medium-Term Business Plan, which covered the three-year period from fiscal 2009 to fiscal 2011. Under the Plan, we took steps to downsize our domestic paper business and to focus on such areas as overseas business growth. Buffeted, however, by a harsh operating environment, the Group recognized the need to further amend its business structure in order to promote sustainable development. As a result, in formulating its Fourth Medium-Term Business Plan, the Nippon Paper Group decided to pursue the parallel themes of strengthening the earning power of its paper business and reinforcing efforts to transform its business structure from 2012.

Transforming the Group's business structure entails expanding into wood-based business fields other than the paper domain. In addition to paper, the Nippon Paper Group has been active in such package material fields as paperboard and paper containers. Together with chemical products that utilize wood-based materials, the Group has also provided a variety of products using wood as a principal raw material.

Moreover, the Group uses both construction waste material and black liquor, which is a byproduct of paper manufacturing, as biomass fuels.

Looking ahead, and in an effort to forge a position as a comprehensive player in biomass businesses, the Nippon Paper Group will work to cultivate new businesses that extend beyond its existing activities while utilizing its accumulated technological expertise and strengths. In this regard, the Group is already promoting several projects in the biomass energy field, where demand continues to climb, and developing biomass materials as an alternative to petrochemical products.

In October 2012, Nippon Paper Industries Co., Ltd. was re-launched as the surviving company and new entity following its merger with Group companies Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. In completing the merger, the Group has integrated the separate and individual growth fields of each company and established a structure that engages actively in promising business fields.

On the 20th anniversary since "sustainable growth" was first advocated at the Global Summit in 1992, the Rio + 20: United Nations Conference on Sustainable Development was held in 2012. The Nippon Paper Group is endeavoring to help build a sustainable society by promoting the potential of wood as a renewable resource and delivering a wide range of products that benefit society.

Meeting the expectations and demands of society while engaging in continuous dialogue

In working to cultivate and utilize forest resources, the Nippon Paper Group is deeply involved in activities that impact the global environment. In this context, the Group has formulated its Green Action Plan and is taking steps to ensure its effective implementation. Under its Green Action Plan 2015, intended to be completed by fiscal 2015, the Nippon Paper Group has taken into consideration shifts in its business environment as well as society's needs while focusing on the additional aspects of the value chain and traceability. In this manner, the Group will endeavor to address growing awareness toward the environment by a broad spectrum of stakeholders.

In pushing forward CSR activities, the Nippon Paper Group is placing particular emphasis on dialogue with stakeholders. While working to grasp and remain sensitive to changes in stakeholder expectations and demands, every effort is being made to enhance corporate value. Cognizant of the dangers posed by climate change and the escalating nature of a wide range of global scale social issues, the Nippon Paper Group is determined to cooperate with society and to overcome adversity by adopting the broadest possible perspective. Driven by this determination, Nippon Paper Group, Inc. is a supporter and advocating participant of the United Nations Global Compact, which raises 10 Principles with respect to human rights, labor standards, the environment, and the prevention of corruption.

This Sustainability Report focuses mainly on the Nippon Paper Group's current efforts to support reconstruction following the Great East Japan Earthquake, build a sustainable society, and address social issues in the context of the value chain. As we work toward achieving these goals, taking into account the expectations and needs of society, we welcome the candid comments and opinions of all stakeholders and extend our sincere appreciation for your continued support and understanding.



Yoshio Haga

President
Nippon Paper Group, Inc.

Reconstruction following the Great East Japan Earthquake

The Great East Japan Earthquake that struck northeastern Japan on March 11, 2011 caused considerable damage to six of the Nippon Paper Group's production bases. On March 12, 2011, the Nippon Paper Group established the Emergency Committee. Led by the president, the Committee coordinated efforts to confirm the safety of employees and to ensure that the Group continued to fulfill its responsibilities regarding the supply of products and services. On March 17, 2011, Nippon Paper Industries set up the Disaster Recovery Division. With the support of a great many people, the company was able to pursue reconstruction. Operations then recommenced in full at Ishinomaki Mill, the hardest hit of the three production bases on August 30, 2012. In this section, we provide an overview of the reconstruction process.

Note: A detailed report concerning the Great East Japan Earthquake is provided in the Sustainability Report 2011.
<http://www.nipponpapergroup.com/contents/200160367.pdf>

Koinobori (colorful carp streamers) made by local children (see page 10)

Initiatives in response to the earthquake disaster

Yoshio Haga, president of Nippon Paper Group, Inc., pledging his support for reconstruction efforts to the mayor of Ishinomaki City

Removing wood waste and debris following the earthquake disaster

Group employees helping in the distribution of emergency and relief supplies

Volunteer employees at work recovering fishing gear

For customers

- Reported on available supplies and supply methods
- Secured alternative production arrangements
- Implemented various measures including the emergency import of newspaper paper from Group companies in the U.S.

For disaster-hit areas

Working hand-in-hand as a member of the local community to bring about the reconstruction of affected areas

- Pledged early reconstruction of the Ishinomaki Mill
- Removed earthquake debris, using wood waste as fuel
- Supplied electric power to Tohoku Electric Power Co., Inc. and Tokyo Electric Power Co., Inc.
- Leased land for use as temporary housing

Supporting reconstruction as a corporate group

- Contributed a total of ¥100 million to local municipalities in Ishinomaki, Iwanuma, and Iwaki cities
- Supplied essential daily items and 360,000 disposable diapers
- Implemented a bus service for volunteer workers.

For employees

- Provided evacuation support and guidance at the time of the earthquake disaster
- Delivered a wide range of emergency and relief supplies
- Implemented a variety of measures including initiatives aimed at strengthening natural disaster response capabilities

The status of damage incurred by the Nippon Paper Group

Personal loss and suffering

Nippon Paper Industries Co., Ltd.

Three mills and one branch (total aggregate workforce; 1,409 employees) incurred damage as a result of the earthquake and subsequent tsunami. The safety of all employees, who were on duty at the time, was confirmed. It is with a deep sense of sorrow and regret that we report six employees lost their lives outside working hours.

Sadly, four employees lost their lives to the disaster.

NANKO UNYU CO., LTD.

Related and Partner Companies

Regrettably, eight employees from related companies not included in the Group's scope of consolidation, as well as major partner companies, lost their lives.

Property damage

While the Nippon Paper Group was forced to suspend operations at six mills as a result of the earthquake and subsequent tsunami, all production facilities resumed operating in accordance with plans. Brief details are presented as follows.

Nippon Paper Industries Co., Ltd.

Nakoso Mill: May 2011
 Iwanuma Mill: May 2011
 Ishinomaki Mill: August 2012
 Akita Mill: March 2011

Nippon Daishowa Paperboard Co., Ltd. Kitakami Paper Co., Ltd. Companies

Daishowa Uniboard Co., Ltd. Miyagi Mill: April 2011

Playing a core role in further developing the regional economy

Natsuo Fujisaki
Managing Director and General
Manager of the Ishinomaki Mill
Nippon Paper Industries Co., Ltd.
(formerly General Manager of the
Disaster Recovery Division)



On March 12, 2011, the day after the earthquake struck Japan, the Emergency Committee was established within the head office of Nippon Paper Group, Inc. At the same time, the president of the Company declared a state of emergency. Thereafter, the Disaster Recovery Division was set up within Nippon Paper Industries on March 17, 2011 as a part of comprehensive efforts to ensure the resumption of operations at damaged mills. I assumed the position of general manager of the Division determined to do my utmost until smiles returned to the faces all employees involved in operations at each of the damaged mills.

During a visit to the Ishinomaki Mill to inspect damage on March 26, 2011, Yoshio Haga, president of Nippon Paper Group, Inc., reconfirmed the Company's intention to reconstruct the Mill bringing cries of joy and relief to the Mill's many employees as well as government agencies, local residents and shopkeepers anxious about the future. I was struck with a strong sense of responsibility recognizing that the Mill's reconstruction would lead directly to the region's recovery.

First, reconstruction required the removal of soil, sludge, and rubble. Despite the tireless efforts of employees and support from related companies as well as personnel dispatched from other mills, the process took four months.

Working in unison while building on the collective strengths of various personnel from companies throughout the Group, successful efforts were made to lift the pace of reconstruction with each passing day. Buoyed by these endeavors, Paper Machine 8 was brought back into service

six months after the earthquake disaster.

A further six months later, the mainstay Paper Machine 6 resumed operations in March 2012. We were greatly encouraged by local residents who commented that the water vapor rising from the stacks of the Mill was a source of immense hope, helping to lift spirits and drive forward the region's recovery.

In June 2012, the Disaster Recovery Division was disbanded and I assumed the position of Ishinomaki Mill general manager. Two months later at the end of August 2012, the Mill completed its full recovery according to plans. Looking ahead, we will cooperate with the city and prefecture to implement wide-ranging tsunami countermeasures including the construction of coastal levees and elevating roadways. We will continue to help promote recovery and reconstruction including the removal of rubble and supply of electric power.

Learning from this recent disaster, we have focused on putting in place enhanced natural disaster countermeasures and reviewed our natural disaster manual. We will continue to strengthen our endeavors to build a mill that is resilient to natural disaster.

In addition, we will promote the effective use of new construction materials made from granulated boiler ash and pursue the application of materials sourced from the Tohoku region and Japan. Through these and other measures, we will strive to ensure mill operations that boast increased cost competitiveness and efficiency.



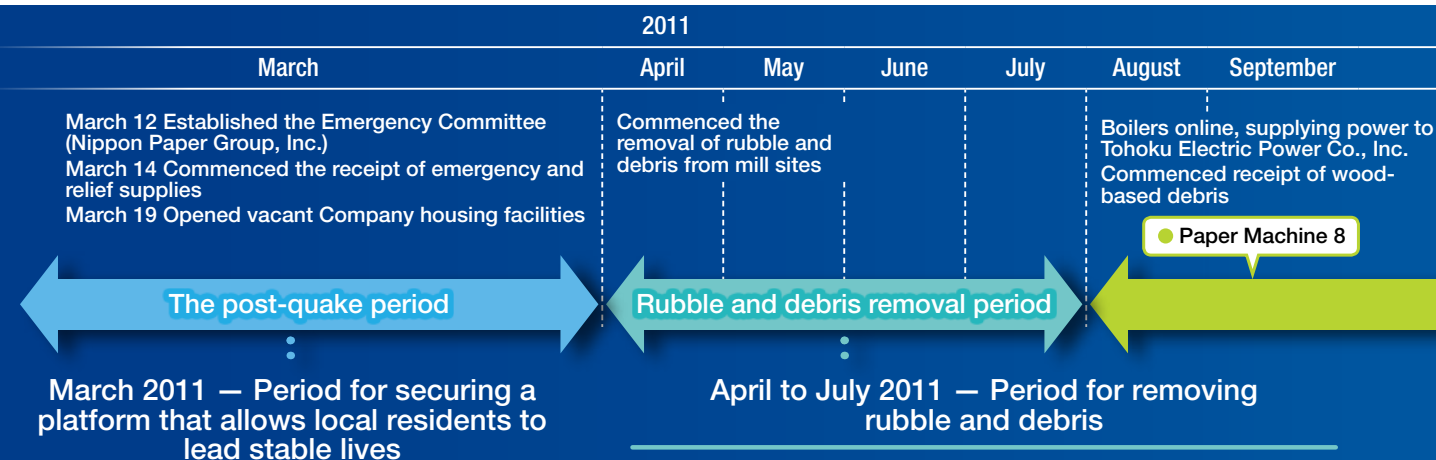
Yoshio Haga (third from the right), president of Nippon Paper Group, Inc., inspecting damage at the Ishinomaki Mill on March 26, 2011



A morning meeting in front of the makeshift office where employees pledge their utmost efforts prior to commencing the day's work

The path to reconstructing the Ishinomaki Mill

Reconstruction timeline



The Ishinomaki Mill was completely submerged underwater due to the tsunami. However, emergency evacuation measures were implemented ensuring the safety of all employees working inside the Mill. Among a variety of initiatives implemented in the wake of the disaster, steps were taken to deliver emergency and relief supplies and open vacant Company housing for use by displaced residents.



Employees evacuating the Mill



Emergency and relief supplies delivered to the Ishinomaki Mill

Reconstruction support teams were established at mills unaffected by the earthquake disaster. At the same time, heavy machinery and operators were dispatched to commence clean-up activities. Employees from the Ishinomaki Mill and partner companies combined with members of reconstruction support teams to remove rubble and debris.



The removal of rubble and debris using heavy machinery



The removal of rubble and debris by hand

Voice



Placing the utmost emphasis on safety and human life as an initial response

Takashi Sato

Assistant Manager, General Affairs Dept.
Ishinomaki Mill
Nippon Paper Industries Co., Ltd.

Immediately after the earthquake struck, radio broadcasts began warning about a tsunami that would be several meters high. We took prompt steps to evacuate the 1,306 employees working onsite. I immediately felt that this was going to be worse than any tsunami we had seen, so I insisted that everyone climb to higher ground. The mill-wide emergency broadcasting system proved invaluable. It meant that even after we lost electric power we were able to repeatedly broadcast evacuation orders. Undoubtedly, disaster preparation initiatives saved lives that day. Several of the employees, who had evacuated to higher ground asked to return to the Mill to retrieve their mobile phones. Actions of this nature were strictly prohibited as a matter of course.

Once the safety of staff had been secured through the evacuation of all employees, employees responsible for organizing the evacuation only just had time to scramble to safety themselves before, seconds later, the horrifying force of the tsunami hit the mill. Our urgent actions were successful. Every single mill employee was safe.

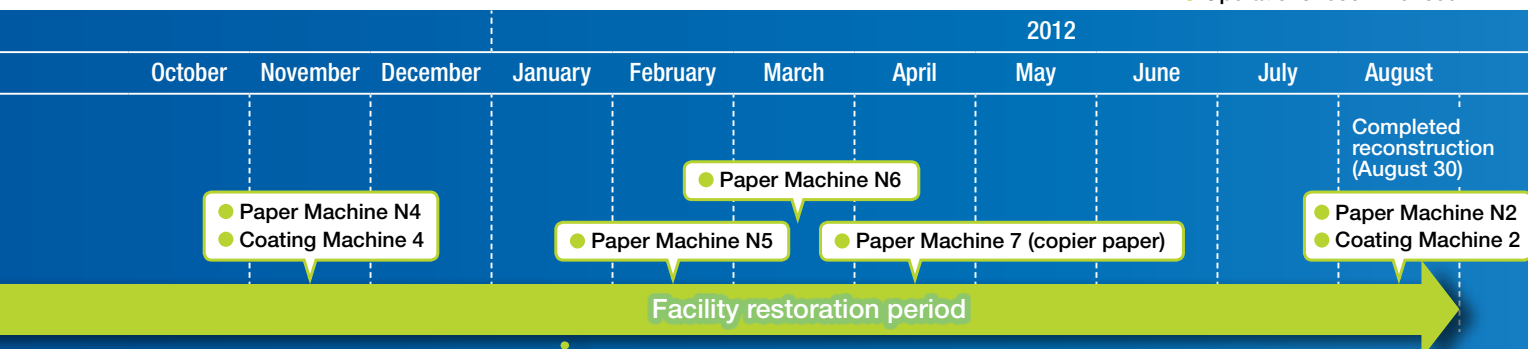
Photographs tracing reconstruction

Before reconstruction



The Ishinomaki Mill, owned and operated by Nippon Paper Industries, took steps to secure a platform that would allow local residents to lead stable lives, remove rubble and debris, and restore facilities and equipment. On August 30, 2012, the Mill brought back online Paper Machine 6 and Coating Machine 2 in accordance with the Group's Paper Business Revitalization Plan announced in August 2011.

● Operations recommenced



August 2011 to August 2012 — Period for bringing about facility recovery

In conjunction with the removal of rubble and debris, the Mill took steps to ascertain the status of damage and to undertake repairs. In August 2011, the Mill's power source was restored. In the following month, production facilities were brought back online in order of precedence. Thereafter, all six paper machines and two coating machines recommenced operations on August 30, 2012 according to plan. Production began anew with an annual capacity target of 850,000 tonnes.



Paper Machine 8 brought back into service



Successful steps to bring about a full recovery at the Ishinomaki Mill



Operations resumed at Paper Machine N2

Toward mills that are more resilient to natural disasters

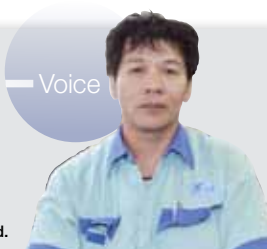
The Nippon Paper Group reflected the lessons learned from the recent catastrophe into each of its mills disaster response manuals. This entailed incorporating practical drills more in tune to actual circumstances, promoting appropriate information disclosure methods during emergency situations, and putting in place evacuation and communication procedures.

After reconstruction



Helping in the start-up of machinery throughout the Mill

Noriaki Sato
Assistant Manager
Section 1, Paper Machine 1
Nippon Paper Industries Co., Ltd.



After inspecting equipment and facilities following the earthquake, the first floor pump and electric power machinery powering Paper Machine 8 were submerged under water. In contrast, the main Paper Machine unit located on the second floor was spared any major damage. Under these circumstances, we felt that a resumption of operations was more than possible. With a strong sense of mission, we focused on delivering printing paper to our publishing customers at the earliest possible opportunity.

Restarting a paper making machine is a complex process, and sometimes problematic. It requires demanding skills and time to establish the flow of paper through the machine. However, that day the machine started perfectly and the paper flowed without a problem. It seemed like a miracle. There was now no doubt; we could make paper again in Ishinomaki. Hope had been reborn.

Comments from members of the local community



Working hand-in-hand to reconstruct the Ishinomaki region

Hiroshi Kameyama
Mayor, Ishinomaki City

Ishinomaki City suffered horrendous damage as a result of the Great East Japan Earthquake. Houses and businesses near the coast suffered the severest damage from the tsunami. Most tragic of all was the terrible loss of so many lives.

Despite these difficulties, the damage incurred to their own equipment and facilities, and personal suffering, Nippon Paper Industries Co., Ltd. and group companies have been selfless in providing their support and assistance in removing immense volumes of rubble. I would like to express my sincere appreciation for their efforts.

Mr. Haga, president of Nippon Paper Group, Inc., was quick to pledge the full reconstruction of the Ishinomaki Mill, owned and operated by Nippon Paper Industries Co., Ltd. At a time of deep anxiety and uncertainty, this commitment

provided encouragement to the 160,000 residents of the city.

I am filled with awe and respect toward the efforts of all concerned at Nippon Paper Industries Co., Ltd., who brought about a complete recovery of the Mill in the very short period of one year and six months. At the same time, I am convinced that the recovery of the mill would, in turn, lead to a strong recovery of the whole Ishinomaki area.

As a city, we have identified the fundamental principles of building a city that is resilient to disasters, revitalizing industry and the regional economy, establishing a society that is defined by its close ties and bonds forged through cooperation. Our goal is to serve as a reconstruction model for the rest of the world. Working hand-in-hand with Nippon Paper Industries Co., Ltd. we will strive to realize a full recovery.

Expectations for the future

Sueo Takagi
Neighborhood Association Director
Yoshiyama-cho



The scene was unforgettable. After the earthquake I stood in my garden and stared in disbelief at what had been the office and the canteen I had often visited; now they were just piles of debris. Rubbish was everywhere, with the wreckage of people's homes from outside the mill.

In the aftermath of the disaster, the Nippon Paper Group provided emergency and relief supplies, opened its facilities to local residents, and worked hand-in-hand to bring about a recovery. More than anything else, however, the community was encouraged by the pledge to reconstruct the Mill. A great weight was lifted and anxieties allayed as we witnessed efforts to rebuild the facility. The completion of construction in less than a year and a half brought a significant ray of hope to the City of Ishinomaki.

A key issue confronting Ishinomaki City in the wake of the earthquake is rising unemployment. My hope is that the continued growth and development of the Mill will help generate additional employment.

Encouraged by the sight of *koinobori* (colorful carp streamers)

Etsumi Saito
Vice Principal
Ishinomaki Kadonowaki Elementary School

The Ishinomaki Mill came to us with the idea of making enormous colorful carp streamers in an effort to provide encouragement to the people of the region as they took the first steps toward rehabilitation and to promote the healthy growth of children. Young children from all schools throughout the region threw themselves into the task.

Seeing these massive streamers blowing majestically in the wind from the stacks of the Ishinomaki Mill impressed all of the children and local residents and provided a wonderful source of encouragement.



Voices responding gratefully to the support

Many people participated in and supported efforts to reconstruct the Ishinomaki Mill

Hiromi Kurata
Advisor
Nippon Paper Industries Co., Ltd.
(formerly senior managing director and
general manager of the Ishinomaki Mill)



I would like to express my appreciation to all those who provided their support in the reconstruction of the Mill. Considerable supplies and donations were received following the disaster. At the same time, I am extremely grateful to all Mill employees as well as related and partners companies, who successfully brought about a complete recovery of the Mill from what was virtually a hopeless position. The sight of people working through the burning heat of summer and the bitter cold of winter, and never saying a word, will remain in my mind and in my heart forever.

The earthquake disaster again shone a light on the enormous strength and fortitude of people and the ability to overcome adversity. Supported by this power, I also take great pride in the Ishinomaki Mill. In working toward

resumption of operations at the Mill, we received numerous comments of encouragement from local residents. The earthquake was undeniably a terrible experience, yet through the hardship I was able to experience things that were truly moving, to see genuine appreciation for the help given, and to witness the formation of deep ties between people. In overcoming hardships, I am convinced that the more robust Ishinomaki Mill will continue to develop and grow in partnership with the local community.

Stickers made from paper produced at the Ishinomaki Mill. The design depicts the character for "dreams" and the feelings of heartfelt thanks.



Passing on the baton of successful efforts to reconstruct the Mill and focusing on activities to protect and enhance customer satisfaction.

Shinichi Sato
Managing Director and General
Manager Paper Sales Division
Nippon Paper Industries Co., Ltd.



I would like to extend my sincere thanks to all customers who provided their generous support and cooperation following the recent earthquake disaster.

Having incurred substantial damage to its facilities, Nippon Paper Industries Co., Ltd. was forced to suspend the monthly production and supply of 80,000 tonnes of printing paper. We were, however, able to minimize the impact on customers and disruptions to supply by boosting production at other mills in Japan and overseas as well as directing products earmarked for export to the domestic market.

After successfully bringing about a complete reconstruction of the Mill, the baton has now been passed on to operating, sales, and marketing departments. It is now the mission for these departments to carry on this effort through to the delivery. I believe that the genuine revival of the Nippon Paper Group will only be achieved when this complete cycle is achieved.

The paper market in Japan continued to confront extremely harsh conditions. This is largely attributable to the lingering effects of the earthquake disaster and the prolonged slump in economic activity. Moving forward, we will work toward overcoming this difficult environment by delivering products to customers in a timely manner. R&D, Production, and Sales will work closely together to respond quickly and effectively to customers' needs.

Nippon Paper Industries Co., Ltd. formulated its Paper Business Revitalization Plan, which included the reduction of production facilities, in August 2011. Looking ahead, we will work closely with the Ishinomaki Mill to carry out the Plan. We will continue working hard to increase the number of customers for whom we are the manufacturer of choice for their paper product needs.

Building a Sustainable Future

Activities undertaken as a comprehensive player in biomass businesses

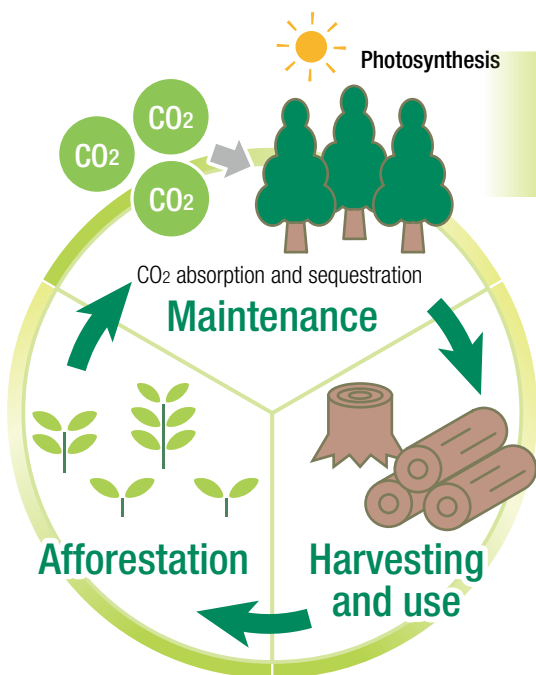
The Nippon Paper Group is actively engaged in the supply of a variety of products that use wood, a renewable resource, as a principal raw material, to society.

In this Special Feature, we report on the Nippon Paper Group's efforts to help build a sustainable society as a comprehensive player in biomass businesses while making the most of the inherent qualities of wood and forest resources.

Promoting sustainable forest resource procurement

Wood is a renewable resource. Unlike such exhaustible resources as oil and minerals, wood can be used on a continuous basis through proper forest management which entails planting, harvesting, and maintenance.

The Nippon Paper Group engages in sustainable forest resource procurement through implementing a process of global supply chain management that takes into consideration environmental and societal concerns. On this basis, the Group has adopted the Tree Farm Initiative as a part of its overseas afforestation activities growing as many trees as are harvested each year (see page 59).



Utilizing sustainable resources

After harvesting, steps are taken to regenerate forests through replanting as well as coppicing, which entails the growth of shoots that sprout from stumps into new trees. In this manner, every effort is being made to ensure a permanent source of forests.

Providing society with a variety of products that utilize wood as a principal raw material

In addition to its lineup of mainstay paper, paperboard, and household paper products, the Nippon Paper Group provides a wide range of paper container, wood and construction material, as well as biochemical products. At the same time, the Group is promoting the supply of biomass energy utilizing wood resources as a fuel. By employing the properties of wood in multi-faceted ways, the Nippon Paper Group is pursuing further growth as a comprehensive player in biomass businesses (see pages 14 to 15).



Making the most of the inherent properties of wood and forests while helping to resolve wide-ranging issues in an effort to build a sustainable society

Preventing global warming, addressing the depletion of resources, and promoting biodiversity conservation are all key issues in building a sustainable society. In order to resolve these issues, the Nippon Paper Group is making the most of the outstanding properties of wood and forests.

Principal issues

Characteristics of wood and forests

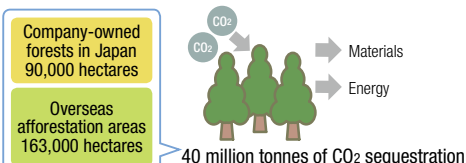
Initiatives of the Nippon Paper Group

Preventing global warming

CO₂ absorption and sequestration from the atmosphere

Trees absorb and sequester CO₂ from the atmosphere and are a major repository of carbon. This carbon is retained even after trees have been processed into wood and used as construction materials and paper. In this manner, products derived from forests and wood materials help reduce CO₂ in the atmosphere and prevent global warming.

CO₂ sequestration totaling approximately 40 million tonnes through the management of forests in Japan and overseas

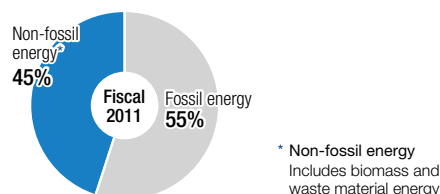


Addressing the depletion of resources

Potential as an alternative to fossil resources

Wood is a renewable resource that can be increased through planting and cultivation. The use of wood as an alternative plastic material to petrochemical products and the application of construction material waste as well as lumber from tree thinning as non-fossil biomass fuels can also help prevent resource depletion together with global warming.

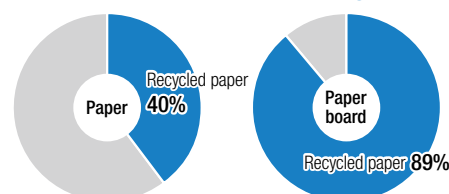
Non-fossil energy accounting for 45% of energy consumed >>> page 41



Outstanding recycling properties

Paper products are well recognized for their recycling properties. In this context, Japan was quick to establish a mechanism to collect and utilize recycled paper. Efforts to promote the effective use of resources contribute significantly to the creation of a recycling-based society.

Recycled paper utilization rate: paper 40%; paperboard 89% >>> page 52



Biodiversity conservation

Protecting ecosystems through forests

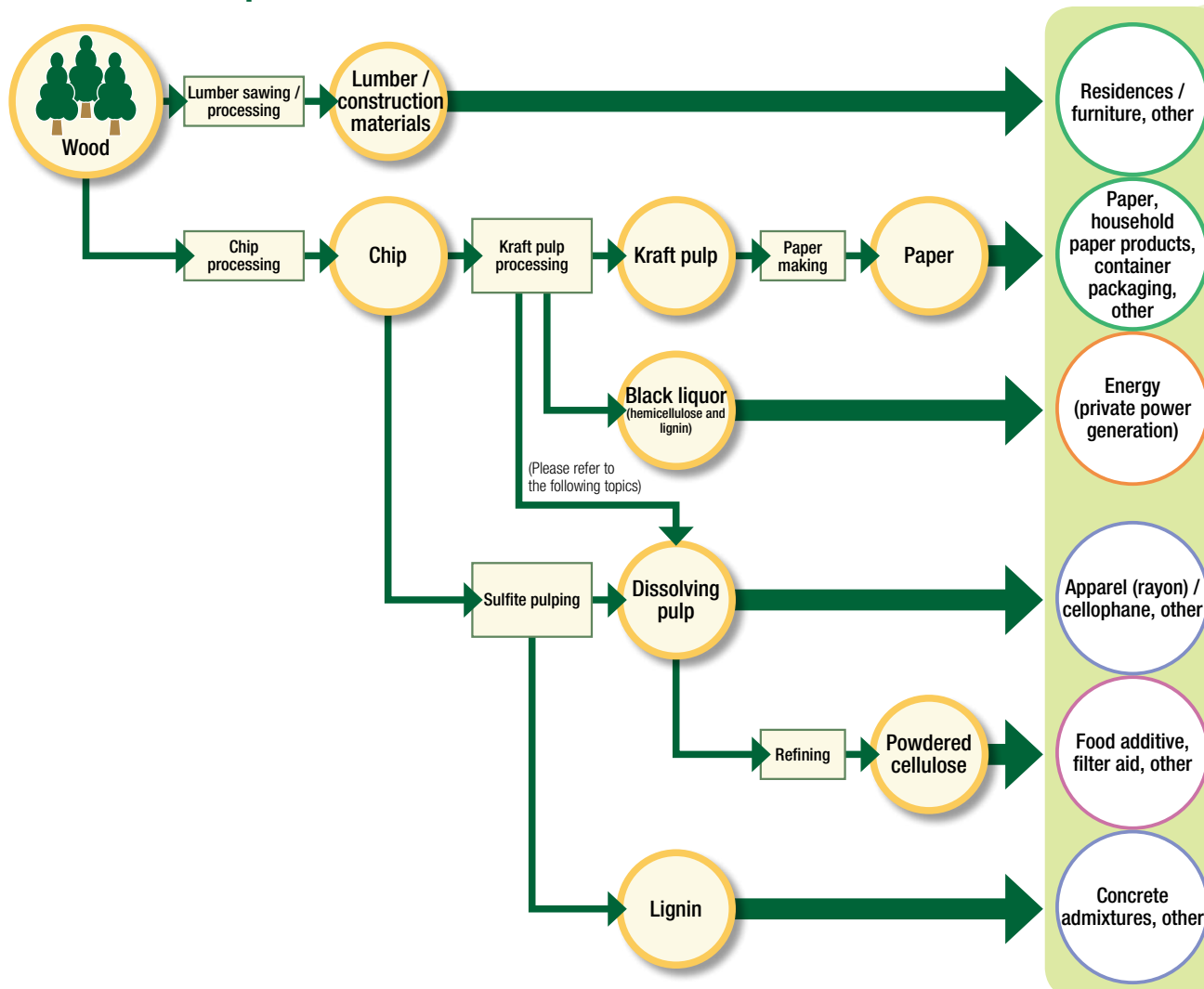
In addition to preventing global warming and protecting watersheds, forests possess a wide variety of functions while providing shelter for diverse living creatures. In this context, the proper management and cultivation of forests plays a major role in biodiversity conservation.

Approximately 20% of Company-owned forests in Japan maintained as environmental forest areas >>> page 61

Mount Nikko Shirane in the Company-owned Sugenuma Forest in Gunma Prefecture



Providing a variety of products driven by advanced knowledge and technologies while creating businesses that draw out the potential of wood resources



Topics

Pioneered the manufacture of dissolving pulp in Japan using a kraft pulp continuous digester

Dissolving pulp is used as a raw material in the production of rayon. In recent years, demand for dissolving pulp has increased reflecting robust demand for rayon in China. In order to address this trend, Nippon Paper Industries commenced trial production of dissolving pulp employing a continuous digester using its kraft pulp production facilities used to make paper.

In manufacturing dissolving pulp, a hydrolysis cooker is newly introduced to the existing kraft pulp production process in order to extract hemicellulose. Adopting this kraft pulp method in the manufacture of dissolving pulp helps ensure a higher level of cellulose purity.

This initiative represents the first time that dissolving pulp is being manufactured using a kraft pulp continuous digester in Japan. The Ministry of Economy, Trade and

Industry has in turn agreed to provide a subsidy for use in meeting the expenses under its Innovation Center Establishment Assistance Program: The Subsidy for Advanced Technology Demonstration and Evaluation Facility Development (corporate demonstration/evaluation facility development program).

Looking ahead, annual production will be expanded to 30,000 tonnes on a progressive basis with efforts directed toward cultivating new overseas markets that offer substantial potential.



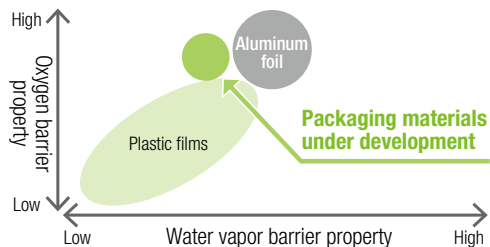
A continuous digester

Taking steps to expand the application of paper-based products

Industrial materials field

Developing low environmental impact paper-based packaging materials

The Nippon Paper Group is actively engaged in the development of new paper-based packaging materials for use in the food and related fields. Using proprietary technologies, the Group is enhancing gas barrier properties through the use of special coatings. By promoting alternatives to the films currently used in food and related packaging, the Group is increasing awareness and use of wood-based materials.



Energy field

Actively promoting energy businesses in an effort to contribute to the stable supply of electric power

The Nippon Paper Group boasts Japan's leading in-house power generation capacity, apart from power companies. The Group has considerable expertise in equipment operation at diversified power generating plants, actively using non-fossil energy, including wood- and waste-based fuels, which accounts for 45% of total energy consumption. Taking full advantage of these inherent strengths, the Nippon Paper Group is engaging in the supply and sale of electric power. The Group is now considering the introduction of biomass-fired thermal as well as photovoltaic and wind power generation plants.

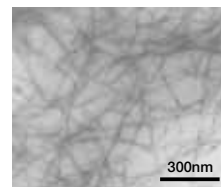


Nippon Paper Industries Co., Ltd. Fuji Mill

Biochemical field

Promoting advanced applications of wood-based materials as an alternative to fossil resources

The Nippon Paper Group is promoting advanced applications of wood-based materials based on technologies developed through its business activities. For example, the Group holds high expectations for cellulose nanofiber, which has paper-like light weight with steel-like strength, as an exterior protective material for automobiles and so on. The Group anticipates uses for compound technologies in a variety of materials including food packaging. The Group is reinforcing development activities in this field as well as working with universities and other companies to develop early commercialization.



Cellulose nanofiber

Film made from cellulose nanofiber



Agricultural and food materials fields

Expanding business in the seedling and functional food materials fields using the Group's agri-bio technologies

In its agricultural and food materials business, the Group applies its proprietary technologies of cultivating cuttings in containers, researched and developed through afforestation, to support agriculture. The Group is facilitating volume production of plants considered difficult to nurture. The Group is also expanding activities in the functional food market through its high-value-added tea seedling business including the cultivation of Sunrouge having high anthocyanin content, a tea cultivar which helps reduce eyestrain.



Producing seedlings using proprietary techniques for cultivating cuttings in containers

Outline of the Nippon Paper Group

Company Profile

Name Nippon Paper Group, Inc.
Address 1-2-2, Hitotsubashi, Chiyoda-ku, Tokyo, Japan
Capital ¥55.73 billion
Incorporation March 30, 2001
Securities Exchanges Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange (Securities Code 3893)
Telephone +81-3-6665-1000

Group Companies (As of March 31, 2012)

By Financial Statement Classification

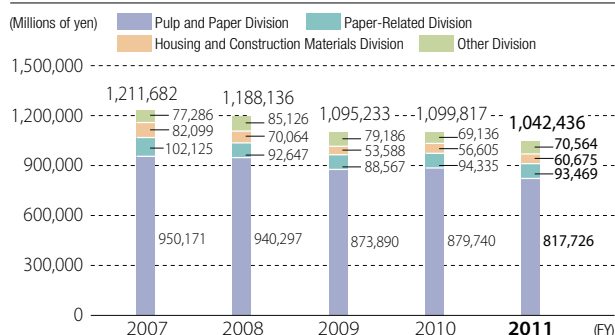
Consolidated subsidiaries	Non-consolidated subsidiaries	Affiliates
48	91	48

By Region

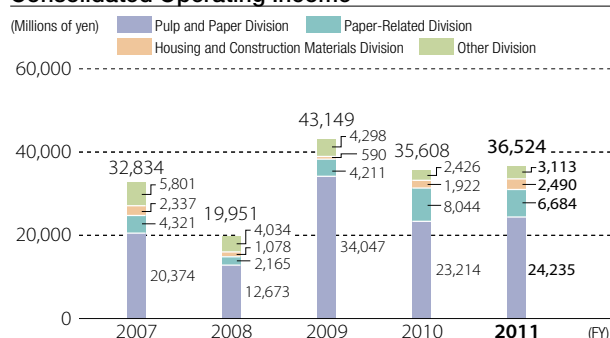
Country / Region	Japan	USA	Canada	Australia	Asia	Europe	Total
Consolidated subsidiaries	36	2	1	4	3	2	48
Equity-method affiliates	7	1	1	1	0	2	12

Major Financial Indicators Trends

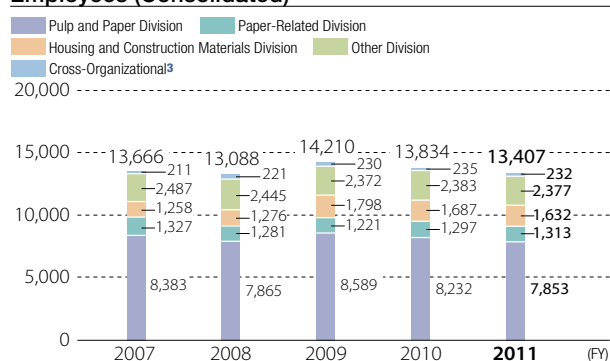
Consolidated Net Sales¹



Consolidated Operating Income¹



Employees (Consolidated)²

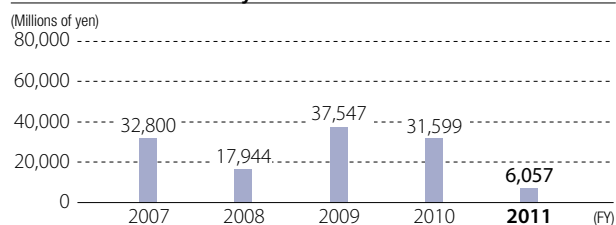


¹ The Nippon Paper Group reclassified its business segments in FY2010. Figures up to FY2009 represent data for business segments prior to reclassification.

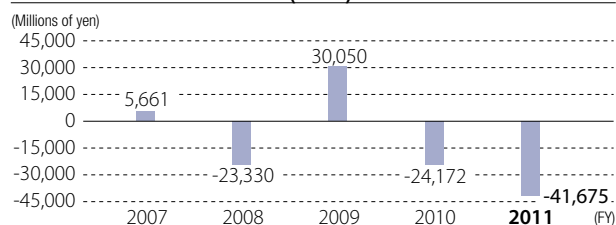
² Fiscal year-end data

³ "Cross-organizational" means employees responsible for multiple divisions.

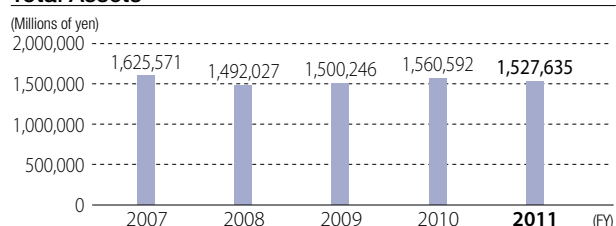
Consolidated Ordinary Income



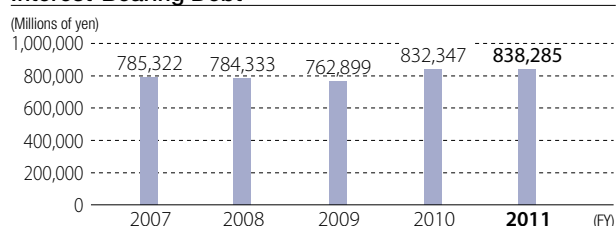
Consolidated Net Income (Loss)



Total Assets



Interest-Bearing Debt



Business Details, Major Customers and Markets of the Nippon Paper Group (as of March 31, 2012)*

Pulp and Paper Division

Manufacture and sale of paper, paperboard, household paper products and pulp

Consolidated Subsidiaries

Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Creca Co., Ltd., Nippon Paper Papyrus Co., Ltd., Kitakami Paper Co., Ltd., KOYO PAPER MFG. CO., LTD., Daishowa North America Corporation, Nippon Paper Industries USA Co., Ltd., NP Trading Co., Ltd., Kokuei Paper Co., Ltd., Dyna Wave Holding Asia, SUN OAK CO., LTD., Paper Australia Pty. Ltd. and seven other companies

Major Products

- Newsprint, printing and publication paper, business communication paper and related products
- Specialty paper (thin paper, high-performance paper)
- ◆ Linerboard and corrugating medium coated duplex board, tube and core paperboard, packaging paper
- △ Household paper products (facial tissue paper, bathroom tissue paper, paper towels, diapers)

Paper Media

Product Applications

Newspapers, books, magazines, leaflets, postcards, notebooks, printer paper, various paper slips



Principal Customers

The corporate sector including newspaper, publishing, printing, stationary and related companies; the public sector including public agencies and offices

Paper-Related Division

Manufacture and sales of processed paper products and chemical products

Consolidated Subsidiaries

NIPPON PAPER-PAK CO., LTD., Nippon Paper Chemicals Co., Ltd., Nippon Seitai Corporation, FLOWRIC CO., LTD. and Sakurai Co., Ltd.

Major Products

- ◆ Liquid-packaging cartons and paper packaging containers
- ◆ Heavy duty bags (paper bags and plastic bags)
- ◆ Functional films
- ◆ Dissolved pulp, functional chemical products (sweeteners, seasonings, base products for pharmaceuticals, paints)
- △ Kitchen wraps

Paper Manufacturing

Principal Customers

Paper manufacturers



Container and Packaging

Product Applications

Beverage containers, cardboard products, paper boxes, envelopes, paper bags, wrapping paper



Principal Customers

Beverage manufacturers, manufacturers of a variety of paper processing products

Housing and Construction Materials Division

Procurement and sales of lumber; manufacture and sales of construction materials, and; civil engineering-related businesses

Consolidated Subsidiaries

Nippon Paper Lumber Co., Ltd., South East Fiber Exports Pty. Ltd., NIPPON PAPER UNITEC CO., LTD., Kokusaku Kiko., Co., Ltd., PAL WOOD MATERIAL Co., Ltd., PAL CO., LTD., N&E CO., LTD., Daishowa Uniboard Co., Ltd., Kunimoku House Co., Ltd. and Nippon Paper Ishinomaki Technology Co., Ltd.

Major Products / Business

- Housing and construction materials (beams, flooring, doors)
- Housing
- ▲ Woodchips and recovered paper

Food and Chemical Products

Product Applications

Paints, rayon fibers, seasonings, pharmaceuticals



Principal Customers

Manufacturers of beverages, food, chemicals

Housing and Construction

Product Applications

Housing, furniture



Principal Customers

Construction materials, housing and construction companies, general consumers

Other Division

Beverage, leisure, warehousing and transportation and electric power supply businesses

Consolidated Subsidiaries

Nippon Paper Development Co., Ltd., Graphic Arts Communication, NIPPON PAPER LOGISTICS CO., LTD., Kyokushin Transport Co., Ltd., NANKO UNYU CO., LTD., Hotoku Co., Ltd., SHIKOKU COCA-COLA BOTTLING CO., LTD., SHIKOKU SAWAYAKA SERVICE CO., LTD., CANTEEN CO., LTD., SHIKOKU COCA-COLA VENDING CO., LTD., SHIKOKU CUSTOMER SERVICE CO., LTD., SHIKOKU COCA-COLA PRODUCTS CO., LTD. and DYNAFLOW CO., LTD.

Major Products / Business

- Printing
- △ Beverages
- △ Sports and leisure facilities
- △ Insurance and leasing
- △ Real estate
- Greening and landscaping work
- ◆ Warehousing and transportation
- ◇ Electric power supply

Daily Necessity, Food and Service

Principal Customers

General consumers



Civil Engineering

Principal Customers

Administrative authorities



Manufacturing

Principal Customers

Manufacturing



Energy

Principal Customers

Utilities



* The four companies Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. merged on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company.

Outline of the Nippon Paper Group

Major Operating Companies and Production Sites (As of October 1, 2012)

Pulp and Paper Division

- Nippon Paper Industries Co., Ltd.
 - ① Kushiro Mill
 - ② Asahikawa Works, Hokkaido Mill
 - ③ Yufutsu Works, Hokkaido Mill
 - ④ Shiraoi Works, Hokkaido Mill
 - ⑤ Ishinomaki Mill
 - ⑥ Iwanuma Mill
 - ⑦ Nakoso Mill
 - ⑧ Fuji Mill
 - ⑨ Iwakuni Mill
 - ⑩ Yatsushiro Mill

◆ Nippon Paper Industries Co., Ltd. (Paperboard Division)

- ◆⑪ Akita Mill
- ◆⑫ Soka Mill
- ◆⑬ Ashikaga Mill
- ◆⑭ Yoshinaga Mill
- ◆⑮ Otake Mill

■ Nippon Paper Crecia Co., Ltd.

- ⑯ Tokyo Mill
- ⑰ Kaisei Mill
- ⑱ Kyoto Mill
- ⑲ Koyo Mill

▲ Nippon Paper Papyrus Co., Ltd.

- ⑳ Harada Mill
- ㉑ Suita Mill
- ㉒ Kochi Mill

● Kitakami Paper Co., Ltd.

- ㉓ Ichinoseki Mill

● Nippon Paper Industries USA Co., Ltd.

- ㉔ Port Angeles Mill

● Paper Australia Pty. Ltd.

- ㉕ Maryvale Mill
- ㉖ Shoalhaven Mill

Paper-Related Division

- Nippon Paper Industries Co., Ltd. (Paper-Pak Division)
 - ① SOKA PAPER-PAK CO., LTD.
 - ② EGAWA PAPER-PAK CO., LTD.
 - ③ MIKI PAPER-PAK CO., LTD.
 - ④ ISHIOKA KAKO CO., LTD.
 - ⑤ Nakoso Film Co., Ltd.

◆ Nippon Paper Industries Co., Ltd. (Chemical Products Division)

- ◆⑥ Gotsu Works
- ◆⑦ Iwakuni Works
- ◆⑧ Higashimatsuyama Works
- ◆⑨ Yufutsu Works

■ Nippon Seitai Corporation

- ⑩ Asahikawa Mill
- ⑪ Maebashi Mill
- ⑫ Saitama Mill
- ⑬ Niigata Mill
- ⑭ Kyoto Mill
- ⑮ Kyushu Mill

▲ Akita Jujo Chemicals Co., Ltd.

- ⑯ Head Office Plant

Housing and Construction Materials Division

● PAL WOOD MATERIALS CO., LTD.

- ① PALTEC Co., Ltd.
- ② N&E CO., LTD.

◆ Daishowa Uniboard Co., Ltd.

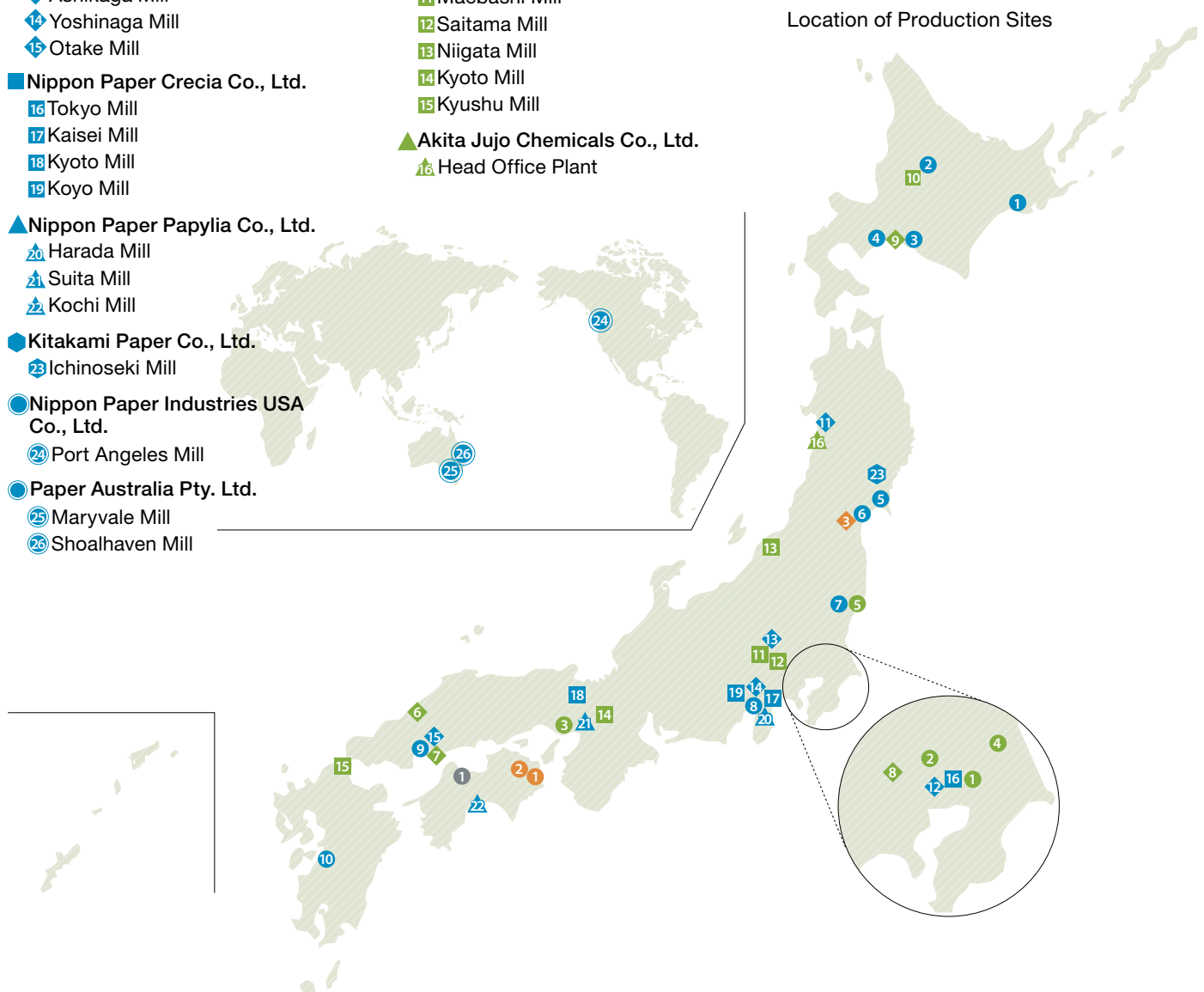
- ③ Miyagi Mill

Other Division

● SHIKOKU COCA-COLA BOTTLING CO., LTD.

- ① SHIKOKU COCA-COLA PRODUCTS CO., LTD. Komatsu No.2 Plant

Location of Production Sites



Management Responsibility



Management Approach

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Group Governance

As a holding company responsible for the overall management of the Group, Nippon Paper Group, Inc. oversees and supervises the execution of business operations by Group companies.

Basic Stance

Striving to realize fair and highly transparent management

Nippon Paper Group, Inc. strives for fair and highly transparent management to ensure the trust and meet the expectations of a diverse range of stakeholders. As a pure holding company, Nippon Paper Group, Inc. diligently oversees the activities of Group companies and works to enhance corporate value. The Company recognizes that the fundamental tenet of corporate governance rests in its accountability to stakeholders.

Guided by this understanding, the Nippon Paper Group has continued to separate the Company's management function from the execution of business operations since 2001, and to clarify the organization and its role. Nippon Paper Group, Inc. determines the management policies and strategies of the Group as a whole and plays a pivotal role in promoting growth strategies. In this context, we direct and guide Group companies while monitoring (through audits and supervision) the execution of their business operations.

The Company has decided to merge with Nippon Paper Industries Co., Ltd., the core operating company of the Group, on April 1, 2013 in an effort to better address significant changes

in its external environment in recent years and to quickly allocate management resources to growth fields. With this initiative, the Group will shift to a management structure that places Nippon Paper Industries as the operating holding company of the Group. After the merger, Nippon Paper Industries will continue to monitor Group company activities and remain accountable to stakeholders. Moving forward, Nippon Paper Industries is considering the introduction of a new group management structure that separates management functions from business execution, thereby continuing to strengthen corporate governance.

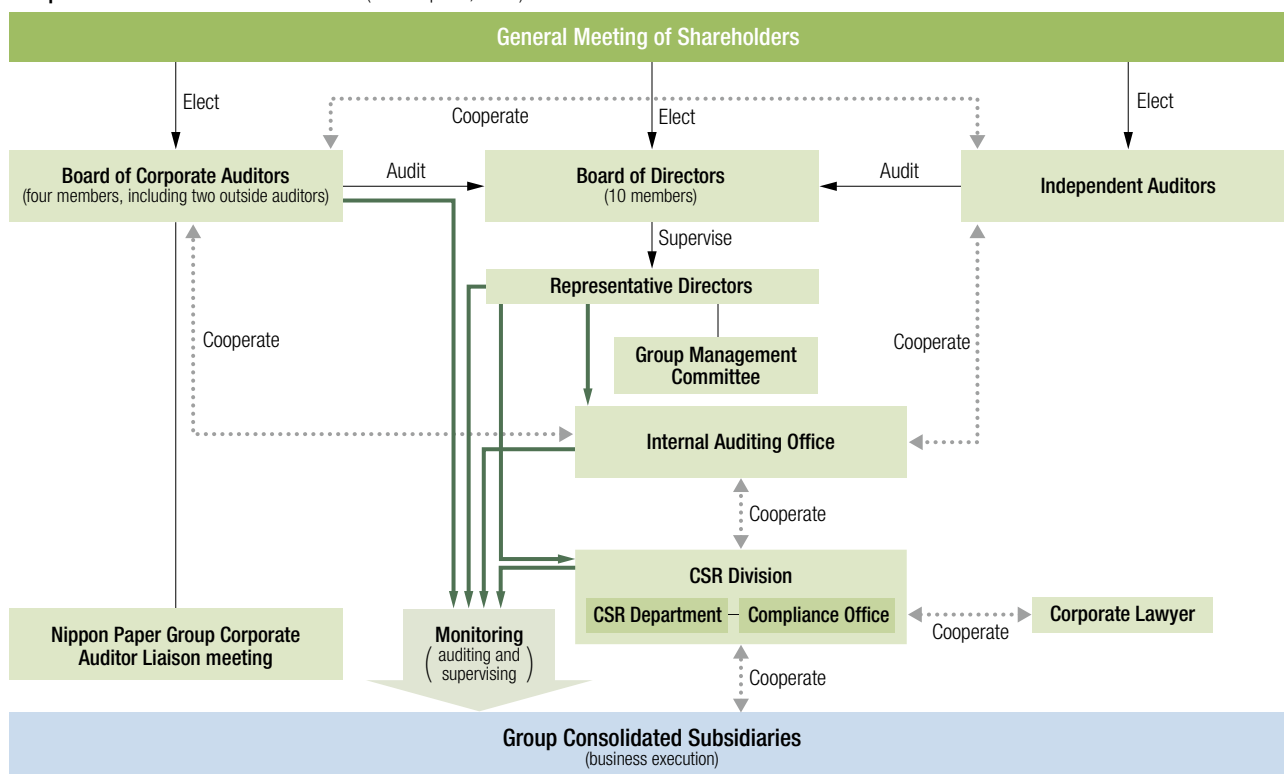
Corporate Governance Structure

Our Group governance system is based on a board of directors and corporate auditors structure.

● Board of Directors

The Company's Board of Directors comprised 10 internal directors as of April 1, 2012. It is responsible for determining the basic policies of the Company as well as Group companies, deciding on matters pertaining to laws and regulations, Articles of Incorporation, and other critical management issues, and monitoring the executive aspects of Group companies.

Corporate Governance Structure (As of April 1, 2012)



● Group Management Committee

The Group Management Committee is subordinate to the Board of Directors and comprises all directors and standing corporate auditors. It is responsible for deliberating on the basic management policies and strategies of the Company and the overall Group and on essential matters related to the business execution of Group companies.

● Board of Corporate Auditors

The Board of Corporate Auditors monitors the Company's management. Two of the four auditors comprising the board are outside auditors responsible for ensuring and strengthening the board's monitoring and auditing functions from a third-party perspective.

Corporate auditors attend routine meetings including those conducted by the Board of Directors and Group Management Committee to closely monitor the execution of duties by directors. In addition to verifying that all Company operations are conducted in an appropriate manner and are in compliance with statutory and regulatory requirements, corporate auditors offer their opinions and comments to directors and employees.

The Board of Corporate Auditors also coordinates closely with the auditors of Group companies to ensure that Group activities remain consistent with all laws and regulations and are conducted in an appropriate manner. The Nippon Paper Group Corporate Auditor Liaison Meeting, which is composed of the standing corporate auditors of the Group's 14 principal companies, holds meetings three times a year to provide a forum for the constructive exchange of information. This encompasses details of the Board of Corporate Auditors' basic policies and priority issues, as well as reports from the auditors of Group companies. Participating members consider and act upon all matters of concern as required.

● Internal Auditing Office

The Internal Auditing Office evaluates the internal audit and financial reporting control systems of each Group company.

Internal audits are conducted in a fair and independent manner. Particular emphasis is placed on legal compliance and relevance of operations and activities. We evaluate the activities of Group companies and offer advice and recommendations as and when required, and are putting in place a system that will better allow us to achieve our business objectives and management targets. While maintaining the integrity of our assets, we help to enhance corporate value. We are committed to ensuring the sound and continuous development of the Group as a whole.

Internal Control System

Complying with statutory and regulatory requirements

Nippon Paper Group, Inc. has established a highly effective internal control system in compliance with the Companies Act and its related regulations. It ensures that the execution of duties

by the Company's directors is consistent with applicable laws and regulations, as well as its Articles of Incorporation. The Company is pressing forward with the construction of a system that ensures the propriety of the Company's operations.



The full text of the Basic Policy for Establishment of the Internal Control System can be found on the following website.

<http://www.nipponpapergroup.com/e/news/news06052602.pdf>

● Internal control and reporting systems applicable to financial reports

Nippon Paper Group, Inc. took steps to fully address the internal control reporting system requirements stipulated under the Financial Instruments and Exchange Act of Japan, and to assess the development and ongoing operation of internal control systems with respect to the Group's fiscal 2011 financial reports.

This assessment covered the Group-wide internal control systems of the Company and 23 consolidated subsidiaries. Particular attention was paid to an evaluation of the business objectives of three major operating Group companies as they relate to net sales, accounts receivable and inventory operating processes. This evaluation helped confirm the efficacy of the Group's internal control and financial reporting systems as of the end of fiscal 2011.

Compensation Paid to Directors

Determined on the basis of roles, responsibilities and performance

Compensation paid to directors is essentially composed of two parts. A fixed or base component of 70% is paid in relation to each director's responsibilities within the Group. The remaining 30% is in principle linked to the business results of the preceding fiscal year. Directors who concurrently hold the position of director in a direct subsidiary are paid an additional amount in line with similar policies of each company.

In view of their responsibilities, compensation paid to corporate auditors is limited to a fixed amount. This amount is determined through a process of deliberation by the auditors of each company.

The payment of compensation to directors and corporate auditors is also restricted to the total amounts approved at the general meetings of shareholders of each Group company.

Directors' compensation

Officer class	Maximum compensation payable
Director	¥360 million per year
Corporate auditor	¥90 million per year

CSR Management

As a framework for pursuing sustainable growth for the future to contribute to society through Group-wide business activities, the CSR Division executes corporate social responsibility initiatives and ensures compliance.

Basic Stance

Fulfilling our corporate social responsibilities in line with the Group vision

The Nippon Paper Group has established the overarching vision of becoming a world-class corporate group. This vision is based on the ideals of achieving superior, stable profits, winning the trust of customers, having positive, forward-looking employees, and preserving corporate ethics. While adhering strictly to a policy of compliance, the Group works to achieve the vision. We work to meet the expectations and requirements of stakeholders and fulfill our corporate social responsibility from a variety of perspectives.

Placing the utmost emphasis on ongoing dialog with stakeholders, we will face up to the vast array of issues that continue to confront society from the broadest possible perspective. On this basis, we engage in activities aimed at securing a sustainable society.

Management Structure

Overseeing corporate social responsibility through a dedicated CSR Division

As the holding company for the Group, Nippon Paper Group, Inc. established the CSR Division to oversee the CSR activities of the Group as a whole. The CSR Department and Public Relations Office were set up within the CSR Division. The CSR Department promotes Group-wide CSR activities and works closely with the various divisions and departments responsible for operations relating to the environment, raw material procurement, product safety as well as occupational safety and health.

The Compliance Office serves as the facilitator and driving force behind Group-wide efforts to ensure comprehensive compliance. Through a variety of forums including Group Compliance Liaison meetings, every effort is made to actively interact with each Group company to enhance overall awareness toward compliance.

The Nippon Paper Group's Action Charter (Formulated on April 1, 2004)

Vision

Nippon Paper Group will strive to become a world-class company through our diverse business activities.

Ideals for Our Group

- I. Achieving superior, stable profits for our shareholders
- II. Winning the trust of our customers
- III. Having positive, forward-looking employees
- IV. Preserving corporate ethics

Action Charter

1. We shall pursue a sustainable growth for the future to contribute to society through our business activities.
2. We shall abide by the letter and the spirit of laws and regulations, and comply with the highest ethical standards and social codes of conduct, both in Japan and abroad.
3. We shall conduct our business in a fair, transparent and liberal manner.
4. We shall win the trust of customers through the development and provision of socially useful and safe products and services.
5. We shall disclose corporate information positively and fairly to all stakeholders of the Group.
6. We shall actively address environmental issues, and shall endeavor to conserve and enhance the environmental state of our planet.
7. We shall maintain consistency between corporate development and the personal contentment of individual employees, and create a company filled with dream and hope.

Collaborative Initiatives

Participating in industry and trade associations and advisory organizations in Japan and overseas

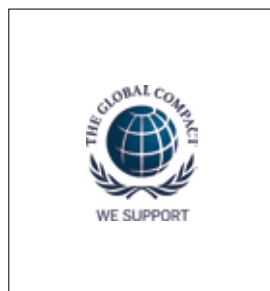
The Nippon Paper Group places harmony between economy, environment and society at the heart of its business activities. We particularly endeavor to build sincere codependent relationships with stakeholders by coordinating with other companies and organizations, and joining a variety of associations with the goals of promoting economic development in Japan and overseas and realizing a sustainable society.

● The United Nations Global Compact

The United Nations Global Compact is an initiative put forward by Kofi Annan in 1999 when serving as United Nations Secretary-General Kofi Annan. The initiative identifies 10 principles covering the four fields of human rights, labor standards, the environment

and anti-corruption. Signatories to the compact voluntarily pledge to practice the 10 principles outlined in the Global Compact, aiming at the sustainable growth of society.

Nippon Paper Group, Inc. announced its decision to support the aforementioned 10 principles and joined as a signatory in November 2004. In addition to engaging in CSR management



activities that run parallel to the 10 principles, we continue to share information with other companies, international organizations, government agencies, global labor and NGOs. Working hand in hand with a wide range of organizations, we contribute to a number of activities.

WEB Global Compact Network Japan
<http://www.ungcn.org/> (Japanese only)

Major Organizations with which the Nippon Paper Group Has an Affiliation (As of April 1, 2012)

	Organization	Overview of the Organization and Its Activities
Global	The United Nations Global Compact	The Nippon Paper Group wholeheartedly supports the 10 principles of the compact, covering human rights, labor standards, the environment and anti-corruption. Every effort is made to voluntarily advance each cause.
	International Council of Forest and Paper Association (ICFPA) ¹	ICFPA is made up of 43 forest and paper industry associations from 40 countries and regions. The council serves as a forum that promotes dialog, interaction, and cooperation. The Company's participation in ICFPA is through its membership in the Japan Paper Association.
	Amnesty International Japan	Amnesty International is a global movement whose vision is for every person including those in Japan to enjoy all the rights enshrined in the Universal Declaration of Human Rights and other international human rights laws and standards.
	WWF Japan ²	The World Wide Fund for Nature Japan is a member of the World Wide Fund for Nature, the world's largest nature conservation NGO. It engages in a wide range of activities aimed at protecting the natural environment worldwide.
Japan	Japan Paper Association ³	The Japan Paper Association is a paper and pulp manufacturing industry organization composed of major paper companies whose goal is to promote sound industry growth.
	Keidanren (Japan Business Federation)	An all-encompassing business organization whose mission is to transform Japan's economy into one that is sustainable and driven by the private sector.
	Council for Better Corporate Citizenship (CBCC)	With the full backing of Keidanren, CBCC supports the activities of Japanese companies overseas as good corporate citizens.
	Japan Hygiene Products Industry Association (JHPIA) ⁴	Serving as an industry association, JHPIA is comprised of the following five industry organizations: the Japan Hygiene Materials Industry Association, the Japan Hygiene Paper Industry Association, the Japan First Aid Bandage Industry Association, the Japan Cleansing Wipes Industry Association, and the Japan Face Mask Industry Association. The Association strives to resolve issues common throughout the industry in an effort to enhance the quality of civilian life, health and hygiene.
	Japan Soft Drink Association ⁵	The Japan Soft Drink Association is an incorporated entity under the control of Japan's Ministry of Agriculture, Forestry and Fisheries. The association takes steps to develop the cold beverage industry in tune with the public's interest, enhance product quality and safety, and promote a greater awareness toward healthy consumption.
	Committee for Milk Container Environmental Issues ⁶	The committee is composed of related associations in the dairy, container manufacturing, and other sectors. Focusing on issues relating to the environment, the committee engages in the collection and recycling of milk and other beverage containers as well as educational activities designed to promote environmental awareness.
	Japan Association of Milk Packaging and Machinery ⁶	The Japan Association of Milk Packaging and Machinery is a special corporation established under the Civil Code by Japan's Ministry of Health, Labour and Welfare. Comprised of packaging container and machinery manufacturers, the association is active in the advancement of milk and other beverage container, packaging, and manufacturing equipment with a particular focus on improving safety and hygiene.
	Wild Bird Society of Japan ²	The Wild Bird Society of Japan is a membership-based public interest corporation. Its purpose is to protect wild animals and their habitats with a particular emphasis on birdlife.

¹ The Company's participation is through the Japan Paper Association, representing Japan as a member of ICFPA.

² Group operating company Nippon Paper Industries is a member.

³ Nippon Paper Industries, Nippon Daishowa Paperboard, Nippon Paper Papylia, and Kitakami Paper are members.

⁴ Group operating company Nippon Paper Crecia is a member.

⁵ Group operating company SHIKOKU COCA-COLA BOTTLING Company is a member.

⁶ Group operating company NIPPON PAPER-PAK is a member.

Compliance

As a committed partner ensuring that employees are fully informed about compliance, the Nippon Paper Group engages in corporate activities in accordance with laws and social norms.

Basic Stance

Promoting compliance in accordance with the Group's Action Charter

In its Action Charter (see page 22) formulated in 2004, the Nippon Paper Group declared its commitment to abiding by the letter and the spirit of laws and regulations and complying with the highest ethical standards and social codes of conduct both in Japan and abroad. To meet this commitment, the Group diligently upgrades and expands its compliance structure while implementing measures to enhance thoroughgoing compliance awareness, such as through continuous training programs.

Compliance Structure

Positioning the CSR Division at the heart of Group-wide compliance efforts

The Nippon Paper Group established the CSR Division in June 2008 to play a pivotal role in fulfilling corporate social responsibility. The Company's Compliance Office was repositioned within the newly established CSR Division.

The CSR Division serves as a facilitator and driving force behind efforts to achieve the two major compliance-related goals of imbuing the Group with zero tolerance of misconduct and transforming the corporate structure and culture. The division also spearheads activities aimed at promoting strict compliance throughout the entire Group.

● Promoting Group-wide compliance

The Compliance Office acts as a central contact point for promoting and coordinating compliance activities at each Group company.

Each Group company has appointed a compliance manager. The Compliance Office holds Group Compliance Liaison Meetings to provide all compliance managers with details of compliance policies and initiatives. In addition to serving as a forum through which compliance information can be shared among Group companies, these meetings act as an avenue to provide advice on education and training activities. Through these and other means, we are making every effort to promote Group-wide compliance.

Compliance Training

Educating the workforce to raise the awareness of compliance

In addition to being constituent members of the Group, our employees are consumers and members of society. In this regard, each and every employee must ensure that his or her mindset is consistent with societal norms. By adjusting the Company's actions to align with this premise, we are taking the first steps toward reforming our corporate culture.

Education and training implemented by the CSR Division conveys the importance of compliance while enhancing employee awareness and creating a sustainability culture Group-wide.

Implementing compliance training

Nippon Paper Group, Inc. conducts compliance training on an ongoing basis to further enhance awareness and understanding among employees of the Group (consolidated and production subsidiaries in Japan).

We have invited a consultant from outside the Group to augment our compliance programs and are conducting practical training focusing on compliance and risk management. Training is geared toward enhancing employees' abilities to identify potential compliance issues and risks in the workplace. Our hands-on nature of training programs extend to workshop discussions that are designed to provide employees with the basic skills required to address these risks.

Looking ahead, we will continue to implement compliance training to ensure a heightened sense of awareness and strict adherence throughout the Group.



Compliance training

Group Internal Whistleblower System

Encouraging reporting via a help-line on activity in conflict with compliance

The Nippon Paper Group established the Help Line System on April 1, 2004. The system allows any employee of the Group to notify directly or consult outside the chain-of-command structure on any action in the workplace that could violate laws, social norms or corporate ethics. The Compliance Office located within the CSR Department serves as a point of contact within the Group. We have also taken steps to establish points of contact outside the Group for use by employees as appropriate.

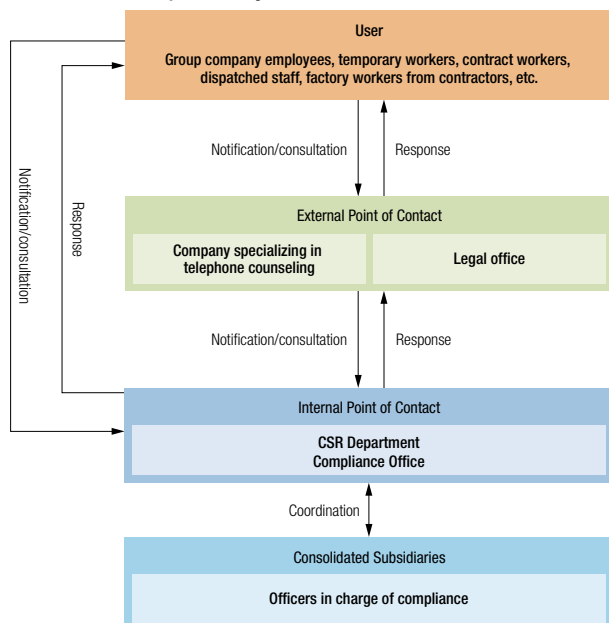
The Help Line System guarantees the privacy of whistleblowers and protects them from any disadvantageous treatment after notification or consultation. The system also ensures that appropriate action is taken to address all issues raised at an early stage. A detailed explanation of the Help Line System is an integral component of the Group's compliance training. This is designed to ensure that the system is used to maximum effect.

Trends in the number of notifications received by the Help Line*

Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
16	24	11	15

* The Help Line is open to members of the Nippon Paper Group (consolidated and production subsidiaries in Japan)

Flow of the Help Line System



Personal Information Protection

Ensuring protection of personal information through systematic rules and enhanced handling procedures

The Nippon Paper Group has taken steps to clearly identify the structure and rules applicable to the handling of personal information. A manual, distributed to each operating company, forms the basis for appropriately handling the personal information of customers, business partners and employees.

Nippon Paper Industries drew up the Rules on the Handling of Personal Information on April 1, 2006. A copy of these rules and the aforementioned manual are distributed to all directors and employees. Details are also posted on the Group's intranet to further ensure strict adherence. In the lead up to the establishment of the Rules and manual, Nippon Paper Industries, conducted a review of the personal information held by individual departments since fiscal 2005. Details of the date personal information were obtained and its use are recorded and managed in a control ledger. This ledger is reviewed annually to eliminate unnecessary data and to ensure that information is handled properly.

Respect for Intellectual Property

Heightening respect for intellectual property and ensuring compliance with all applicable laws

The Nippon Paper Group places the utmost importance on intellectual property not only in research and development, but also in all of its business activities. In order to instill an appreciation of the value of intellectual property and to promote strict adherence to all applicable laws and regulations, members of the Intellectual Property Department of Nippon Paper Industries conduct lectures and intellectual property education programs for the benefit of Group company employees.

Since intellectual property education was first initiated in fiscal 2002, the content of programs has expanded and improved each year. Today, Nippon Paper Group engineers and administrative employees are exposed to a wide variety of material commensurate with their years of service and duties. Programs encompass details of all relevant laws including the Patent Law, the Utility Model Law, the Design Law, the Trademark Law, the Unfair Competition Prevention Law and the Copyright Law. In addition to providing pertinent information on the relationship between the Company and the aforementioned laws, these programs identify areas requiring particular care from a compliance perspective. A total of 350 employees attended the 14 programs implemented in fiscal 2011.

Information Disclosure and Investor Relations; Profit Distribution to Shareholders

The Nippon Paper Group is dedicated to promoting mutual understanding with its shareholders and investors. With a focus on dialog, we are conducting a variety of presentations and events.

Information Disclosure

Addressing the interests of stakeholders and ensuring transparent management through active information disclosure

The Nippon Paper Group recognizes that open and fair disclosure to a broad stakeholder base is a key responsibility of management. In this regard, we work diligently to engage in sound and highly transparent management by disclosing company information in accordance with our Action Charter (see page 22). To guide us in our endeavors, we formulated the Nippon Paper Group 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 may not be required under applicable laws, regulations, or prompt disclosure rules, when deemed to be of interest to our stakeholders and other members of society.



Information Disclosure Policy

<http://www.nipponpapergroup.com/e/ir/policy.html>

The Nippon Paper Information Disclosure Policy (Excerpt)

1. Basic Disclosure Stance

The Nippon Paper Group (the Group) pursues a fundamental policy of disclosing corporate information proactively and fairly to all Group stakeholders, and raising the level of management transparency in accordance with its Action Charter and Codes of Conduct.

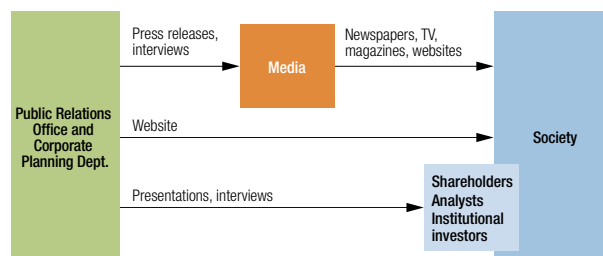
2. Criteria for Disclosure

- (1) The Group conducts expeditious disclosure based on the principles of transparency, fairness and consistency, in line with the Japanese Corporate Law, Securities and Exchange Law¹ and other relevant laws, as well as the Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security (the Rules on Timely Disclosure) stipulated by securities exchanges².
- (2) Even for information that does not fall under the categories stipulated in the relevant laws and the Rules on Timely Disclosure, the Group carries out rapid and accurate disclosure of information useful to stakeholders and the broader society, to the fullest extent possible, regardless of any advantages or disadvantages that may accrue to the Group as a result of such information disclosure.

¹ Currently the Financial Instruments and Exchange Law

² Currently the financial instruments exchange

Information Disclosure Structure and Framework



IR Activities

Promoting dialogue with shareholders and investors

The Nippon Paper Group expends considerable time and effort in providing to its shareholders and investors a direct explanation of the status of the Group's management and business. At the same time, we take steps to obtain the comments and concerns of shareholders and investors incorporating our findings into ongoing management.

Results of activities in fiscal 2011

Operating results and management briefings	One time
Teleconference	Two times
Meetings with management	41 times
Individual interviews	285 times

● Shareholders' meeting

In an effort to ensure attendance by as many shareholders as possible, Nippon Paper Group, Inc. has held its annual general meeting of shareholders at Tosho Hall in Marunouchi, Tokyo, since the Company's inception in fiscal 2001. Easily accessible, this venue has been chosen to enhance the convenience of shareholders.

For the benefit of overseas investors, Nippon Paper Group, Inc. has contracted the services of specialist companies to prepare an English-language convocation notice. In addition to the exercise of voting rights in writing, the Company has also established a service that allows shareholders to exercise their rights online. Through these and other measures, we are endeavoring to promote the exercise of voting rights by shareholders both in Japan and overseas.

● Operating results and management briefings

Regular operating results and management briefings are held for the benefit of institutional investors and analysts. Each briefing is attended by close to 200 people, who are provided with operating



Operating results briefing

results details, management thoughts on the immediate and future business environments as well as issues confronting management, and an overseas of medium- to long-term management strategies.

● Meetings with management

In addition to the aforementioned briefings, Nippon Paper Group, Inc. convenes meetings attended by the Company's management.

Not only do these meetings provide a forum for direct dialog, they also help deepen the understanding of institutional investors in the Company's strategies and management stance while providing management with the opportunity to listen to the comments and concerns of the market.

● Individual interviews

With the exception of quiet or closed periods, the Company responds positively to requests for interviews from institutional investors and analysts throughout the year. Cognizant of maintaining fairness in the provision of information, significant care is taken to provide details of the Company's operating results, performance forecasts and management initiatives in a candid and precise manner.

● Tours and other events

In order to promote a deeper understanding of the Nippon Paper Group and its activities, every opportunity is taken to arrange factory and other tours each year. The tour of Nippon Paper Industries' Iwanuma Mill in fiscal 2011 and the company's R&D Department in fiscal 2012 attracted considerable praise from participants.



A tour of Nippon Paper Industries' R&D Dept.

● IR tools and websites

The Nippon Paper Group uses various websites to disclose IR information. In addition to copies of news releases, the Group's IR websites provide an array of information, including presentations and briefings, as well as summaries of consolidated financial results. Moving forward, the Group will continue to bolster and expand the content of IR information.



Annual Reports

Application form: <http://www.nipponpapergroup.com/e/appliform/index.html>

PDF version: <http://www.nipponpapergroup.com/e/ir/annual.html>

Profit Distribution to Shareholders

Nippon Paper Group, Inc. is committed to the continuous distribution of profits to shareholders based on the steady payment of cash dividends.

Nippon Paper Group, Inc. strives to reinforce its management base, improve profitability and secure the sustainable growth of its corporate value, thus fulfilling the expectations of shareholders.

Our basic dividend distribution policy is based on a comprehensive assessment of the Group's performance as well as efforts to boost retained earnings. With this as a guide, we endeavor to provide a stable stream of cash dividend payments whenever possible.

Trends in Dividends per Share

(Yen)

	March 2008	March 2009	March 2010	March 2011	March 2012
Interim Dividend	4,000	4,000	40	40	10
Period-End Dividend	4,000	40*	40	20	20

Note: A 100-to-1 stock split was conducted on January 4, 2009, with trading lots introduced with one lot consisting of 100 shares.

Evaluations by External Research and Ratings Agencies

The Company has received evaluations from the following external agencies.

● Debt ratings

Listed below are the major debt ratings of Nippon Paper Group, Inc.

The status of major debt ratings (As of September 30, 2012)

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

● Evaluation from SRI research/rating agencies

Recently, socially responsible investment (SRI), an approach that evaluates a company from a wide range of social perspectives, has become increasingly familiar both in Japan and abroad. In addition to the profit and financial standing of a company, SRI concerns therefore play an important role in selecting an investment. Nippon Paper Group, Inc. has been included in the following SRI indices.

Major SRI indices that include Nippon Paper Group, Inc.
(As of September 30, 2012)

Japan	Morningstar SRI Index
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Dialog with Stakeholders

In addition to daily communication, we are actively promoting opportunities for dialog.

Basic Stance

Actively promoting dialog

The Nippon Paper Group maintains relationships with a broad spectrum of stakeholders including employees, customers, society and local residents in the conduct of its business. The Group places the utmost importance on communication with stakeholders, incorporating their comments and requests into its decision-making process when carrying out business and

CSR management.

In this context, we actively establish contact points and opportunities for direct dialog with all stakeholders while providing daily information and promoting the exchange of opinions. By disclosing relevant information and listening carefully to the concerns of stakeholders, we will work diligently to secure sustainable growth and development both for the Group and society as a whole.

Contact points that allow dialog with stakeholders

Stakeholder	Major point of contact	Means of communication
Employees (executives, permanent employees, part-time employees, employee families) The approximate 13,400 employees (consolidated basis) of the Nippon Paper Group are responsible for business and CSR activities. Working closely with the labor union, the principal mouthpiece for the Group's employees, we make every effort to ensure that our employee evaluation and compensation systems are fair and equitable, and to provide a rewarding and comfortable workplace. In addition, we provide a variety of benefits, including medical examinations covering employees and their dependents in an effort to foster peace of mind and garner the trust of employee families.	Human resource sections	Labor-management councils, labor-management committees, etc.
Customers (consumers, end users, etc.) Paper, the Nippon Paper Group's principal product, is widely used by both companies and individuals. Paper products are for the most part delivered directly to the corporate sector and wholesale trading companies, printing companies and publishers in Japan. In addition, household paper and leisure services are provided to individual customers (consumers). We are putting in place the necessary structures and systems by product and service that best address the needs of customers.	Sales sections Quality control sections Customer relations sections	Individual interviews, inquiry to the customer relations sections, etc.
Society and local residents (local communities, NPOs/NGOs, municipalities, the media, etc.) The Nippon Paper Group maintains the majority of its production bases in Japan. Recognizing that our business activities have a major impact on surrounding communities, we place significant weight on promoting harmonious co-existence with local residents, protecting the natural environment and garnering the trust of society. We are also acutely aware that the activities of NPOs and NGOs, both in and outside Japan, reflect the interests and concerns of society. Through dialog and support, we are working to foster deeper mutual understanding. Moreover, we acknowledge the importance of the media in ensuring accountability to the broader society. In this regard, we are actively engaged in information disclosure.	Mills and works	Environmental explanatory meeting, risk communication, environmental monitoring system, factory and other presentation meetings, etc.
	Responsible sections within each business segment	Interviews, etc.
	Social contribution sections	Social contribution activities, etc.
	Public relations sections	Press releases, interviews, etc.
Business partners (agents, suppliers, subcontractors, etc.) While the majority of business partners are companies domiciled in Japan, items such as woodchips and energy are mainly procured from overseas suppliers. Moving forward, relationships with business partners are expected to increasingly take on a global nature. As important partners in the overall conduct of its business activities, the Nippon Paper Group engages in open and fair trading transactions while promoting positive relations with its business partners. In an effort to engender in our customers a strong sense of trust, we work closely with business partners to promote CSR activities throughout the supply chain.	Material procurement sections Human resource sections	Individual interviews, etc.
Shareholders (shareholders, investors, etc.) Shares of Nippon Paper Group, Inc. are listed on the Tokyo, Osaka and Nagoya securities exchanges. Financial institutions and foreign investors held 49% and 16%, respectively of the 116,250,000 shares issued by the Company as of March 31, 2012. Nippon Paper Group, Inc. strives to disclose information in a timely, transparent, fair and continuous manner.	IR sections General affairs sections	General shareholders' meetings, explanatory meetings, annual reports, business reports, interim reports, IR site, IR information mail, teleconferences, etc.

The Use of Communication Tools

Actively and continuously disclosing information

Striving to inform stakeholders about its wide-ranging activities, the Nippon Paper Group uses a variety of communication tools to disseminate corporate information. Through these means, we are actively working to stimulate dialog.



Sustainability Report

Corporate Profile

Group communication magazine Dynawave

Annual Report



Website

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

The Nippon Paper Group Sustainability Report 2011 Wins Two Outstanding Achievement Awards.

The Nippon Paper Group Sustainability Report 2011 issued by Nippon Paper Group, Inc. in October 2011 received the outstanding achievement award in the green reporting category of the 15th Environmental Communication Awards¹ as well as the 15th Green Reporting Awards². These awards are referred to as the “twin jewels” and represent the pinnacle of sustainability reporting in Japan. The Sustainability Report is a core tool through which the Nippon Paper Group conveys details of its CSR-oriented activities to all stakeholders. These awards reflect the significant esteem in which the daily efforts of Group employees are held.



Sustainability Report 2011



The 15th Environmental Communication and Green Reporting awards ceremony

- ¹ The Environment Communication Awards sponsored by Japan's Ministry of the Environment and the Global Environmental Forum
² The Green Reporting Awards sponsored by Toyo Keizai Inc. and the Green Reporting Forum

Major Communication Tools

Tool	Published By	Description	Main Targeted Readers
Sustainability report	Nippon Paper Group	Detailed explanation of the Group's CSR activities	All stakeholders
Environmental and social communication magazine <i>ShikiOri</i>	Nippon Paper Group	Easy-to-read explanation of the Group's CSR activities	All stakeholders
Corporate profile	Individual companies	Overview of each company	All stakeholders
Group communication magazine <i>Dynawave</i>	Nippon Paper Group	Easy-to-read introduction to the Group's activities	Employees and their families, business partners
In-house and mill magazines	Individual companies and mills	Easy-to-read introduction to the activities of each company and mill	Employees and their families
Corporate profile for job applicants	Individual companies	Explanation and overview of each company	Job applicants
Annual report	Nippon Paper Group	Detailed explanation of the Group's operating results and financial standing	Individual investors, institutional investors, securities analysts
Business report	Nippon Paper Group	Easy-to-read explanation of the Group's operating results and financial standing	Shareholders
Internet website	Individual companies	Comprehensive presentation of information relating to the business of each company	All stakeholders
IR information mailings	Nippon Paper Group	IR information	Individual investors, institutional investors, securities analysts

Major Press Releases

Distributing a wide range of corporate information through such media as the Internet

Major press releases in Japan and the related pages in the 2012 sustainability report

	The Environment and Society	Earthquake	Management, Investment, New Products, etc.
2H Fiscal 2011 October	<ul style="list-style-type: none"> December 14 Nippon Paper Group, Inc. Nippon Paper Group formulates Green Action Plan 2015 (see page 32) 	<ul style="list-style-type: none"> November 30 Nippon Paper Industries Co., Ltd. First woodchip carrier enters pier 1 of Minamihama at Port of Ishinomaki after earthquake 	<ul style="list-style-type: none"> November 1 Nippon Paper Group, Inc. Nippon Paper Group, Inc. establishes the Energy Business Promotion Office (see page 15) (Nippon Paper Group implements a change in its organization incorporating the Energy Business Promotion Office into the Energy Business Department on July 1, 2012) December 1 Nippon Paper Chemicals Co., Ltd. Nippon Paper Chemicals completes Machine No. 3 at Gotsu Mill December 7 Nippon Paper Chemicals Co., Ltd. Nippon Paper Chemicals completes installation of No. 6 Coater at Higashimatusyama Mill
January	<ul style="list-style-type: none"> January 31 Nippon Paper Group, Inc. Nippon Paper Group Sustainability Report 2011 receives Outstanding Achievement Award for green reporting (see page 29) March 2 Nippon Paper Group, Inc. Nippon Paper Group Sustainability Report 2011 receives Outstanding Achievement Award in 15th Environmental Communications Award (see page 29) 	<ul style="list-style-type: none"> March 9 Nippon Paper Industries Co., Ltd. Paper Machine N6 operations recommence at the Ishinomaki Mill (see page 9) 	<ul style="list-style-type: none"> March 7 Nippon Paper Papyrus Co., Ltd. Nippon Paper Papyrus launches new thermal water-soluble paper
1H Fiscal 2012 April	<ul style="list-style-type: none"> April 2 SHIKOKU COCA-COLA BOTTLING CO., LTD. SHIKOKU COCA-COLA BOTTLING CO., LTD. launches the "Happy Shikoku" Project (see page 99) 		<ul style="list-style-type: none"> April 12 Nippon Paper Industries Co., Ltd. Nippon Paper Industries launches new b7 BULKY product developed at Ishinomaki Mill (see page 71) April 25 Nippon Paper Group, Inc. Notification of entry into a merger agreement with consolidated subsidiary Nippon Paper Industries, and a merger agreement among four consolidated subsidiaries May 17 Nippon Paper Group, Inc. Nippon Paper Industries submits notification as a Power Producer and Supplier (PPS: Specified-Scale Electricity Utility) May 23 Nippon Paper Group, Inc. Nippon Paper Group develops Fourth Medium-Term Business Plan (FY2012-FY2014) June 12 Nippon Paper Group, Inc. Nippon Paper Group announces joint venture with SCG Paper in Thailand for machine glazed paper
July	<ul style="list-style-type: none"> September 11 Nippon Paper Group, Inc. Nippon Paper Group holds the 13th Marunuma Kogen School of Friendship for Forests and Paper (see page 97) 	<ul style="list-style-type: none"> August 30 Nippon Paper Industries Co., Ltd. Nippon Paper Industries completes reconstruction of the Ishinomaki Mill (see page 9) 	<ul style="list-style-type: none"> August 22 Nippon Paper Industries Co., Ltd. Nippon Paper Industries establishes production system for kraft paper at Kushiro Mill (see page 14)



Press Releases

<http://www.nipponpapergroup.com/e/index.html>

Note: Posted in the "Information" section of the Company's website



Information

<http://www.nipponpapergroup.com/e/info/index.html>

Environmental Responsibility



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Policy and Management

We are putting in place a Group-wide environmental management system based on our Charter on the Environment and engaging in environmentally friendly corporate activities.

Basic Stance

Endeavoring to reduce the environmental impact of our activities taking into consideration the unique characteristics of our business and wide-ranging social issues

Through the effective use of wood, a renewable resource, the Nippon Paper Group delivers a wide spectrum of products to broader society.

Considering the substantial amounts of energy and water used in its manufacturing processes, the Nippon Paper Group has made reducing the environmental impact of its business activities a key corporate social responsibility. We are committed to increasing the efficiency of operations at every stage of the product lifecycle. At the same time, we are promoting effective measures to address wider environmental issues including global warming, resource recycling, and environmental pollution.

Charter on the Environment

Promoting corporate activities that take into consideration the environment based on the philosophy and basic policies of our Charter on the Environment

The Nippon Paper Group has established the Charter on the Environment. Based on the philosophy and basic policies of this charter, the Group strives to reduce the environmental impact of its activities across the entire value chain. Looking ahead, we will pursue corporate activities that address the heightened environmental awareness of stakeholders.

The Nippon Paper Group Charter on the Environment

(Established on March 30, 2001, and revised on March 30, 2007)

Philosophy

The Nippon Paper Group is committed to helping preserve the global environment over the long term and contributing to the development of a recycling-based society by carrying out its corporate activities in recognition of the importance of biodiversity*.

Basic Policy

1. Act to counter global warming
2. Protect and develop forest resources
3. Increase use of recycled resources
4. Comply with environmental statutes and work to minimize our environmental impact
5. Develop environmentally friendly technologies and products
6. Engage in active environmental communication

* Biodiversity typically falls into three different classes: genetic diversity, which refers to the genetic variability within a species; species diversity which covers the variety of species within a community; and ecosystem diversity, which entails the organization of species in an area into distinctive plant and animal communities.

Environmental Action Plan (Green Action Plan)

In identifying concrete actions and specific objectives, we are working to raise the effectiveness of our environmental endeavors.

The Nippon Paper Group has incorporated into its Environmental Action Plan actions and objectives covering the six basic policies in its Charter on the Environment. The Group has drawn up the Environmental Action Plan (Green Action Plan 2015, following on from the Green Action Plan 2010), covering fiscal 2011 to fiscal 2015, incorporating several new and additional perspectives including the value chain and traceability.

Group companies have each established their own specific environmental action plans based on this. Bringing together each Group company's efforts is enhancing our ability to accomplish the Green Action Plan 2015.

* For complete details and the status of progress under the Green Action Plan, please refer to page 33.

The Essence of the Green Action Plan 2015

- **Promote anti-global warming action**
Strive for a substantive reduction while replacing "basic unit" with "total quantity" as an index
- **Protect and develop forest resources**
Clearly state the importance of full traceability
- **Promote the use of recycled resources**
Promote the use of recycled resources while replacing "reduction of final waste volume" with "recycling rate" as an index
- **Observe environment-related laws and reduce environmental load**
Strengthen environmental management from the perspective of a preventive approach in conjunction with efforts to observe environment-related laws

The Nippon Paper Group Environmental Action Plan (Green Action Plan 2015)

This plan establishes concrete Group-wide actions and specific objectives based on the Group's overarching environmental philosophy and basic policies.

Environmental action plans of each Group company

Each Group company including Nippon Paper Industries, and Nippon Daishowa Paperboard, establishes its own set of objectives and actions based on the Green Action Plan 2015.

The Nippon Paper Group Environmental Action Plan (Green Action Plan 2015) Fiscal 2011 Results

	Green Action Plan 2015	Progress	Page No.
1. Anti-global warming action	Reduce CO ₂ emissions from fossil energy CO ₂ by 25% versus fiscal 1990.	Notwithstanding the impact of decreased production volumes in the Paper and Paperboard departments, reduced CO ₂ emissions by 30% as well as the use of fossil energy by 35.7% versus fiscal 1990 through energy-saving initiatives and successful efforts to promote the conversion of fuel both undertaken throughout the entire manufacturing process.	41
	Reduce the use of fossil energy by 30% versus fiscal 1990.		
	Reduce logistics-generated CO ₂ emissions.	Achieved a modal shift rate of 92%, far surpassing the industry average in Japan, owing to successful efforts to apply highly efficient transportation methods. Currently working to shorten transportation distances through a variety of measures including transit-type transshipment distribution utilizing the structures at the JR cargo station.	42
2. Protection and development of forest resources	Facilitate the Tree Farm Initiative, an overseas afforestation project for procuring sustainable resources, with the aim of increasing overseas afforested area up to 200,000 hectares ¹ .	Overseas afforestation area stood at 163,000 hectares as of December 31, 2011.	59
	Maintain forest certification in all proprietary forests, both domestically and internationally.	Currently working to maintain SGECC, FSC®, and PEFC certification at all Company-owned forests in Japan and overseas.	59, 61
	Ensure that all imported hardwood chips are PEFC- or FSC-certified ² .	The volume of PEFC- or FSC®-certified materials handled stood at 97% as of December 31, 2011.	57
	Enhance traceability and facilitate the procurement of sustainable forest resources.	Cleared the requirements of PEFC rules in their entirety and FSC® rules to 54% with respect to the assessment of imported wood risk as of December 31, 2011. Currently conducting national controlled wood risk assessment endorsed by the FSC® with respect to wood produced in Japan in conjunction with other institutions.	—
3. Recycling of resources	Increase the ratio of recycled paper to paper to at least 40%. Increase the ratio of recycled paper to paperboard to at least 88%.	Achieved ratios of recycled paper to paper and recycled paper to paperboard of 39.9% and 88.9%, respectively, through proactive efforts to utilize recycled paper.	52
	Increase the waste recycling rate to at least 97%.	Achieved a resource recycling rate to the total amount of waste generated of 96.7% and a resource recycling rate of 24.2% at the Group's works through the introduction of granulation facilities and successful efforts to effectively use ash.	48
	Recycle at least 40% of waste generated within works.		
	Reduce water use in the manufacturing process.	Taking steps to maintain material balance and to ascertain the optimal use of water while endeavoring to conserve water consumption.	49
4. Observance of environment-related laws and reduction of environmental load	Use the environmental management system to strengthen environmental management.	Promoting the introduction of environmental management systems at each of the Group's works while at the same time strengthening the environmental management structure spearheaded by the Group Management Committee; ISO 14001 certification acquired by 51 bases of 20 consolidated subsidiaries as of October 1, 2012.	34
	Properly control and reduce the use of hazardous chemical substances.	Took steps to ascertain the types and volumes of chemical substances handled while endeavoring to promote proper chemical substance management.	50, 51
	Facilitate the procurement of raw materials and equipment with a smaller environmental burden throughout the supply chain.	Clearly identified energy efficiency as one selection benchmark in the establishment and renewal of equipment with respect to energy management rules and regulations.	—
5. Development of eco-friendly technologies and products	Enhance the use of wood materials.	Undertook technology and engineering development with respect to the manufacture of cellulose nanofibers. Moving forward, the Group will pursue demonstration trials using pilot plants in an effort to promote the development of products with an eye toward commercialization.	15
	Develop equipment technology for facilitating a departure from reliance on fossil energy.	Currently promoting the practical application of torrefaction technology as a part of efforts to use biomass fuels more efficiently. Promoting plans to conduct verification trials utilizing large-scale combustion tests.	—
	Reduce the environmental load through eco-friendly products and services.	Currently promoting activities in collaboration with local government agencies as a part of efforts to establish systems the help to effectively use resources and to reduce environmental load by combining the recovery of recyclable resources with the Group's products.	80-82
6. Proactive environmental communication	Disclose environment-related information to stakeholders whenever appropriate with the use of CSR reports, the website etc.	Published two types of sustainability reports: a highlight edition (Japanese only) that aims to enhance communication, and; a detailed edition that is designed to provide in-depth information disclosure. Sustainability reports were disclosed in booklet form and posted on the Company's website in pdf format. In an effort to provide a more personal environmental and social tool, continued to publish the magazine <i>ShikiOnori</i> .	29
	Proactively facilitate environmental communication on a regional basis through, for example, dialogue with local people and governments.	Placed particular emphasis on risk communication as a part of efforts to share risk information with local communities and to foster relationships of mutual trust. In fiscal 2011, implemented risk communication at all mills owned and operated by Nippon Paper Industries Co., Ltd. (Risk communication was not implemented at the company's Ishinomaki Mill due to the evacuation of local residents.) Steps currently being taken to implement risk communication at Group companies.	36
	Proactively participate in and support environment conservation activities.	Actively participated in environmental endeavors including clean-up and beautification initiatives organized by local communities. At the same time, promoted various activities including mill tours and internships.	95, 98
7. Biodiversity commitments	Remain aware of the impact of business activities on biodiversity, and facilitate Companywide biodiversity commitments.	Currently promoting initiatives in line with core business activities together with activities that make the most of proprietary resources and technologies. Positioned forest certification systems as one of several biodiversity conservation benchmarks in an effort to promote sustainable forest management in line with core business activities. In addition, undertook such activities as the establishment of bird sanctuaries within Company-owned forests.	44-47

¹ No deadline has been set at this point.² Aside from FM certification, CW certification is also included.

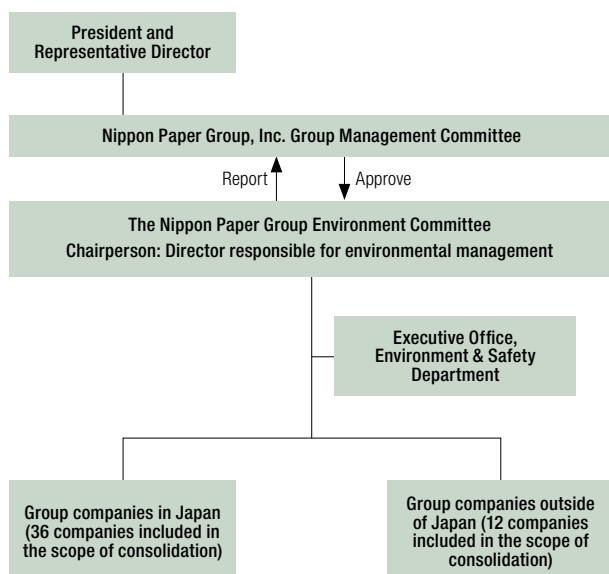
Policy and Management

Environmental Management Promotion Structure

Putting in place a Group-wide environmental management structure in an effort to promote environment management

The Group Management Committee is responsible for deliberating on and determining the environmental strategies of the Nippon Paper Group while at the same time overseeing the environmental activities of the Group as a whole. Chaired by the director responsible for environmental management, the Environmental Committee draws up the Environmental Action Plan while also establishing specific targets. This Action Plan serves as the basis for practicing the philosophy and basic policies of the Charter on the Environment (see page 32), which outlines the environmental management principles of Group companies. In addition to monitoring the status of progress under the Plan, the Environmental Committee reports to the Group Management Committee. Drawing on these reports, the Group Management Committee in turn deliberates on and determines new initiatives as a part of efforts to oversee the environmental activities of the entire Group and to promote ongoing improvement.

The Nippon Paper Group's Environment Promotion Structure



● Introducing environmental management systems

As one measure aimed at promoting environmental management, the Nippon Paper Group is introducing various environmental management systems including ISO 14001, the international standard for environmental management, and Eco-Action 21.

The Nippon Paper Group's consolidated subsidiaries and principal production bases boast a 100% ISO 14001 certification acquisition rate.

Acquisition of ISO 14001 Certification (as of October 1, 2012)

Company Name	Mills / Manufacturing Companies / Works
Nippon Paper Industries Co., Ltd	Kushiro Mill, Hokkaido Mill (Asahikawa Works, Yufutsu Works, Shiraoi Works), Ishinomaki Mill, Iwanuma Mill, Nakoso Mill, Fuji Mill, Iwakuni Mill, Yatsushiro Mill, R&D Dept.
Paperboard Division	Akita Mill, Ashikaga Mill, Soka Mill, Yoshinaga Mill, Otake Mill
Chemical Division	Gotsu Works, Iwakuni Works, Higashimatsuyama Works, Yufutsu Works
Paper-Pak Division	Paper-Pak Division (Takebashi and Oji regions)*
Nippon Paper Creca Co., Ltd	Tokyo Mill, Kaisei Mill, Koyo Mill, Kyoto Mill
Nippon Paper Papyrus Co., Ltd	Harada Mill, Suita Mill, Kochi Mill
Kitakami Paper Co., Ltd.	Headquarters - Ichinoseki Mill
NP Trading Co., Ltd.	Headquarters and works in Japan
Nippon Seitai Corporation	Headquarters, Hokkaido Works, Niigata Works, Kanto Works, Kansai Works, Kyusyu Works
Daishowa Uniboard Co., Ltd.	Miyagi Mill
SHIKOKU COCA-COLA BOTTLING CO., LTD.	Headquarters, SHIKOKU COCA-COLA PRODUCTS CO., LTD., SHIKOKU SAWAYAKA SERVICES CO., LTD. headquarters, SHIKOKU CANTEEN COLTD. headquarters, DYNAFLOW CO., LTD. headquarters
Nippon Paper Lumber Co., Ltd.	Insulator Sales Department Iwaki Mill
N&E Co., LTD.	
Nippon Paper Development Co., Ltd.	Headquarters, Landscape Department, Tokyo Department
Sakurai Co., Ltd.	Headquarters
Nippon Paper Ishinomaki Technology Co., Ltd.	All departments (Electric Device Department, Machinery Department, Construction Department)
Nippon Paper Industries USA Co., Ltd.	Port Angeles Mill
Paper Australia Pty. Ltd.	Maryvale, Shoalhaven
South East Fibre Exports	Eden

* The production subsidiary of Nippon Paper Industries' Paper-Pak Division, SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., and ISHIOKA KAKO CO., LTD. have also acquired ISO 14001 certification.

The status of Eco-Action 21 acquisition (as of October 1, 2012)

Company Name	Mill / Works
Akita Jujo Chemicals Co., Ltd.	Head Office Plant

Strengthening Environmental Compliance

Engaging in activities designed to bolster environmental compliance, including environmental audits

In order to better manage and reduce the burden imposed on the environment by its corporate activities, the Nippon Paper Group is strengthening environmental compliance. At the same time, the Group is promoting activities to prevent problems from occurring and establishing a framework that ensures all problems come to light.

Bolstering environmental compliance

Promoting activities to prevent problems from occurring

- Building a workplace that places the utmost importance on the environment
- Reinforcing systems to identify laws and regulations
- Implementing measures from both the facility and technology perspectives



Establishing a framework that ensures all problems come to light

- Bolstering environmental audits
- Strengthening the environmental management structure
- Engaging in environmental communication and active information disclosure

● Strengthening the framework for reliably identifying laws to be observed

To accurately respond to wide-ranging and relatively frequent changes in environmental legislation, Nippon Paper Industries has signed advisory agreements with knowledgeable legal experts.

A new legal search system, as well as advice on new and complex laws, has bolstered the framework for reliably identifying laws to be observed and their content.

● Environmental audits that place particular emphasis on legal compliance

The Nippon Paper Group has continued to conduct environmental audits that place particular emphasis on legal compliance since fiscal 2007 in an effort to adhere strictly to all relevant statutory and regulatory requirements. These audits are based on the guideline published by Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry in March 2007 and are helpful in verifying the status of compliance.

The Group has also prepared an environmental compliance checklist, which underpins internal audits conducted at each mill. On completion, the officer in charge of the Company's head office Environment & Safety Department conducts an additional environmental audit. This system of complementary checks and balances helps enhance efforts aimed at ensuring legal compliance. Moreover, the Nippon Paper Group has put in place a system of mutual audits. Under this system, officers responsible for the environment at other Group companies participate in the audits of each company.



The examination of documents during an environmental audit (Nippon Paper Industries Co., Ltd)



Response training in the event of a chemical spill during an environmental audit (Nippon Paper Crecia Co., Ltd)

Principal areas of legal compliance environmental audit implementation

2007	Air Pollution Control Act, Water Pollution Control Act
2008	Air Pollution Control Act, Water Pollution Control Act, Law Concerning Special Measures Against PCB Waste
2009	Air Pollution Control Act, Water Pollution Control Act
2010	Air Pollution Control Act, Pollutant Release and Transfer Register (PRTR) Law, Law Concerning the Recovery and Destruction of Fluorocarbons
2011	Water Pollution Control Act, Poisonous and Deleterious Substances Control Act
2012	Wastes Disposal and Public Cleansing Act, Poisonous and Deleterious Substances Control Act

Breaches of Statutory Requirements and the Status of Accidents

No instances of adverse disposition imposed by regulatory authorities

We were not subject to any form of disciplinary action from regulatory authorities (suspension of licenses, orders to suspend the use of facilities or fines) with respect to compliance in fiscal 2011.

Environmental accidents at the Nippon Paper Group

(1) Exceeding regulatory drainage water quality limits at the Kushiro Mill owned and operated by Nippon Paper Industries Co., Ltd.

Approximately 13,000 tonnes of drainage water containing caustic soda was discharged into Kushiro Harbor due to erroneous valve operations at the company's filtration systems used to control liquid waste discharged during the pulp manufacturing process on December 20, 2011. While the drainage water discharged exceeded the Chemical Oxygen Demand (COD)* regulatory limit stipulated under the Water Quality Pollution Control Act by a maximum of 1.3 times, no impact on health or the fishing industry has been confirmed.

(2) Chemical spill at the Gotsu Works owned and operated by Nippon Paper Chemical Co., Ltd.

On July 5, 2012, approximately eight tonnes of magnesium hydroxide solution leaked from the upper portion of an outdoor storage tank located at the company's Gotsu Works. While a portion of this spillage leaked through to Gotsu Harbor, no impact on health or the environment has been confirmed.

Despite the absence of any adverse disposition as a result of these incidents, the Nippon Paper Group deeply regrets the inconvenience caused to local residents. Moving forward, the Group will bolster its management and make every effort to prevent a recurrence.

* **Chemical Oxygen Demand (COD):** An index that measures the level of water contamination.

Policy and Management

Environmental Communication

Actively promoting environmental communication and reflecting feedback into our environmental activities

● Risk communication

The Nippon Paper Group places particular emphasis on sharing risk information in an effort to nurture strong ties of trust with local communities. To this end, the Group engages in risk communication with local residents at each of its mills. We recognize that in creating opportunities to exchange information about the risks associated with chemical substances and disasters, we are better placed to raise mutual awareness toward safety measures and to foster a greater sense of cooperation.

When installing large-scale equipment, the Nippon Paper Group also conducts explanatory meetings to provide local residents with a better understanding of any impact on the environment.



Risk communication meeting held at Nippon Paper Industries' Asahikawa Works

In fiscal 2011, particular emphasis was placed on promoting dialog with stakeholders as a part of efforts to further bolster information disclosure. To this end, the Group drew up its Risk Communication Guidelines.

● Environment-related complaints

The Nippon Paper Group handled 34 environment-related complaints in fiscal 2011. With each complaint, the relevant mill took steps to determine the cause, and took swift countermeasures. In those instances where an immediate response was not possible, all appropriate measures were taken to act as quickly as possible. Later, consideration was given to each complaint to ensure a permanent solution. With each complaint, the Group takes steps to explain the details of remedial action to be taken and to obtain the necessary acknowledgement.

The Nippon Paper Group has established a complaint and inquiry desk at each of its mills. We have also adopted environmental monitoring systems that are effectively driven by local residents to ensure that their comments are appropriately conveyed.

Environment-related complaints (fiscal 2011)

Item	No. of complaints	Item	No. of complaints
Noise	11	Vibration	1
Dust and mist dispersal	8	Smoke	0
Offensive odor	7	Other	7
Total 34			

Environmental Education and Training

Supporting employees increase their knowledge and skills

The Nippon Paper Group provides environmental education mainly at works that have acquired ISO 14001 certification. This education is aligned to the career status of each employee from basic knowledge about the environment to specialist education for operators of environmental facilities including wastewater treatment plants. In addition, the Group encourages employees to attend externally organized training seminars to further their qualifications and skills.

● The Nippon Paper Group *Eco Photo Award*

The Nippon Paper Group has held the *Eco Photo Awards* in June as a part of its Environment Month activities. Through the medium of photos, this initiative is another opportunity for employees and their families to focus on the environment.



Fiscal 2012
An entry in the Eco Photo Award "Forest regeneration"

● Environmental e-Learning

The Nippon Paper Group has introduced an online educational program to allow employees to learn about the environment at a time, place, and pace of their own convenience.

In fiscal 2012, the Group conducted a "Things we'd like you to know! Air and water: environmental issues for the Nippon Paper Group" program.



Online site on environmental e-learning

External awards for environmental conservation activities

The Nippon Paper Group received the following external awards for its environmental conservation activities in fiscal 2011.

External Awards for Environmental Conservation Activities (Fiscal 2011)

Recipient	Award	Award Organization
Nippon Paper Industries Co., Ltd. Fuji Mill	Shizuoka Prefecture Governor's award for global warming prevention activities	Governor of Shizuoka Prefecture
Nippon Paper Crexia Co., Ltd. Iwakuni Mill	Award presented to business operators exhibiting excellence in energy management	Bureau Chief of the Chugoku Bureau of Economy, Trade and Economy
NP Trading Co., Ltd. Headquarters	Award for global warming prevention action plan in the energy conservation category	Chiyoda ward office

Environmental Accounting

Investments for environmental conservation totaled approximately ¥5.0 billion, while environmental conservation expenses amounted to around ¥30.7 billion

The total cost for environmental conservation amounted to approximately ¥35.7 billion in fiscal 2011. This was largely comprised of investments totaling ¥5.0 billion and expenses

of ¥30.7 billion.

In fiscal 2011, environmental conservation expenses increased ¥1.4 billion and the total cost for environmental conservation climbed ¥0.8 billion.

Turning to environmental liabilities, the Nippon Paper Group recorded a provision for environmental measures totaling ¥0.6 billion on its consolidated balance sheet to cover costs for PCB treatment.

Environmental accounting*

Environmental conservation costs

(Millions of yen)

Categories	Principal Activities	Investment	Cost
(1) Business area cost			
1. Pollution prevention cost	Costs for maintaining, managing and improving air and water pollution prevention facilities	785	16,995
2. Global environmental conservation cost	Costs for preventing global warming as well as maintaining and managing Company-owned forests	3,110	840
3. Resources circulation cost	Costs for effectively utilizing recycled paper as well as treating, reducing and recycling industrial waste	1,080	7,811
(2) Upstream / downstream cost	Costs for recovering pallets, etc.	–	2,340
(3) Administration costs	Costs for ISO 14001 inspection, operation and management; environmental information disclosure; employee environmental education; and workplace cleaning initiatives.	–	513
(4) R&D cost	Costs for R&D relating to environmentally friendly products as well as the reduction of environmental load imposed by paper manufacturing processes.	–	1,260
(5) Social activity costs	Costs for local community natural conservation, tree planting, cleaning and landscaping activities, as well as donations and support for environmental organizations.	–	207
(6) Environmental remediation costs	Pollution-related health damage compensation (SOx)	–	719
Total		4,975	30,685

Results of environmental impact in 2010

Categories	Environmental Impact Indicators		Results	YoY Change
Effects related to resources introduced to business activities	Afforestation projects overseas	Overseas afforestation areas	163,000 hectares	–
	Energy-saving measures	Fuel use (fuel oil equivalent)	–	Down 31,455 kl
Effects related to environmental impact and waste from business activities	Greenhouse gas emission control	CO ₂ emissions from fossil energy	6,550,000 tonnes	Down 680,000 tonnes
		NO _x emissions (NO equivalent)	7,052 tonnes	Down 675 tonnes
	Emissions of hazardous air pollutants	SO _x emissions (SO ₂ equivalent)	3,375 tonnes	Down 580 tonnes
		Soot and dust emissions	1,253 tonnes	Up 25 tonnes
	Emissions of water contaminants	Wastewater	843,000,000 tonnes	Down 99,000,000 tonnes
		COD/BOD emissions	46,930 tonnes	Down 8,574 tonnes
		SS emissions	16,782 tonnes	Down 3,530 tonnes
	Final waste disposal		43,600 tonnes	Up 12,900 tonnes
Effects related to environmental impact and waste from business activities	Product recycling	Recycled paper utilization rate (paper)	39.9%	Up 0.9%
		Recycled paper utilization rate (paperboard)	88.9%	Up 0.4%
	Shipping material recycling	Pallet recovery rate	40.8%	Down 0.8%

Economic benefits of environmental conservation

(Millions of yen)

Effect	Amount
Income from Company-owned forests in Japan	657
Reduced expenses from energy saved	1,276
Reduced expenses through the effective use of waste	4,665
Gain on sales from the effective recycling of waste	726
Reduced expenses through the recycling of shipping materials	190
Total	7,514

* Accounting standards are based on Environmental Accounting Guidelines 2005.

Material Balance

Reducing the environmental impact of our activities, mainly among the manufacturing processes of our mainstay pulp and paper business

Material Balance

Identifying and reducing the environmental impact of our business activities

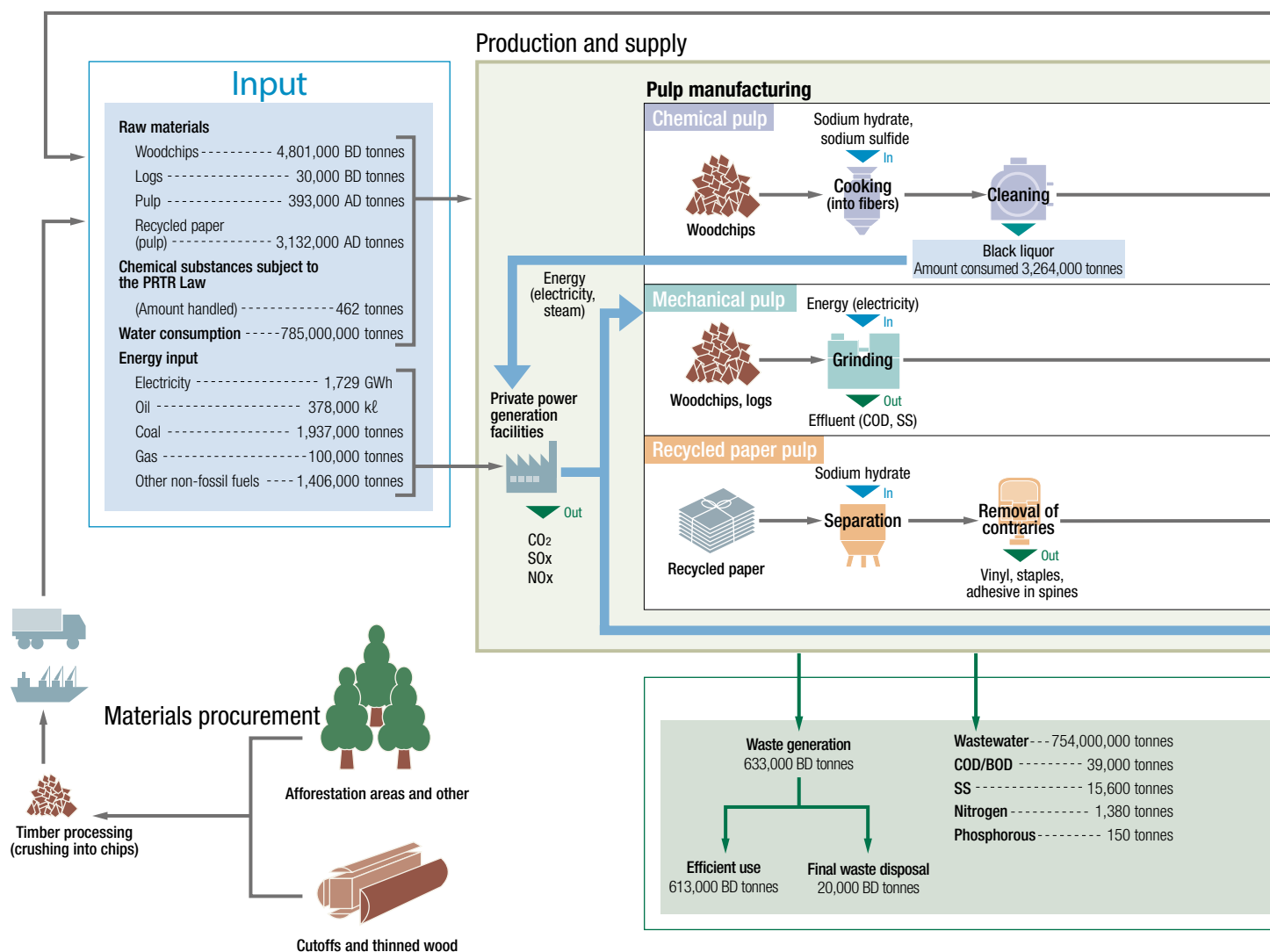
The Nippon Paper Group engages in a broad range of paper-related and other business activities driven primarily by the Pulp and Paper Division. In addition to accounting for 78% of total net sales, the Pulp and Paper business is responsible for approximately 92% of both the Group's water consumption and CO₂ emissions. Accordingly, this Division plays a major role in the Group's efforts to maintain material balance.

Woodchips and recycled paper make up the bulk of raw materials used to make paper. After converting these raw

materials into pulp, the pulp is diluted with water to produce pulp slurry and then formed as wet thin sheets. The water is then removed by drying to make paper. In the pulp and papermaking processes, steam is used as a heat source and electricity as a power source. Pulp and paper mills are equipped with boilers that combust fuel to generate steam as well as private electric generators that generate electricity from steam utilizing turbines.

Unfortunate byproducts of the pulp and paper manufacturing process are effluents containing water contaminants as well as gases containing air pollutants and CO₂. Moreover, the fuels combusted by boilers produce ash waste. With this in mind, the Nippon Paper Group strives to reduce the environmental impact of these pollutants.

Material balance in the Pulp and Paper Division in Japan (principal materials)



Balance of materials for all business (principal materials)

Input

Fossil energy input

Electricity	1,861 GWh
Oil	387,000 kℓ
Coal	2,019,000 tonnes
Gas	111,000 tonnes

Non-fossil energy input

Black liquor	3,328,000 tonnes
Other non-fossil fuels*	1,411,000 tonnes

Chemical substances subject to the PRTR Law

(Amount handled)	17,000 tonnes
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Water consumption

-----	870,000,000 tonnes
River water	644,000,000 tonnes
Industrial water	196,000,000 tonnes
Well water	29,000,000 tonnes
Public water supply	1,000,000 tonnes

Raw materials

Woodchips	5,180,000 tonnes
Logs	30,000 tonnes
Pulp	397,000 tonnes
Recycled paper (pulp)	3,166,000 tonnes
Base paper	122,000 tonnes

Output

CO₂ emissions from fossil energy

-----	6,550,000 tonnes
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SO_x emissions

-----	3,370 tonnes
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NO_x emissions

-----	7,050 tonnes
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Soot and dust

-----	1,250 tonnes
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Chemical substances subject to the PRTR Law

(Amount released)	273 tonnes
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(Amount transferred)	83 tonnes
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Wastewater

-----	843,000,000 tonnes
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Public water	840,000,000 tonnes
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Sewerage	2,000,000 tonnes
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COD/BOD	47,000 tonnes
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SS	17,000 tonnes
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Nitrogen	1,390 tonnes
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Phosphorous	160 tonnes
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Waste generation	688,000 BD tonnes
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Final waste disposal	44,000 BD tonnes
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Effective use	644,000 BD tonnes
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Products manufactured

Paper, household paper	4,260,000 tonnes
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Paperboard	1,450,000 tonnes
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Pulp	214,000 tonnes
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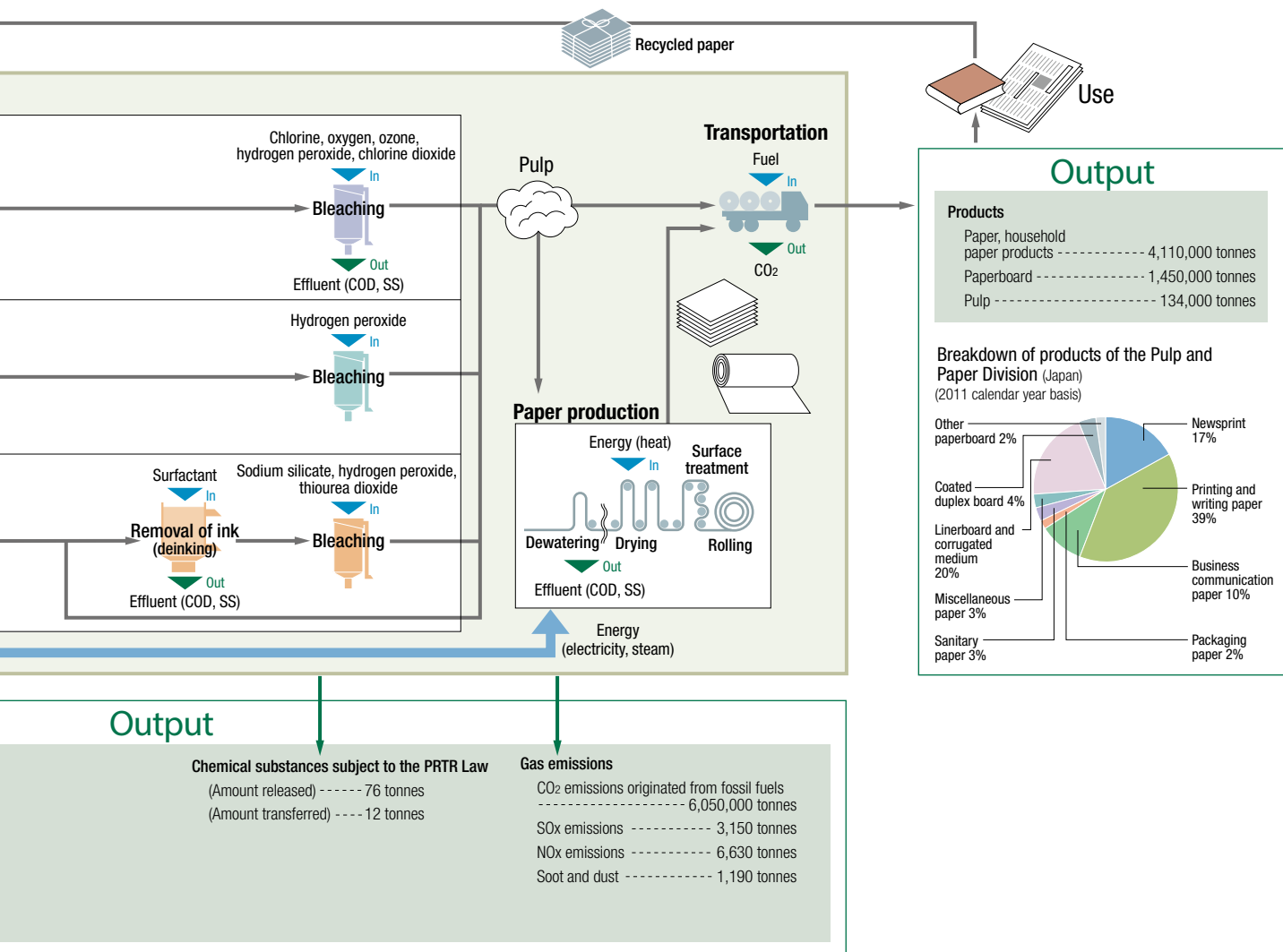
Paper container	102,000 tonnes
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Chemical products	137,000 tonnes
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Building materials	99,000 tonnes
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Beverages	142,000 tonnes
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* Biomass fuels, except for black liquor, and waste fuels



Mitigation of Climate Change

Reducing CO₂ emissions at every stage of our business activities

Objectives and Initiatives Regarding Global Warming Prevention

Promoting three core initiatives in an effort to prevent global warming

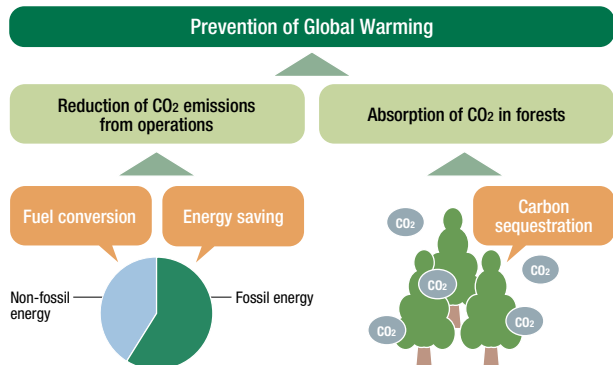
Placing considerable emphasis on the first basic policy of its Charter on the Environment, the Nippon Paper Group formulated an environmental action plan, the Green Action Plan (see page 33), as a part of its efforts to prevent global warming.

The Nippon Paper Group is working to achieve the aforementioned objectives by adopting three core initiatives. As a part of efforts to reduce CO₂ emissions across every stage of our business activities, we are (1) converting to non-fossil energy by employing boilers that use biomass and waste fuels (see page 40), (2) conserving energy in each of the production and transportation processes (see page 42), and (3) managing forests properly to ensure CO₂ absorption/sequestration (see page 43).

The objectives of the Green Action Plan 2015 aimed at preventing global warming (Formulated in December 2011)

- Reduce per-unit CO₂ emissions from fossil energy consumption per product by 25% compared to fiscal 1990 levels
- Reduce units of fossil energy per product by 30% compared to fiscal 1990 levels
- Reduce logistics-generated CO₂ emissions

The Nippon Paper Group's Initiatives



Reducing the Use of Fossil Fuels

Actively using biomass and waste fuels

The Nippon Paper Group is working to curtail fossil fuel consumption in an effort to prevent global warming, a major factor in climate change issues. As one of several measures, we have systematically installed highly efficient boilers as well as boilers that are capable of combusting biomass and waste fuels since fiscal 2004.

The Nippon Paper Group installed 10 boilers in Japan that can combust such carbon neutral non-fossil fuels as biomass and refuse including construction waste, materials as well as used tires and refuse paper and plastic fuel (RPF)*. Through these means, we are reducing the amount of fossil fuels consumed.

* **Refuse paper and plastic fuel (RPF)**: Fuel derived from paper that is unusable as recycled paper and waste plastic.

Status of boiler installation (Fiscal 2004 to fiscal 2009)

Date Operation Commenced	Company Name	Mill Name	Location	Amount of Evaporation (tonnes/h)
September 2004	Nippon Paper Industries	Nakoso Mill	Fukushima Prefecture	105
October 2006		Ishinomaki Mill	Miyagi Prefecture	180
October 2007		Fuji Mill	Shizuoka Prefecture	230
December 2007		Iwanuma Mill	Miyagi Prefecture	230
February 2008		Iwakuni Mill	Yamaguchi Prefecture	180
May 2008	Nippon Daishowa Paperboard	Akita Mill	Akita Prefecture	180
June 2008		Yoshinaga Mill	Shizuoka Prefecture	180
August 2008	Nippon Paper Industries	Hokkaido Mill Shiraoi Works	Hokkaido	300
October 2008		Hokkaido Mill Asahikawa Works	Hokkaido	180
April 2009	Nippon Daishowa Paperboard	Otake Mill	Hiroshima Prefecture	280

Fuel Conversion through the Effective Use of Waste

Effectively utilizing waste as refuse-derived fuel

Steps were taken to upgrade and expand RPF facilities at the Ichinoseki Mill owned and operated by Kitakami Paper Co., Ltd. in order to better promote the conversion of waste generated by



RPF facilities at the Ichinoseki Mill, Kitakami Paper Co., Ltd.

the Mill into fuel. By augmenting facilities, Kitakami Paper has increased the effective use of waste by 20%. In addition to halving the amount of waste generated, this initiative has helped to curb the amount of CO₂ emissions from fossil fuels.

Fiscal 2011 Results

Identifying goals through to fiscal 2015 and working to reduce CO₂ emissions

● Progress under the Green Action Plan 2015

Under its Green Action Plan 2015 (see page 33), the Nippon Paper Group has identified two overarching targets: to reduce per-unit CO₂ emissions from fossil energy consumption per product by 25% compared to fiscal 1990 levels and to reduce the units of fossil energy per product by 30% compared to fiscal 1990 levels.

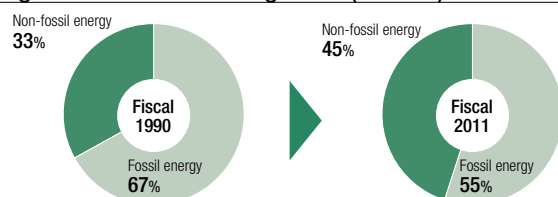
While the Group's performance was affected by cutbacks in production in the pulp and paper business due mainly to the Great East Japan Earthquake, the amount of CO₂ emissions as well as fossil energy consumed fell by approximately 30.0% and 35.7%, respectively, in fiscal 2011, compared with the levels recorded in fiscal 1990. This was largely attributable to energy-saving activities undertaken throughout the manufacturing process (see figures 1 and 2). At the same time, the Nippon Paper Group has confirmed that its consumption of non-fossil energy as a ratio of total energy used has risen from 33% in fiscal 1990 to 45% in fiscal 2011 (see figure 5). This reflects the positive effects of introducing boilers that combust biomass and waste fuels through to fiscal 2009.

Over and above the amounts of CO₂ released and fossil energy consumed, the Nippon Paper Group is endeavoring to enhance the efficiency by per-unit CO₂ emissions as well as the units of fossil energy used. In this regard, the levels of per-unit CO₂ emissions from fossil energy consumption per product as well as the units of fossil energy per product recorded in fiscal 2011 were essentially the same as those reported in the previous fiscal year (see figures 3 and 4).

Generally speaking, a drop in production volumes in the manufacturing industry leads to the deterioration of units of output, a key measure of production efficiency. The impact of a drop in production is made worse in the paper manufacturing industry by the decline in black liquor emitted during the manufacturing process, which is used as a carbon neutral non-fossil fuel.

Despite difficulties in securing a major recovery in production, we will work diligently to prevent global warming by aggressively engaging in energy-saving activities going forward.

Fig. 5. Non-fossil fuel usage ratio (calories)



* **Fiscal 2011:** Calculations based on Nippon Keidanren's Follow-up to the Keidanren Voluntary Action Plan on the Environment

* **Non-fossil energy:** Includes biomass and waste energy

Fig. 1. CO₂ emissions from fossil energy (all businesses¹)

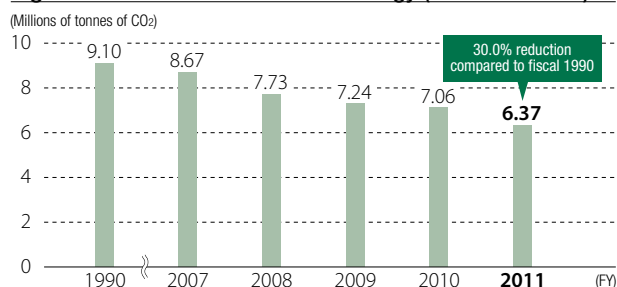
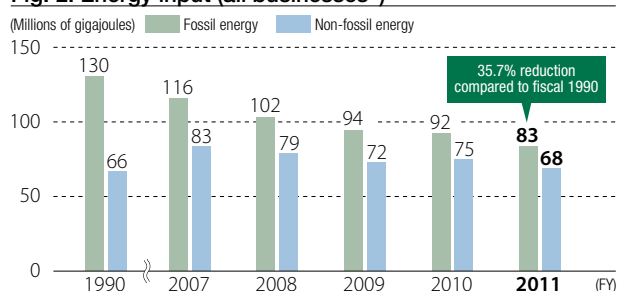


Fig. 2. Energy input (all businesses¹)



¹ Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Kitakami Paper Co., Ltd., KOYO PAPER MFG. CO., LTD., Nippon Paper Papyrus Co., Ltd., NIPPON PAPER-PAK CO., LTD., Nippon Seitai Corporation, Nippon Paper Chemicals Co., Ltd., N&E Co., Ltd., SHIKOKU COCA-COLA BOTTLING CO., LTD., GAC CO., LTD., Nippon Paper Development Co., Ltd.

Fig. 3. Per-unit CO₂ emissions from fossil energy (Pulp and Paper Business²)

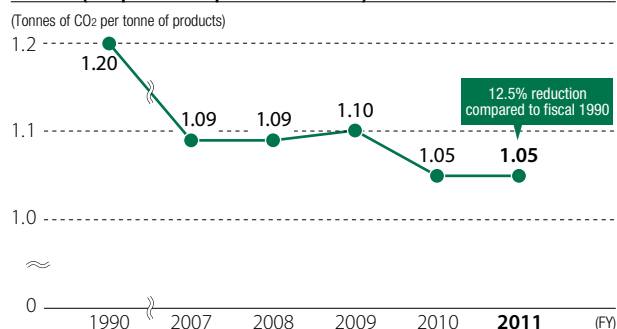


Fig. 4. Units of fossil energy (Pulp and Paper Business²)



² Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., Kitakami Paper Co., Ltd., KOYO PAPER MFG. CO., LTD.

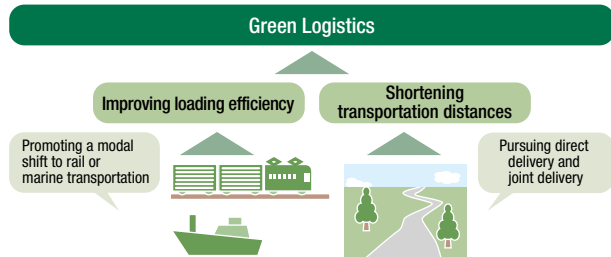
Mitigation of Climate Change

Logistics-Related Initiatives

The Nippon Paper Group is working with the logistics industry as well as with customers to promote green logistics.

The Nippon Paper Group focuses mainly on the two core initiatives of improving its loading efficiency to secure an industry-leading modal shift rate and shortening transportation distances. Through these means, the Group is endeavoring to reduce CO₂ emissions.

The Nippon Paper Group's logistics-related initiatives



● Promoting a modal shift in transportation to secure high loading efficiency

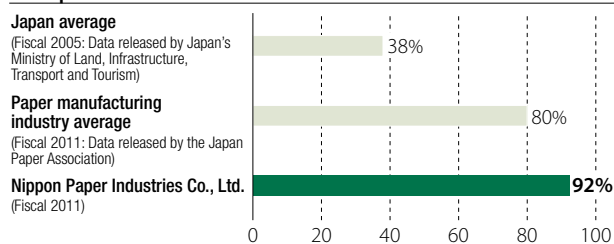
The Nippon Paper Group is promoting a modal shift in transportation. This modal shift entails the increased use of rail and marine transportation. By increasing load efficiency, particularly over long distances, we are reducing the environmental impact of our activities.

Nippon Paper Industries achieved a modal shift rate* of 92% in fiscal 2011. This far surpassed the domestic and industry averages.

* Modal shift rate:

The percentage of rail or marine (including ferries) transport in miscellaneous cargo transported over 500 kilometers.

Comparison of modal shift rates



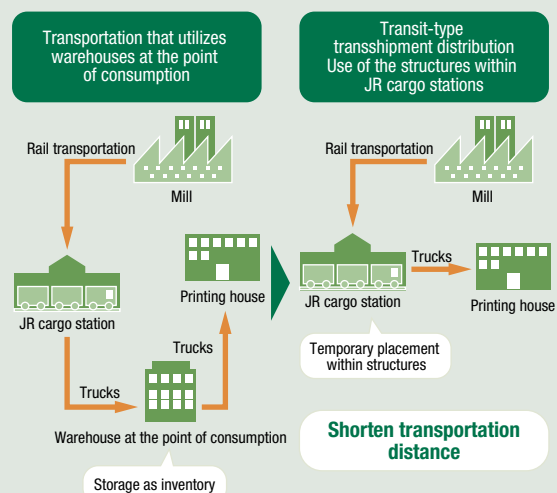
● Putting in place a logistics structure and systems that help shorten transportation distances

The Nippon Paper Group is endeavoring not only to review its own logistics structure and systems, but also to eliminate inefficiencies in distribution while cooperating with customers. Through these means, the Group is working to shorten transportation distances.

Transit-type transshipment distribution that utilizes the structures within JR cargo stations

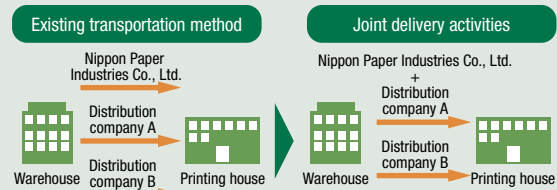
Nippon Paper Industries is engaging in Transit-type transshipment distribution in an effort to shorten transportation distances. By utilizing the structures within JR cargo stations as temporary holding facilities, the company is eliminating the need for inventory storage within existing warehouses at each point of consumption.

Transit-type transshipment distribution mechanism



Joint delivery activities in concert with the distribution industry

For the same items stored and handled by the Nippon Paper Group and the distribution industry, every effort is made to transport products in lots rather than small quantities. This initiative is designed to prevent global warming through the efficient use of truck transportation.



Together with its 90,000 hectares held across 30 prefectures in Japan, the Nippon Paper Group manages 163,000 hectares of forests overseas for an aggregate total of 253,000 hectares. Through proper forest management, the Group retains its CO₂ sequestration capabilities. These forests, both in and outside Japan, keep approximately 40 million tonnes of CO₂. By building a significant repository for carbon, we are contributing to global warming prevention.

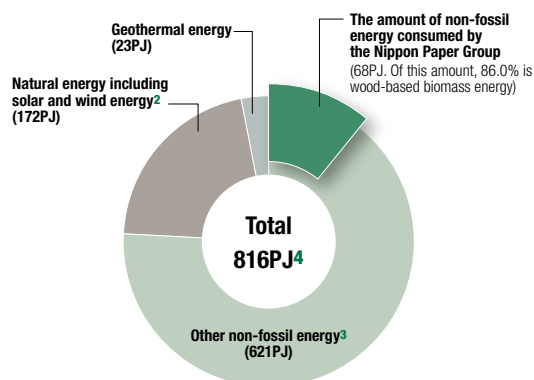
The carbon inherent in trees as a result of sequestration is maintained after processing into building materials and paper products. Products derived from forests and wood-based materials therefore play a role in reducing the level of CO₂ in the atmosphere. In light of this factor, the active recycling of paper helps to conserve natural resources while at the same time facilitating CO₂ sequestration over the longest possible term. Moreover, following their use as construction and other materials, tree byproducts can be employed as biomass fuels that do not increase CO₂ in the atmosphere. The Nippon Paper Group is making every effort to prevent global warming by further enhancing the efficiency of wood resource use.

One of the largest corporate users of biomass energy in Japan

The Nippon Paper Group is an active user of such non-fossil energy as wood-based biomass and waste fuels. The ratio of non-fossil energy to total energy consumed by the Group is 45%.

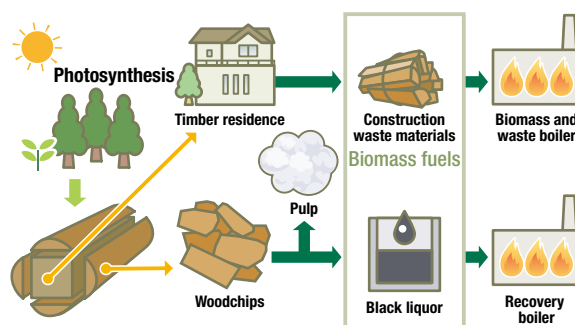
In addition, the amount consumed accounts for up to 8.3%* of non-fossil energy used in Japan. In specific terms, wood-based biomass fuels, including black liquor and construction waste materials, make up 86% of this total. As such, the Nippon Paper Group is Japan's largest corporate user of biomass energy.

The quantity of non-fossil energy (excluding nuclear and water power) supplied in Japan (Fiscal 2010¹)



- 1 Source:**
In-house data prepared from energy supply results by the Resources Energy Agency
- 2** Excluding private power generating facilities with a capacity of less than 1,000 kilowatts. Power generated using private biomass power generation facilities included from fiscal 2010.
- 3** Other non-fossil energy is equivalent to the unused portion of energy based on the Resources and Energy Agency data identified in note1, including waste power generation, direct-use black liquor, and waste energy recovery.
- 4 Unit:** PJ (Petajoule: 10 to the 15th power Joules)

Biomass energy utilization



Black liquor

Black liquor, a byproduct of the pulp manufacturing process, is a wood-based biomass fuel that is unique to the paper manufacturing industry. Black liquor is used as a fuel in recovery boilers. Each year, the Nippon Paper Group's use of black liquor at 12 of its mills is equivalent to 1.3 million kiloliters of crude oil.



Construction and other waste materials

After black liquor, construction and other waste materials are the second most used wood-based biomass fuel. Since 2004, the Nippon Paper Group has installed boilers that are capable of combusting these fuels at eight of its mills. Each year, the Nippon Paper Group utilizes wood-based biomass fuels to an equivalent of 330,000 kiloliters of crude oil.

Biodiversity Conservation

The Nippon Paper Group promotes biodiversity conservation in the conduct of its mainstay business activities, as well as a variety of pursuits that harness its proprietary resources and technologies.

Basic Stance

The Nippon Paper Group is pursuing activities that promote biological diversity conservation and the sustainable use of its components.

The lifestyle of humankind is grounded in the benefits provided by the diversity of all living things (ecosystem services) that inhabit the earth. Currently, however, it is the activities of humankind that threaten this biodiversity. As a part of efforts to address this issue, the Aichi Biodiversity Targets and Nagoya Protocol were adopted at the 10th meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity held in Nagoya, Aichi Prefecture, in October 2010.

The business activities of the Nippon Paper Group, which directly entail the cultivation and utilization of forests, therefore have an inherently significant and wide-ranging impact on biodiversity. With this in mind, we recognize that the sustainable use of forests and our ability to ensure abundant forest areas for the future are fundamental to our existence and development as a going concern.

As a corporate entity whose existence and development depends on the use of trees, the very bounty of forests, we recognize that any loss and depletion in forest areas will eventually lead to our demise. The Nippon Paper Group therefore maintains a deep respect for and appreciation of this bounty. At the same time, we are committed to the objectives of the Convention on Biological Diversity, namely biological diversity conservation and the sustainable use of its components.

Overview of Biodiversity Conservation Activities

Engaging in activities on the basis of two core initiatives

The basic philosophy of the Nippon Paper Group Charter on the Environment (see page 32) states that the Nippon Paper Group is committed to helping preserve the global environment over the long term and contributing to the development of a recycling-based society by carrying out its corporate activities in recognition of the importance of biodiversity. In addition, we have endorsed the Declaration of Biodiversity by Nippon Keidanren and participate as a declaration promotion partner.

In practicing the philosophy of our Charter on the Environment, we engage in initiatives involving our main businesses. In specific terms, this entails promoting forest management that takes into consideration biodiversity and undertaking supply chain activities including the sustainable procurement of wood raw materials.

Running parallel with this initiative, we leverage the Group's resources and technologies. This involves protecting scarce plant species utilizing proprietary technologies and nurturing forests for the future at Company-owned forests.

Overview of biodiversity conservation activities

Initiatives involving our main businesses

- Forest management that takes into consideration biodiversity
- Sustainable wood raw material procurement (supply chain activities)
- Environmental load reduction through our manufacturing activities



Activities that leverage the Group's resources and technologies

- Conservation work that harnesses proprietary technologies
- Activities that utilize Company-owned forests

Enhancing Awareness toward the Importance of Biodiversity Both within and outside the Group

The Nippon Paper Group engages in activities aimed at enhancing awareness toward the importance of biodiversity conservation both within and outside the Group. Among a host of initiatives, the Group has continued to conduct workshops to promote in-house awareness while publishing special features on biodiversity in its corporate communications magazine. In fiscal 2011, biodiversity was introduced as a core theme of the 4th Global Environment Forum. Mr. Hiroshi Yagyu, chairperson of the Wild Bird Society of Japan, was invited to lecture on biodiversity from the perspective of living creatures. The lecture was presented in an easy-to-understand manner not only for the benefit of employees, but also the members of the general public.

Case Study The Global Environment Forum (Nippon Paper Group, Inc.)

Nippon Paper Group, Inc. regularly holds global environment forums to provide opportunities for the general public and employees to learn about environmental issues.

Over 220 members of the general public and Nippon Paper Group employees participated in the 4th Global Environment Forum held in January 2012. This particular forum was divided into

two distinct parts. The first portion of the forum involved two lectures on biodiversity conservation in Hokkaido and Brazil. The second portion featured a lecture by Mr. Hiroshi Yagyu, chairperson of the Wild Bird Society of Japan, on the topic of "living with forests, learning from forests."



Mr. Hiroshi Yagyu, chairperson of the Wild Bird Society of Japan, giving his lecture

Initiatives Implemented in the Conduct of Our Core Business Activities

Nurturing abundant forests for the future

● Forest management that takes into consideration biodiversity

Nippon Paper Industries owns around 90,000 hectares of forest land in Japan. Together with its approximate 163,000 hectares of overseas plantation area, the company manages a total of about 253,000 hectares of forests. Managing this forest land in a sustainable manner while taking into consideration biodiversity conservation is one of several core corporate social responsibilities.

Proper planning and management are important factors in the sustainable management of forests. A considerable amount of time is required to cultivate trees to their maturity. In putting together a viable sustainable forest management plan, it is therefore important to consider a wide range of factors including the areas allocated to afforestation and harvesting, the rate of growth, the surrounding environment and the impact on society. Another factor critical to any plan is landscape concerns encompassing efforts to protect waterside forests (see page 59). Taking full advantage of its experience as a forest management specialist nurtured over many years, the Nippon Paper Group is promoting proper planning and management.

● Prohibiting harvesting for the purpose of lumber production in environmental forest areas

Nippon Paper Industries has designated approximately 20%, or 18,000 hectares, of forest areas owned in Japan as “environmental forest areas.” In these areas, the logging of trees for the purpose of lumber production is prohibited and the environmental functions of forests (forest ecosystem services) are conserved. Outside of Japan, approximately 173,000 hectares, or 57%, of property held by Amapa Florestal e Celulose S.A. (AMCEL) is protected as a preservation area. Every effort is being made to incorporate biodiversity concerns by clearly identifying preservation areas.



The Company-owned Sugenuma Forest (Mount Nikko Shirane), which is designated as an environmental forest area

Biodiversity and the forest certification system

Forest certification is an evaluation system under which independent third-party institutions certify that companies are properly maintaining and managing forests for the purpose of sustainably using forest resources. Measuring biodiversity conservation is a key component of the evaluation process.

Nippon Paper Industries employs forest certification systems to benchmark its sustainable forest management. As confirmation that the company engages in forest management that takes into consideration biodiversity, all of its forests both in and outside Japan have acquired certification.

Moving forward, Nippon Paper Industries will work to maintain this third-party confirmation and certification while practicing forest management that incorporates biodiversity concerns.

● Raw materials procurement that takes into consideration biodiversity

While taking into consideration biodiversity in the conduct of core business activities, the Nippon Paper Group also incorporates biodiversity conservation concerns into its supply chain management focusing mainly on the procurements of raw materials.

Procuring raw materials from sustainably managed forests was identified under the Group's Philosophy and Basic Policy Concerning Raw Materials Procurement formulated in October 2005. In August 2006, the Group put in place an action plan for implementing this philosophy and basic policy.

Note: Sustainable raw materials procurement activities in the context of the entire supply chain are explained in more detail on pages 56-59.

● Reducing the environmental impact of production activities

Nature's ecosystems are closely linked to a company's business activities. In this regard, efforts to reduce the environmental impact of production activities by, for example, returning to nature the water discharged from mills in as clean a state as possible and preventing global warming by curtailing greenhouse gas emissions are vital to securing biological diversity.

While recognizing its impact on the environment, the Nippon Paper Group will continue to engage in environmentally friendly production activities and reduce its environmental load.

Biodiversity Conservation

Initiatives that Harness Company-Owned Resources and Technologies

Contributing to the protection of a variety of plant species

● Utilizing proprietary technologies (1) — protecting and nurturing endangered species

Nippon Paper Industries contributes to the protection of endangered plant species through its proprietary technology for cultivating cuttings in containers. After successfully propagating an endangered plant species in the Ogasawara Islands in 2005, the company went on to nurture plants of the Ryukyu Islands on the verge of extinction. The company received samples of endangered species from the Tsukuba Botanical Gardens, and successfully propagated and returned to the garden 24 of the 26 species received.

● Utilizing proprietary technologies (2) — protecting cherry tree species

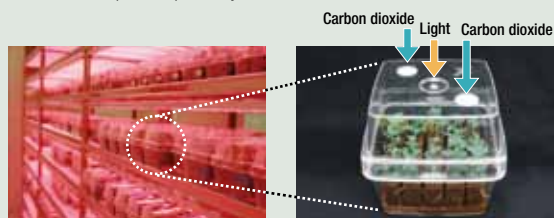
Nippon Paper Industries has preserved the variety of precious cherry trees owned by the National Institute of Genetics* located in Mishima, Shizuoka Prefecture, since 2006. The institute owns the precious gene resources to over 260 cherry tree species collected from all around Japan by the late Dr. You Takenaka. For its part, Nippon Paper Industries uses its technology for cultivating cuttings in containers to pass on to future generations these precious resources. The company has, up to 2011, successfully created, returned and ultimately will pass on to future generations 78 types of cherry tree plantlets.

* The Research Organization of Information and Systems National Institute of Genetics

The technique for cultivating cuttings in containers refers to:

A technology that encourages plants to root using a cultivating room characterized by an environment that promotes photosynthesis. This method allows the propagating of plants that failed to root by cutting.

- (1) Place the container in a cultivating room with an elevated carbon dioxide concentration and light with suitable wavelengths to boost the plants' photosynthetic activities.



- (2) Even plant species that normally fail to root by cutting are able to root.



● Utilizing proprietary technologies (3) — restoring tidal flat environments

Nippon Paper Industries developed a new material in partnership with Fukuoka Construction K.K. by mixing granulated paper sludge ash from its Yatsushiro Mill with dredged marine sediments. This new material was used as a tidal flat reclamation material in verification tests for ecosystem terrace revetment in a project undertaken by a research group from the Center for Marine Environment Studies of Kumamoto University led by Professor Kiyoshi Takikawa.

In addition, Kumamoto University took the lead in launching wide-ranging rehabilitation research for biodiversity in Yatsushiro Bay from fiscal 2011. This research was commissioned by Japan's Ministry of Education, Culture, Sports, Science and Technology. The project's aim is to establish a rehabilitation vision for Yatsushiro Bay, harmonizing environment, protection, and application concerns. The Yatsushiro Mill, owned and operated by Nippon Paper Industries, is developing new materials that will assist in this rehabilitation and creation.

* Paper sludge is generated during the paper manufacturing process from fine fibers and other waste materials that are not made into paper. This sludge is combusted to collect heat as biomass energy. The remaining ash is referred to as paper sludge ash.

● Utilizing company-owned forests (1) — Mori-to-Kami-no-Nakayoshi-Gakko (School of Friendship for Forest and Paper)

Nippon Paper Industries launched Mori-to-Kami-no-Nakayoshi Gakko (School of Friendship for Forest and Paper), an environmental education program, at the company's own forests with a total area of nearly 90,000 hectares in 2006 (see page 97).

● Utilizing company-owned forests (2) — "Nurturing Forests" for the future

As a part of efforts to pass on abundant forests to the future, the Nippon Paper Group is engaged in a "Nurturing Forests" initiative under the guidance of Dr. Akira Miyawaki, of Yokohama National University and the world's leading authority on forest ecology. In addition to contributing to biodiversity conservation through the regeneration of indigenous forests, this initiative also aims to help prevent global warming and sediment disaster. We are planting trees for future use, attempting to realize Dr. Miyawaki's concept of "forestation harmony with the economy." The first



Nets erected to prevent deer from feeding

tree planting was held in May 2010 at the company-owned Sugenuma Forest. Some 700 children and adults participated in the planting of 10,000 trees covering 25 species. In fiscal 2011, further forest maintenance work was carried out.

Blakiston's fish owl protection activities (Nippon Paper Industries Co., Ltd.)

Nippon Paper Industries entered into an agreement with the Wild Bird Society of Japan to protect birdlife, including Blakiston's fish owl, in October 2010. As a part of this agreement, approximately 126 hectares of forestland owned by the company in the Nemuro region of Hokkaido was identified as a sanctuary for Blakiston's fish owl. This sanctuary, which has to date been managed as an environmental forest area, is home to three confirmed braces of Blakiston's fish owl.

In fiscal 2011, steps were taken to collate basic bird sanctuary data obtained through surveys. Based on studies undertaken, a total of 47 species of birds were confirmed to inhabit the sanctuary. In light of these survey results, the positive effects of a rich forest environment on increasing the variety of bird species attracted wide acclaim. Moreover, the period during which surveys were conducted was insufficient to cover the substantial number of large trees with a diameter exceeding one meter that could potentially serve as nesting areas for Blakiston's fish owls. Accordingly, Nippon Paper Industries plans to continue conducting surveys going forward.

We will draw on the knowledge of the society through joint surveys and monitoring. Utilizing their knowledge, we will continue to engage in forest management that balances economic and environmental concerns.



Monitoring birdlife habitats



Blakiston's fish owl
(Photo provided by:
The Kushiro Nature
Conservation Office of
Japan's Ministry of
the Environment)

Blakiston's fish owl

Standing 70 to 80cm high and weighing 3 to 4.5 kg, Blakiston's fish owl is the world's largest owl, with a wingspan of 180cm. From a population of over 1,000 across the Hokkaido region their numbers in the wild have dwindled due to river-related construction and development.

Today, Blakiston's fish owls are found exclusively in the eastern parts of Hokkaido. Confirmed numbers have diminished to around 140, making up 50 braces.

Blakiston's fish owl was identified as a protected species in 1971, and placed on the red list of critically endangered species by Japan's Ministry of the Environment.

Source water protection activities (SHIKOKU COCA-COLA BOTTLING CO., LTD.)

● Implementing Source Water Protection Project

The Coca-Cola system, which is comprised of Coca-Cola (Japan) Co., Ltd. as well as its bottling and related companies, has been designed to identify water sources for plants and to put in place protection plans after assessing source vulnerability. Based on these endeavors, the system entails pushing ahead with the "Source Water Protection" Project, which in turn forms a part of the Coca-Cola group's overall water resource management project.

SHIKOKU COCA-COLA BOTTLING began identifying water sources and to conduct vulnerability assessments at its Komatsu No. 2 Plant from 2010. These efforts have confirmed the absence of any major issues with respect to water quality and volume.



SHIKOKU COCA-COLA PRODUCTS CO.,LTD.,
Komatsu No. 2 Plant

● Protecting watershed areas

Yokomine Temple mountain climbing clean-up activities in conjunction with the green friend's federation of Iwane elementary school

SHIKOKU COCA-COLA PRODUCTS' Komatsu No. 2 Plant has continued to promote Yokomine Temple mountain climbing clean-up activities in conjunction with the Iwane junior green friend's federation since 2009. This is part of the Coca-Cola group's "Learn from the Forest" Project to provide students with an insight into the function forests play in water circulation. Yokomine Temple is regularly visited by pilgrims and is located in an area that is a water source for the plant.



Yokomine Temple mountain climbing
clean-up activities in conjunction with
the green friend's federation of Iwane
Elementary School

In addition to clean-up activities, students are given lectures on the relationship between forests and water. The "Learn from the Forest" Project is an opportunity to highlight forest protection and a forum to introduce key issues.

Reducing Waste Generation and Final Disposal

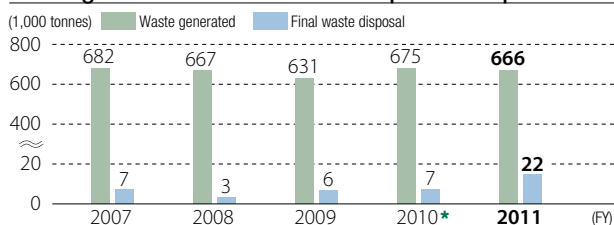
Minimizing final waste disposal through recycling and related measures

Reducing Final Waste Disposal

Reducing final waste disposal

The amount of waste generated by the Nippon Paper Group in Japan totaled 670,000 tonnes in fiscal 2011. Of this total, approximately 80% is incinerated ash (paper sludge and coal ash). The residual amount is comprised of sludge, wood waste and waste plastic. While the Group is working diligently to expand the effective use of waste as a part of efforts to reduce final waste disposal, the amount of final waste disposal increased on a year-on-year basis in fiscal 2011 due mainly to the substantial impact of the Great East Japan Earthquake.

Waste generated and final waste disposal in Japan



* The Group was unable to compile information for the Ishinomaki and Iwanuma mills, owned and operated by Nippon Paper Industries, due to the impact of the Great East Japan Earthquake. Accordingly, fiscal 2009 data for each mill was used and modified to enable a year-on-year comparison.

Promoting Proper Waste Management

Promoting management that complies with related legislation

The Nippon Paper Group undertakes to manage waste properly in close collaboration with Group companies. Environmental audits strictly evaluate the details of agreements concluded with waste disposal contractors as well as manifest and other management from an operational perspective. Steps are also taken to ensure that notifications and waste storage facilities are adequately managed in accordance with statutory and regulatory requirements.

The Company also complies with Japan's Act for the Control of Export, Import and Others of Specified Hazardous Wastes and Other Wastes which is based on the Basel Convention.



Waste placement area
(Fuji Mill, Nippon Paper Industries)

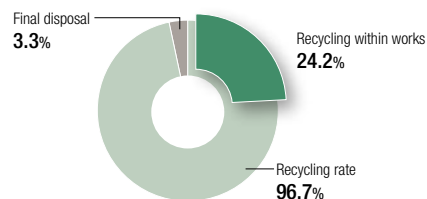
Effectively Utilizing Waste

Promoting the effective use of waste through the development of wide-ranging applications

The Nippon Paper Group is endeavoring to effectively use waste as a part of efforts to reduce the amount of final waste disposal.

Under its Green Action Plan 2015, the Group is endeavoring to promote the effective use of resources in order to achieve the twin objectives of increasing the waste recycling rate to at least 97% and recycling at least 40% of waste generated within its works. In addition to the introduction of granulation equipment, the Nippon Paper Group has continued to promote such initiatives as the efficient use of ash. As a result, the waste recycling rate and the recycling rate of waste generated within works were 96.7% and 24.2%, respectively, in fiscal 2011.

The ratio of recycling to the amount of waste generated



Applications of recycled waste

Waste	Major Recycling Applications
Cinder	Raw material for cement, roadbeds, etc.
Inorganic sludge	Base material for greening, raw material for cement, etc.
Organic sludge	Heat recovery fuel, energy recovery, etc.
Waste oil	Recycled oil, energy recovery, etc.
Waste plastic	Energy recovery, raw material for reproduction, etc.
Recycled paper/broke	Energy recovery, recycled paper for pulp use, etc.
Wood waste	Fuel chips, etc.
Scrap metal	Raw material for metal, etc.
Waste construction material	Reproduced crushed stones, energy recovery, etc.



Effectively utilizing boiler incineration ash as a construction material (right) in the paving of forest roads

Initiatives to Prevent Environmental Pollution

Activities aimed at reducing environmental load

Preventing Air Pollution

Consistently reducing emissions of NOx, SOx, soot and dust

The Nippon Paper Group has installed boilers and turbines in an effort to generate power internally at its paper mills. Included in the combustion gases emitted by boilers are nitrogen oxide (NOx) and sulfur oxide (SOx), as well as soot and dust. The Group has introduced desulfurization, denitrification, dust collection, and other equipment and is working to reduce these contaminants to levels substantially lower than legal requirements.

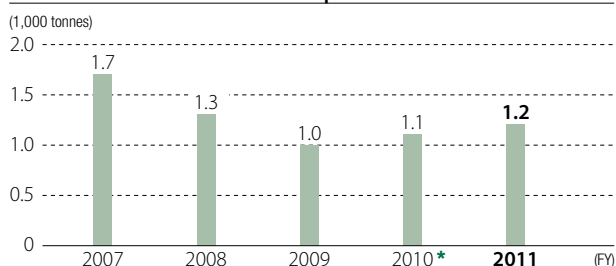
NOx emissions in Japan



SOx emissions in Japan



Soot and dust emissions in Japan



* The Group was unable to compile information for the Ishinomaki and Iwanuma mills, owned and operated by Nippon Paper Industries, due to the impact of the Great East Japan Earthquake. Accordingly, fiscal 2009 data for each mill was used and modified to enable a year-on-year comparison.

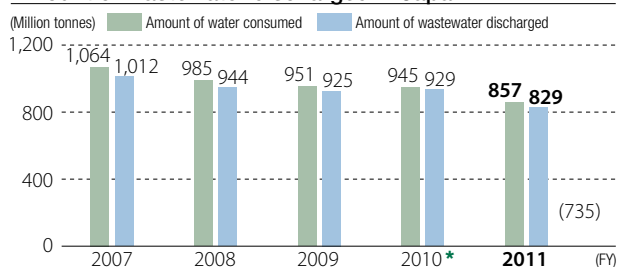
Preventing Water Pollution

Purifying wastewater through the use of microorganisms

In papermaking, pulp is highly diluted with water to make pulp slurry and then formed as a wet thin sheet. Water is removed from the sheet by drying to make paper. As a result, water is an extremely important element in the paper manufacturing process and contains minute pulp fibers that could not be used to make paper filler and soluble materials of wood origin.

The Nippon Paper Group's pulp and paper mills consistently measure the degree of pollution with such indices as COD, BOD and SS, and treat wastewater before it is discharged. In addition to ensuring that contaminated substances are held below levels prescribed under the law, we are also implementing wide-ranging measures to reduce water pollution even further.

Amount of water consumed / Amount of wastewater discharged in Japan



Emissions of COD / BOD in Japan



Emissions of SS in Japan



* The Group was unable to compile information for the Ishinomaki and Iwanuma mills, owned and operated by Nippon Paper Industries, due to the impact of the Great East Japan Earthquake. Accordingly, fiscal 2009 data for each mill was used and modified to enable a year-on-year comparison.

Initiatives to Prevent Environmental Pollution

Preventing Noise, Vibration, and Foul Odors

Putting in place measures to reduce the impact on areas in close proximity to mills

● Preventing noise and vibration

Since pulp and paper mills produce large amounts of paper, production equipment is substantial. As long as these machines have motors and pumps, they are a potential source of noise and vibration. In fiscal 2011, the Group received 11 complaints about noise and one regarding vibrations. Irrespective of the existence of complaints, each mill takes steps to minimize the level of noise by implementing such measures as the installation of sound insulation facilities whenever an issue is determined to have arisen.



Before (left) and after (right) sound insulation measures have been implemented (Fuji Mill, Nippon Paper Industries)

● Preventing foul odors

When making kraft pulp, such odors as hydrogen sulfide, methyl mercaptan, methyl sulfide, and methyl disulfide can be generated. The Nippon Paper Group received seven complaints relating to offensive odors during fiscal 2011. In addition to installing equipment that seals off odors, we regularly measure odor levels and conduct patrols to ensure that issues do not arise. Through these means, we are endeavoring to minimize the impact on surrounding areas of foul odors.

Preventing Soil Pollution

There are no instances of soil contamination at Group companies.

The raw materials and chemicals used by pulp and paper mills contain little or no heavy metals, trichloroethylene or other soil contaminants. By its very nature, the paper industry witnesses very few incidents of serious soil contamination. There were no instances of soil contamination at Group companies during fiscal 2011.

Controlling Chemical Substances

Maintaining proper chemical substance handling management while promoting efforts to limit use

● PCB management

Given their excellent insulating properties, PCBs have been used for such electric devices as transformers. The Nippon Paper Group owns devices that contain PCBs at its works. Those devices that are not in use are stored in accordance with statutory requirements.

PCB waste is disposed of under contract in accordance with the detoxification plan put forward by the Japan Environmental Safety Corporation (JESCO).

The status of PCB-containing devices held

(Units)

	Transformers / capacitors	Reactors	Stabilizers
Number of units held	349	1	2,985

* Figures for units confirmed as held as of March 31, 2012

● Minimizing emissions of volatile organic compounds (VOCs)

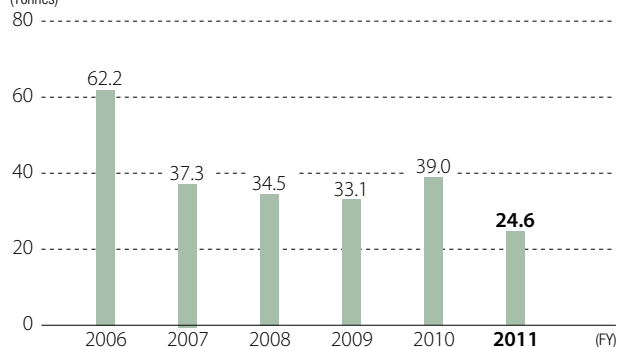
The Nippon Paper Group is working diligently to reduce emissions of VOCs, widely regarded as a cause of airborne particulate matter and photochemical oxidants.

By implementing such measures as the replacement of chemicals used, the actual amount of VOCs released into the atmosphere by Nippon Paper Industries, in fiscal 2011 was 24.6 tonnes.

Emission of volatile organic compounds*

(Nippon Paper Industries Co., Ltd.)

(Tonnes)



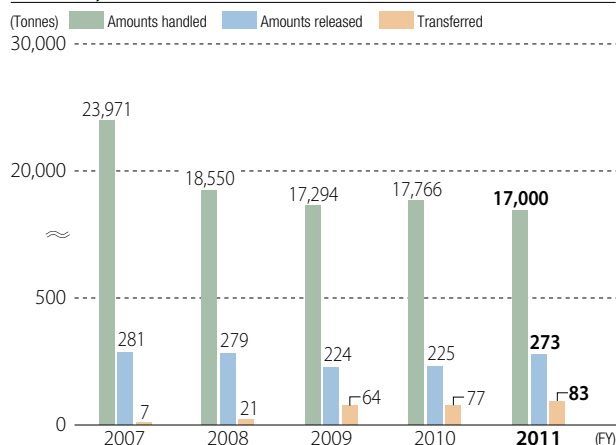
* Amounts of less than one tonne handled have also been recorded.

● Responding to the PRTR Law

The Pollutant Release and Transfer Register (PRTR) is an open and public mechanism that makes it clear how the wide variety of hazardous chemical substances are handled, released and transferred at works and other facilities. The Nippon Paper Group has continued to promote the reduction of chemical substances subject to the PRTR Law at its works in Japan. While the amounts of chemical substances released and transferred were 273 tonnes and 83 tonnes, respectively, in fiscal 2011 the Group will move forward with ongoing efforts to further reduce chemical substances subject to the PRTR Law by limiting their use through replacement and other measures.

Nippon Paper Industries has held risk communication meetings at its mills since fiscal 2007. Steps are taken at each meeting to explain to local residents the management and use of chemical substances subject to the PRTR Law.

Amounts of substances subject to the PRTR Law handled, released and transferred



Amounts of Substances Subject to the PRTR Law Handled, Released and Transferred¹ (Fiscal 2011)

Cabinet Order No.	CAS No.	Chemical Substance	Unit	Amount Handled (Amount Generated)	Amount Released	Amount Transferred
2	79-06-1	Acrylamide	t	649	0	0
4		Acrylic acid and water-soluble salt	t	962	0	0
9	107-13-1	Acrylonitrile	t	733	0	0
30		n-alkylbenzenesulfonic acid and its salts (alkyl C=10-14)	t	41	1	0
37	80-05-7	4,4'-isopropylidenediphenol	t	122	0	0
53	100-41-4	Ethylbenzene	t	2	0	0
57	110-80-5	Ethylene glycol monoethyl ether	t	27	13	5
60	60-00-4	Ethylenediaminetetraacetate	t	4	1	0
80	1330-20-7	Xylene	t	44	1	3
84	107-22-2	Glyoxal	t	3	0	0
98	79-11-8	chlorodifluoromethane	t	1,580	0	0
127	67-66-3	Chloroform ²	t	314	165	30
149	56-23-5	tetrachloromethane	t	31	0	31
154	108-91-8	Cyclohexylamine	t	3	1	0
232	68-12-2	N,N-dimethylmethanamide	t	1	1	0
240	100-42-5	Styrene	t	2,669	5	0
243		Dioxins ³	g-TEQ	5	1	7
274	25103-58-6	tert.dodecanthiol	t	36	0	0
296	95-63-6	1,2,4-trimethylbenzene	t	40	0	5
300	108-88-3	Toluene	t	2,292	72	6
302	91-20-3	Naphthalene	t	484	0	0
309		Nickel compounds	t	3	0	3
333	302-01-2	Hydrazine	t	2	1	0
351	106-99-0	1,3-butadiene	t	1,784	2	0
395		Water-soluble salts of peroxodisulfuric acid	t	155	0	0
405		Boron compounds	t	12	4	0
407		Poly (oxyethylene) alkyl ether (alkyl C=12-15)	t	13	0	0
410	9016-45-9	Poly (oxyethylene) nonylphenyl ether	t	3	0	0
411	50-00-0	Formaldehyde	t	4,207	5	0
414	108-31-6	Maleic anhydride	t	25	0	0
415	79-41-4	Methacrylic acid	t	359	0	0
418	2867-47-2	2-(dimethylamino) ethyl methacrylate	t	81	0	0
420	80-62-6	Methyl methacrylate	t	43	0	0
438	1321-94-4	Methylnaphthalene	t	275	1	1
455	110-91-8	Morpholine	t	3	0	0
Total ³			t	17,000	273	83

¹ A summary of the amounts of substances handled by each Group company of one tonne or more excluding dioxins. Dioxins, nickel compounds, 1,3-butadiene and formaldehyde are designated type 1 chemical substances.

² Chloroform and dioxins are unintentionally generated.

³ Dioxins are not included in total data.

Promotion of Recycled Paper Use

Contributing to the development of a recycling-based society by promoting increased use of recycled paper

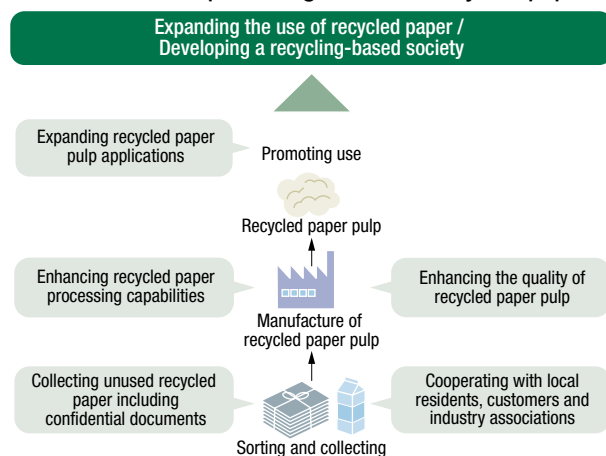
Basic Stance

Actively promoting the recycling of recycled paper

The paper manufacturing industry has from an early stage promoted recycled paper recycling in efforts to use resources effectively. While the industry is currently promoting the procurement of woodchips from properly managed forests, the volume of supply is limited. Accordingly, recycled paper remains an important resource. With a recycled paper collection rate of 77.9% and a recycled paper utilization rate (the percentage of recycled paper in the raw materials used for making paper) of 63.0%, Japan's recycling performance is by global standards extremely high.

The Nippon Paper Group is working diligently to increase the amount of recycled paper with the support of customers and the general public. In addition to bolstering its recycled paper processing capabilities, the Group is striving to improve the quality of pulp made from recycled paper and to increase the number of applications. Looking ahead, we are committed to continuing these efforts and contributing to the development of a recycling-based society.

Activities aimed at promoting the use of recycled paper



Recycled Paper Utilization Rate

Increasing rates for both paper and paperboard on a year-on-year basis

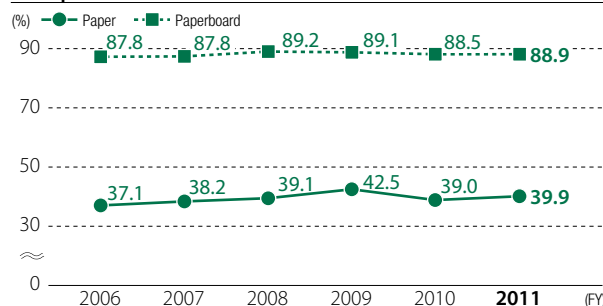
Under its Green Action Plan 2010, the Nippon Paper Group identified the objective of securing a recycled paper utilization rate of 50% or more. Buoyed by successful efforts to lift recycled paper fibre content while maintaining quality, the Nippon Paper Group reported a recycled paper utilization rate of 53.2% in fiscal 2010 thereby achieving its objective.

Under its Green Action Plan 2015 (see pages 32 and 33), which began in 2011, the Nippon Paper Group raised the objectives of increasing the ratio of recycled paper to paper to at least 40% and the ratio of recycled paper to paperboard to at least 88%. Despite difficulties in procuring recycled paper in Japan due to the upswing in export activity to meet the sharp and

dramatic rise in demand for paper and paperboard in China in recent years, we will continue to maintain and improve recycled paper utilizations rates going forward.

In fiscal 2011, the Nippon Paper Group reported recycled paper utilization rates for paper and paperboard of 39.9% and 88.9%, respectively.

The Nippon Paper Group's recycled paper utilization rate* in Japan



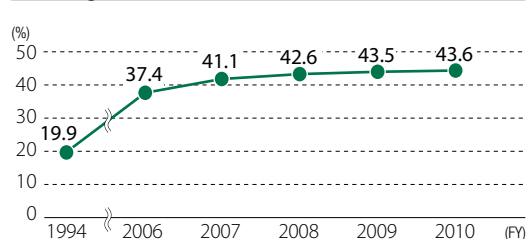
* Recycled paper utilization rate = recycled paper / (recycled paper + other pulp)

Case Study Initiatives aimed at recovering milk cartons (The Nippon Paper Group)

The Nippon Paper Group is putting in place various mechanisms with the aim of collecting and utilizing recycled paper in cooperation with customers. At the same time, the Group is promoting the recycling of recycled paper through educational activities in collaboration with citizens' groups and industry associations.

NIPPON PAPER-PAK*, a member of the Committee for Milk Container Environmental Issues, for example, is promoting activities consistent with the committee's goal of achieving a beverage carton collection rate of at least 50% by 2015. Through a variety of educational initiatives as well as the exchange of information through such forums as the Regional Conference for the Promotion of Milk Carton Recycling and recycling workshops together with the placement of milk carton collection boxes at nationwide schools and public facilities, we achieved a paper beverage carton collection rate of 43.6% in fiscal 2010.

Beverage carton collection rate



* NIPPON PAPER-PAK CO., LTD., Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., and Nippon Paper Chemicals Co., Ltd. merged on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company.

Material Procurement and Forest Responsibility



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Policy and Management

Practicing raw materials procurement that takes into consideration environmental and social concerns based on our philosophy and basic policy

Basic Stance

Pursuing stable procurement based on sustainable wood resources

Woodchips, which are the main raw materials for pulp and paper, are derived from forests that are deeply intertwined with the global environment and ecosystems. Procurement entails the support not only of suppliers in and outside of Japan, but also the communities and government authorities of local production areas. Taking into consideration the impact on the environment and society, the Nippon Paper Group recognizes the importance of working closely with suppliers to establish a sustainable supply chain that incorporates production area forest ecosystem, local community, occupational safety and health as well as other concerns.

Accordingly, we are endeavoring to build a structure and framework that will allow us to sustainably procure renewable wood resources.

Philosophy and Basic Policy

Putting in place a philosophy and basic policy that reflects the opinions of stakeholders

The Nippon Paper Group established its Philosophy and Basic Policies Concerning Raw Materials Procurement in fiscal 2005. In formulating this philosophy and basic policies, a draft proposal was released to the public so as to solicit the opinions of stakeholders in Japan and overseas. The Group took great pains to consider the close to 2,000 comments received, and incorporated several suggestions into revisions made to the draft.

Framework for Promoting Raw Materials Procurement Management

Putting in place a Group-wide oversight structure

The Nippon Paper Group established the Raw Materials Subcommittee, chaired by the director in charge of raw materials. This subcommittee deliberates on a wide variety of issues concerning raw material procurement including the Group's overarching procurement policy.

Philosophy and Basic Policy Concerning Raw Materials Procurement (formulated on October 5, 2005)

Philosophy

We are committed to establishing a reliable raw materials procurement system through global supply chain management in consideration of the environment and society.

Basic Policy

1. Environmentally aware raw materials procurement

- (1) We procure woodchips, lumber and pulp from forests under sustainable forest management.*
- (2) We do not use and deal with illegally logged lumber and we support the eradication of illegal logging.
- (3) We make active use of recycled materials to help build a recycling-oriented society.
- (4) We make appropriate procurement of chemical substances in compliance with relevant laws and regulations.
- (5) We build traceability systems to ensure the above policies are practiced throughout the supply chain.

2. Socially aware raw materials procurement

- (1) We pursue fair deals with suppliers on equal terms.
- (2) We ensure that the entire supply chain has appropriate human rights and labor practices.

3. Promotion of dialogues with stakeholders

- (1) We engage in dialogues with stakeholders to improve the quality of our raw materials procurement in constant consideration of the environment and society.
- (2) We proactively disclose information so that our initiatives are better known.

* Sustainable forest management:

Forestry management that not only considers economic rationality, but also environmental and social sustainability.

The Nippon Paper Group defines sustainable forest management as follows:

- 1) Biodiversity is conserved.
- 2) The productivity and soundness of the forest ecosystem is maintained.
- 3) Soil and water resources are conserved.
- 4) Diverse social needs are satisfied.

Current Status of Raw Materials Procurement

In addition to actively promoting the use of recycled paper, we are procuring wood resources from sustainably managed forests.

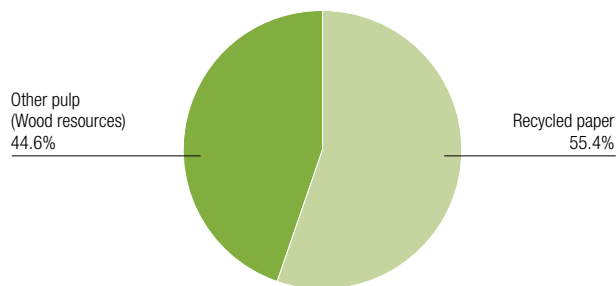
Current Status of Paper Raw Materials Procurement

Manufacturing and supplying pulp and paper products made mainly from recycled paper and wood resources

The Nippon Paper Group is primarily engaged in the manufacture of paper products. 55 % of the raw materials used to make paper products are composed of recycled paper. The remaining 45 % consists of such wood resources as woodchip which are used to produce pulp.

Nippon Paper Industries is responsible for procuring wood raw materials for the Group. Around two-thirds of the wood resources required are procured from overseas and one-third sourced from Japan. Overseas raw materials, hardwood and softwood, are imported mainly from the Oceania region including Australia. This area accounts for 46 % and 72 % of overseas imports of hardwood and softwood, respectively.

Recycled paper utilization rate with respect to paper products¹ (Fiscal 2011)²



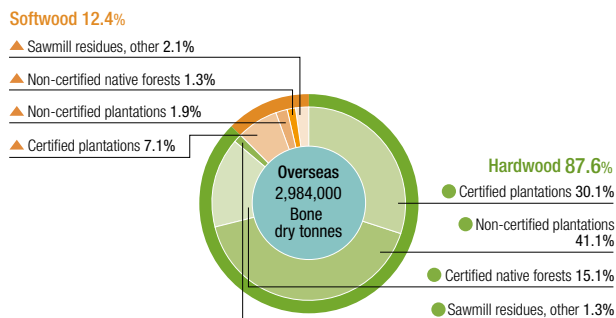
- ¹ Recycled paper utilization rate = recycled paper / (recycled paper + other pulp)
² The Group in Japan

Breakdown of wood raw materials procurement (Fiscal 2011) (Nippon Paper Industries Co., Ltd.)

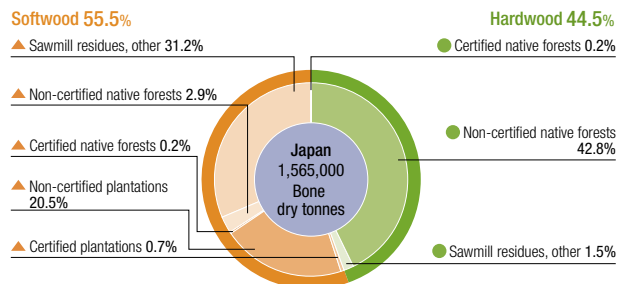
Overseas 65.6% (2,984,000 tonnes)		Japan 34.4% (1,565,000 tonnes)	
Hardwood 57.4% (2,611,000 tonnes)	Softwood 8.2% (373,000 tonnes)	Hardwood 15.3% (697,000 tonnes)	Softwood 19.1% (868,000 tonnes)

(tonnes=Bone Dry tonnes)

Breakdown of wood raw materials procured from overseas



Breakdown of wood raw materials procured from Japan



Countries of production and species of woodchips Nippon Paper Industries Co., Ltd. procured from overseas (Fiscal 2011)

Hardwood

Country	1,000 dry tonnes	Percentage	Species
Australia	1,188	45.5%	Eucalyptus
Chile	453	17.3%	Eucalyptus
South Africa	613	23.5%	Eucalyptus, Acacia
Brazil	251	9.6%	Eucalyptus
Asia	106	4.1%	Acacia
Total	2,611	100.0%	

Softwood

Country	1,000 dry tonnes	Percentage	Species
Australia/ New Zealand	270	72.4%	Radiata pine
U.S.A.	79	21.2%	Douglas fir
Canada	21	5.6%	Spruce, Pine
Russia	3	0.8%	Russian spruce / fir
Total	373	100.0%	

Sustainable Procurement of Raw Materials

Strengthening supply chain management based on the Action Plan for Wood-based Raw Material Procurement

Basic Stance

Focusing on legal compliance and transparency in the procurement of raw materials

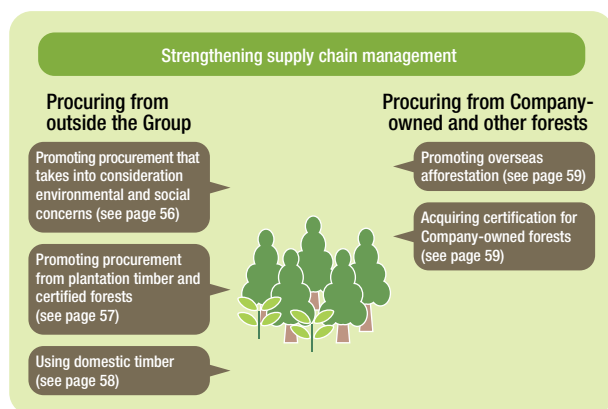
The Nippon Paper Group is a strong advocate of sustainable raw materials procurement that takes into consideration environmental and social concerns. In addition to legal compliance, the Group believes in sourcing from sustainable forests. Based on this understanding, we work to clearly identify the origin of timber while maintaining full accountability.

When purchasing from external suppliers, we make every effort to enhance our supply chain management capabilities, taking into consideration society's needs and the environment. At the same time, we strive to develop a system that is conducive to reliable procurement and employ third-party forest certification programs to benchmark the adequacy of raw materials procurement.

In the context of our procurement efforts from Company-owned forests, we pursue overseas afforestation projects while increasing plantation timber procurement. Moreover, we practice sustainable forest management by acquiring forest certification of Company-owned forests both in Japan and overseas.

Sustainable wood resources procurement

- Sourcing from sustainable forests (sustainability)
- Clearly identifying the origin of timber (traceability)
- Maintaining full accountability (accountability)



Promoting Procurement that Takes into Consideration Environmental and Social Concerns

Strictly prohibiting purchases from illegal logging while promoting procurement that takes into consideration society's needs and the environment

The Nippon Paper Group has put in place an Action Plan for Wood-based Raw Material Procurement. Based on the Group's Philosophy and Basic Policy Concerning Raw Materials Procurement. This action plan provides a roadmap that

incorporates checks on the legality of woodchips, allowing the Group to practice CSR procurement. This action plan also helps enhance traceability with respect to woodchips procured from overseas while placing considerable emphasis on trade association certification of the legality of woodchips produced in Japan.



Action Plan

URL: <http://www.nipponpapergroup.com/e/csr/ActionPlan.html>

● Confirming legality and enhancing traceability

In procuring wood from overseas suppliers, document verifications are performed on a vessel-by-vessel basis to ensure that the area where the wood was harvested and the supplier of the wood are in compliance with relevant laws, and that no illegally harvested wood is included.

In addition, suppliers are surveyed and requested to attend hearings. Every effort is made to enhance traceability while confirming compliance with statutory requirements regarding forest management, the species of woodchips and existence or otherwise of forest certification. Through these means, the Nippon Paper Group strives to confirm woodchip legality and sustainability.

● Confirming the legality of domestically produced woodchips

In 2006, the Law on Promoting Green Purchasing identified guidelines for confirming the legality of woodchips. In specific terms, the law outlined methods for confirming legality including the submission of individual harvesting and other documents. At the same time, the law provided details of the framework and management of methods for obtaining trade association certification.

Nippon Paper Lumber has acquired this trade association certification. By collecting shipments of domestically produced timber and woodchips through this company, Nippon Paper Industries is receiving supplies of legally confirmed materials.

● Concern for human rights, labor and the local community

Utilizing a process of surveys and hearings, Nippon Paper Industries works to confirm its suppliers' policies and systems toward human rights and labor. This process allows the company to confirm the existence or otherwise of any human rights or labor relations issues.

At the same time, a large number of suppliers is working closely with local communities through wide-ranging activities including donations to schools and welfare facilities.

Promoting Procurement from Plantation Timber and Certified Forests

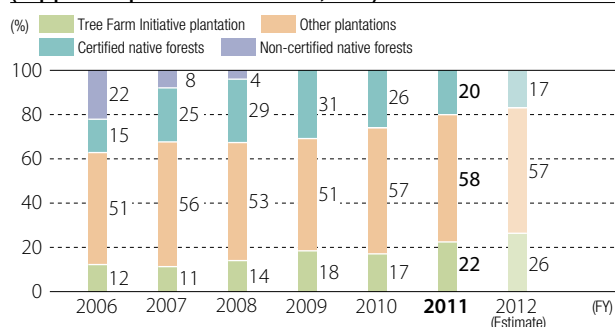
Procuring all imported hardwood chips from plantation timber or certified forests

The Nippon Paper Group utilizes the forest certification system as a tool to confirm the proper procurement of raw materials. By procuring wood resources from certified forests as raw materials,

the Group is positioning itself to objectively verify not only the legality, but also the sustainability of its raw materials.

Against this backdrop, the Nippon Paper Group previously identified the objective of procuring all of the imported hardwood chips used in its pulp and paper mills in Japan from plantations or certified forests by 2008. After meeting this goal during fiscal 2008 according to plan, we have continued to maintain the objective of procuring all imported hardwood chips from plantations or certified forests since fiscal 2009.

Imported hardwood chips by type (Nippon Paper Industries Co., Ltd.)



● Procuring imported hardwood chips from certified forests

After achieving the above-mentioned objective, the Nippon Paper Group established the new objective of ensuring that all imported

hardwood chips procured are certified under the Programme for the Endorsement of Forest Certification (PEFC) or Forest Stewardship Council (FSC®) schemes under its Green Action Plan 2015. As a result, the Group is now working to promote the procurement of imported hardwood chips from forests that have acquired Forest Management (FM)* certification or Chain-of-Custody (CoC)* certification, which confirms that a risk assessment has been undertaken.

Currently, a large number of the Group's suppliers have acquired CoC certification. As of December 31, 2011, 97% of the total volume of imported hardwood chips handled comprised either PEFC or FSC® certified materials.

* FM and CoC Certification

The forest certification system ostensibly comprises the Forest Management (FM) component, which certifies that forests are responsibly managed, and the Chain-of-Custody (CoC) component, which certifies that products from certified forests have been properly processed and distributed.

Under the FM certification system, a third party certifies that the management of forests is being undertaken in a sustainable manner based on various objective benchmarks including (1) compliance with regulatory requirements and system frameworks, (2) maintenance and conservation of forest ecosystems and biodiversity, (3) respect for native and local resident rights, and (4) maintenance and improvement of forest productivity.

CoC certification is a system covering all operators engaged in the production, processing and distribution of timber materials. In addition to certifying that products (certified woodchips) are managed, based on the standards set out in the forest certification system in all processes including production, processing and distribution, CoC certification confirms that a risk assessment of all non-certified woodchips has been undertaken. Products display a certification mark in the event that all operators have acquired CoC certification across all processes.

Overview of major forest certification programs

Forest certification programs entail third-party confirmation that forests are being managed in a sustainable manner. Programs are designed to certify the performance of forest products, promote their selective purchase and support sound and continuous forest management.

Certification Program Name [Characteristics]	Details and Features
Performance Certification	Evaluation of the quality and status of forests
Forest Stewardship Council (FSC®) A global forest certification program	FSC® is a non-profit international members-based organization that employs 10 principles to certify responsible forest management. FSC® has adopted the CoC certification system.
Programme for the Endorsement of Forest Certification (PEFC) A program that promotes mutual recognition of the forest certification programs of individual countries	<p>PEFC bases its sustainability benchmark on a broad consensus expressed in intergovernmental processes and guidelines. It provides a mutual recognition system that endorses the interchangeability and compatibility of the responsible forest management systems of individual countries. Launched across various countries in Europe, the program encompasses the forest certification programs of 34 countries around the world. In similar fashion to FSC®, PEFC has adopted the CoC certification system.</p> <p>Examples of certifications mutually recognized by PEFC.</p> <ul style="list-style-type: none"> Sustainable Forest Initiative (SFI): North America (U.S.A./Canada) Canadian Standard Association (CSA): Canada Finnish Forest Certification System (FFCS): Finland Australian Forestry Standard (AFS): Australia CERTFORCHILE: Chile
Sustainable Green Ecosystem Council (SGEC) A forest certification program established in Japan	SGEC certifies forest management in terms of both an abundant natural environment and continuous lumber production. SGEC engages in an evaluation based on seven criteria and 35 benchmarks while taking into consideration Japan's natural environment as well as its social customs and culture. SGEC has adopted the CoC certification system.

Sustainable Procurement of Raw Materials

Using Domestic Timber

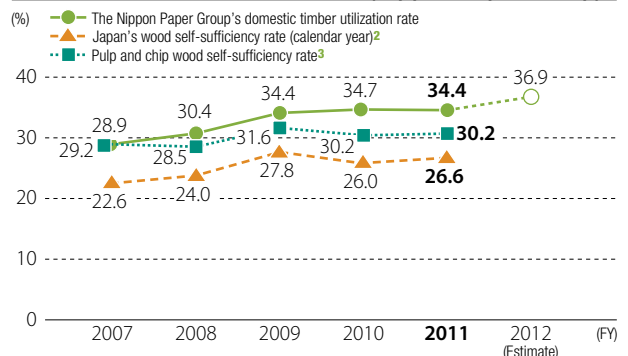
Actively utilizing domestically produced timber while contributing to the prevention of forest deterioration

After World War II, Japanese cypress and Japanese cedar trees were aggressively planted in Japan, requiring thinning and other maintenance to ensure healthy growth. Due mainly to sluggish lumber prices, which continue to place downward pressure on industry profits, and the inadequate maintenance of many plantations, there are major concerns regarding forest deterioration. In order to address these concerns, it is important both to rejuvenate Japan's forest industry through the use of domestic timber, and to create a virtuous afforestation, cultivation and logging cycle. In this context, the Japanese government announced its Forest and Forestry Revitalization Plan in 2009. Under this plan the government has identified the goal of lifting the nation's wood self-sufficiency rate from its current level of 24% to 50% over the next decade.

For its part, the Nippon Paper Group had identified the target of raising its domestic timber utilization rate to 30% by fiscal 2010. The Group then achieved this target in fiscal 2008 well in advance

of initial plans. In fiscal 2011, the rate of domestic timber utilization rose to 34.4%. Moving forward, the Nippon Paper Group will continue to actively promote the use of domestic timber and to contribute to the revitalization of Japan's timber industry.

Domestic timber utilization rate ¹ (Nippon Paper Group)



¹ Sawmill residues at timber mills in Japan are included in domestic timber utilization rate calculations.

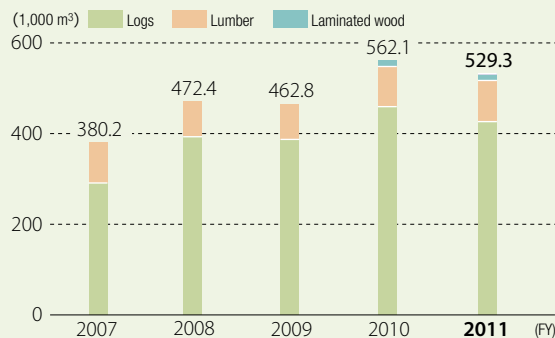
² Source: Supply and Demand of Lumber issued by the Forestry Agency of Japan

³ Source: Year book of paper and pulp statistics issued by the Ministry of Economy, Trade and Industry of Japan

Case Study Actively promoting the use of domestic timber (Nippon Paper Lumber Co., Ltd.)

Nippon Paper Lumber is responsible for collecting of domestic timber for Nippon Paper Industries. The company also sells a wide range of products including timber for residential use and building materials procured both in Japan and overseas. With its network of domestic timber collections in Japan, and its ability to handle a comprehensive lineup of products, Nippon Paper Lumber is actively developing its domestic timber business. In fiscal 2011, the company handled approximately 530,000 m³ of domestically produced materials, and ranked second in its field in Japan (see figure). The company aims to lift this figure to 1,000,000 m³, and, to this end, is developing new applications while working to further boost exports.

Domestic timber sales results by product type (Nippon Paper Lumber Co., Ltd.)



Nippon Paper Lumber receives an award in the Great East Japan Earthquake Reconstruction Special Category of the 2012 Wood Products Use Campaign "Ki-zukai Undo"

The Japanese Forestry Agency's wood products use campaign "Ki-zukai Undo" aims to revitalize mountain villages and to create healthy forests through the use of domestic timber. Nippon Paper Lumber received an award in the Great East Japan Earthquake Reconstruction Special Category of the 2012 "Ki-zukai Undo" Campaign recognizing the company's efforts to supply and expand the use of domestic timber.

Following the earthquake, there were concerns that the operations of timber and woodchip mills serving the Tohoku region would be severely disrupted. However, Nippon Paper Lumber was able to ship woodchips intended for the Tohoku region to other areas, avoiding the need to shut down operations. The award reflected the wide acclaim for the company's efforts to continue operations, as well as the stable supply of reconstruction materials following the disaster.



Loading operations at Ishinomaki Port



Letter of commendation

Promoting Overseas Afforestation

Nurturing renewable wood resources under the guidance of the Tree Farm Initiative

Guided by its Charter on the Environment (see page 32), the Nippon Paper Group is protecting and nurturing forests in and outside Japan while taking into consideration biodiversity concerns. We are also pushing through this policy even within the confines of the Tree Farm Initiative and efforts to promote overseas afforestation.

In similar fashion to the cultivation of crops in the field, the Tree Farm Initiative achieves sustainable raw materials procurement by growing as many trees as are harvested and used each year.

Afforestation areas came to 163,000 hectares as of the end of 2011. Under its Environmental Action Plan (Green Action Plan 2015) (see page 33), the Nippon Paper Group has identified the target of increasing overseas afforestation areas to 200,000 hectares.

Afforestation projects that help the local ecology

The Nippon Paper Group conducts afforestation projects on grasslands, reclaimed farms and pastures and on plantation timber harvested areas. We select species focusing mainly on *Eucalyptus globulus* by country according to individual climactic conditions and materials available for making paper. Eucalyptus trees are known for their quick growth. In order to maintain a balance between the planting of fast-growing, highly profitable trees and the biodiversity needs of each region, we implement appropriate measures and ensure that our trees are not planted along rivers and water courses where the potential effects on the ecology are large. For example, over half of the property held by Brazil-based AMCEL is protected as a conservation area. In addition to soil erosion countermeasures and the monitoring of water quality, every effort is being made through joint surveys with universities and research institutes to protect the natural vegetation and wildlife.



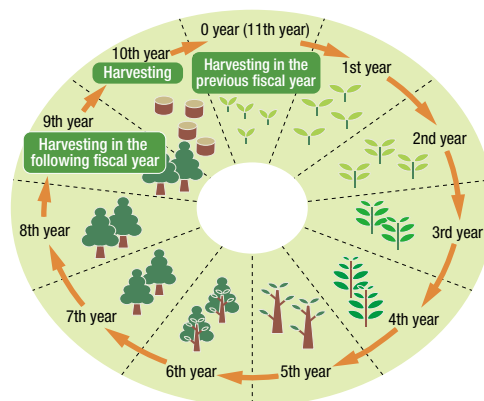
Tree planting that preserves riparian forests. The blue area indicates riparian forests.



The afforestation cycle

Trees are systematically planted in accordance with annual plans and harvested for use after significant growth. After harvesting, steps are taken to regenerate forests through replanting as well as coppicing, (the growth of new trees from the shoots that sprout from stumps). In repeatedly implementing this cycle, we gain the benefit of access to a permanent source of forests.

Moving forward, we are also cultivating hardwood chip resources through recycling-based forest management.



10-year harvesting cycle

Acquiring Certification for Company-owned Forests

Acquired certification of all Company-owned forests in and outside of Japan

The Nippon Paper Group employs third-party forest certification programs, and has continued to promote the acquisition of forest certification for all Company-owned forests.

All Company-owned forests in Japan were certified until in fiscal 2007 (see page 61). After acquiring FSC® forest certification for AMCEL in Brazil in December 2008, Nippon Paper Industries completed its objective of obtaining certification of all Company-owned forests overseas. Looking ahead, we intend to maintain this certification status while continuing to engage in forest management that takes into consideration society's needs and the environment.

Status of overseas afforestation business forest certification acquisition

Overseas plantation project (by operating company)	Certification system name	Date of acquisition
WAPRES (Australia)	AFS	September 2004
VTP (Australia)	AFS	May 2005
PTP (Australia)	AFS	June 2006
BTP (Australia)	AFS	April 2006
SEFE (Australia)	AFS	October 2006
Volterra (Chile)	CERTFORCHILE	December 2007
Forestco (South Africa)	FSC®	April 2003
AMCEL(Brazil)	FSC®	December 2008

Protection and Cultivation of Domestic Company-owned Forests

Maintaining a focus on forest management that takes into consideration the characteristics of each region in an effort to promote sound afforestation

Initiatives Concerning Domestic Company-owned Forests

Practicing appropriate forest management at Company-owned forests over an area approaching 90,000 hectares

Nippon Paper Industries owns approximately 90,000 hectares of company forest in Japan. Accordingly, the company is the second largest owner of forests in the private sector.

As a corporate group whose existence is closely tied to the

health and conservation of forests, managing forest resources in an appropriate manner is of vital importance to the Nippon Paper Group. In recognizing the multifaceted role that forests play within society, we are working to maintain forest management integrity.

With Company-owned forests spread across 400 nationwide locations from Hokkaido in the north to Kyushu in the south, we are practicing sustainable forest management that takes into consideration the characteristics of each region.

Distribution of Company-owned forests in Japan and composition by species (Nippon Paper Industries Co., Ltd.)

• All Company-owned forests have acquired certification (see page 61)

• Approximately 20% of Company-owned forests are maintained as environmental forest areas (see page 61)

• Approximately ¥0.8 billion is allocated each year to the maintenance of Company-owned forests (see page 61)

• The Group engages in forest management that takes into consideration biodiversity (see pages 45 and 61)

• The School of Friendship for Forests and Paper held within Company-owned forests to provide hands-on courses on the natural environment (see page 97)

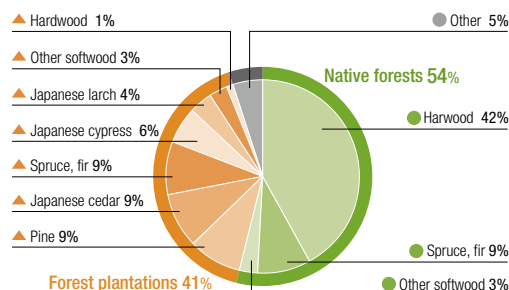
Sugenuma Forest
(Gunma Prefecture)

Toyono Forest
(Kumamoto Prefecture)

• Launched a "Nurturing Forests for the Future" tree planting initiative for the general public (see page 46)

• Supports the activities of the Shirane-aoi Preservation Group (see page 98)

• The Nippon Paper Group has established a bird sanctuary within its Company-owned forests and is working closely with the Wild Bird Society of Japan to help protect Blackiston's fish owl (see page 47)



Distribution of Company-owned forests by prefecture

Prefecture	Number of Company-owned Forests	Area (hectares)	Prefecture	Number of Company-owned Forests	Area (hectares)	Prefecture	Number of Company-owned Forests	Area (hectares)
Hokkaido	53	43,580	Shizuoka	54	2,677	Shimane	17	2,851
Aomori	7	294	Gifu	2	233	Yamaguchi	26	1,457
Akita	12	693	Kyoto	16	279	Tokushima	2	244
Iwate	29	6,541	Mie	1	3	Ehime	1	319
Miyagi	16	1,675	Nara	2	795	Kochi	1	146
Yamagata	10	498	Hyogo	4	286	Fukuoka	2	53
Niigata	1	350	Wakayama	2	230	Oita	10	702
Fukushima	14	1,074	Okayama	1	58	Kumamoto	58	5,737
Gunma	1	4,915	Hiroshima	9	721	Miyazaki	25	9,235
Yamanashi	8	1,615	Tottori	1	168	Kagoshima	15	2,563
						Total	400	89,991

Note: As of March 31, 2012

● Certification acquired for all company-owned forests in Japan

Nippon Paper Industries has acquired forest certification from the Sustainable Green Ecosystem Council (SGEC) for all company-owned forests in Japan.

SGEC is a forest certification system unique to Japan (see page 57). It guarantees the sustainable management of forests by preserving the wide-ranging functions of forests including watershed forest protection and biodiversity conservation while taking into account the Japanese climate and conditions. It also evaluates the level of continuous forest management. The forests owned by Nippon Paper Industries have received SGEC certification acknowledging the company's efforts to engage in forest management that takes into consideration biodiversity and the natural environment of each region. Moving forward, the company will take all necessary measures to maintain this certification.

● Establishing environmental forest areas

Nippon Paper Industries makes a clear distinction between commercial forest and environmental forest areas, and engages in forest management appropriate to the specific characteristics of each area. Approximately 80% of all company-owned forests are designated as commercial forest areas. In addition to the production of lumber, these areas are managed in a manner that fully recognizes the surrounding environment and the attributes of each area. Harvesting for the purpose of lumber production is not undertaken within environmental forest areas. Every effort is made within environmental forest areas to maintain those functions inherent in forests including the protection of ecosystems and the conservation of waterways. Environmental forest areas account



Environmental forest area (Hokkaido)

for approximately 20% (18,000 hectares) of company-owned forests in Japan. Within this area, certain forests including Akan and Nikko have been designated as national parks, providing a sanctuary to large numbers of plants and animals.

● Maintaining company-owned forests in Japan

Nippon Paper Industries allocates approximately ¥0.8 billion each year to the maintenance and management of company-owned forests in Japan. This entails such wide-ranging activities as weeding, pruning and thinning. Although not currently economically viable because of the stagnant price of domestic timber, Nippon Paper Industries has continued to benefit and grow through the appropriate application of forests and forest products, and is committed to balanced, sustainable forest management that allows forests to fulfill their multifaceted functions.

● Forest management that takes into consideration biodiversity

Nippon Paper Industries places considerable emphasis on the conservation of biodiversity. In this context, the company undertakes various activities including the acquisition of forest certification and the establishment of environmental forest areas. At the same time, equal weight is given to protecting riparian forests and surrounding landscapes.

Moreover, onsite personnel carry their own red data books listing scarce wildlife throughout each region. Through this and other means, every effort is made to help preserve biodiversity.

Biodiversity data for Company-owned forests in Japan

(As of March 31, 2012)

(1,000 hectares)

IUCN Categories	Commercial Forest Area	Environmental Forest Area	Total	Percentage Share	Ratio of Environmental Forest Area to Total Area
I Strict nature reserve / wilderness area	0	0	0	0%	—
II National park	0.6	4.5	5.1	6%	88%
III Natural monument	0	0	0	0%	—
IV Habitat / species management area	0	0	0	0%	—
V Protected landscape / seascape	2.5	0.7	3.2	4%	22%
VI Managed resources protected area	0	0	0	0%	—
Not applicable	68.6	13.1	81.7	91%	16%
Total	71.7	18.3	90.0	100%	20%



The Japan Committee for IUCN website

URL: <http://www.iucn.jp/english.html>

International Year of Forests Initiatives

Initiated by the United Nations, the International Year of Forests 2011 sought to raise awareness on the importance of sustainable management, conservation and sustainable development of all types of forests. Many countries around the world, including Japan, engaged in a wide range of activities in this pivotal year.

With its deep connection to forests, the Nippon Paper Group is actively engaged in activities that support the International Year of Forests. The Group continues to promote a variety of measures aimed at protecting forests. These include environmental education activities including the School of Friendship for Forests and Paper conducted



using Company-owned forests and the establishment of a sanctuary for the protection of Blakiston's fish owl (see page 47). In linking these efforts with the International Year of Forests, the Group is endeavoring to raise awareness toward the importance of forests.

Contributing to Local Communities in Overseas Afforestation Areas

Fostering positive ties with local communities built on harmonious coexistence and mutual prosperity

Basic Stance

Developing an afforestation business that contributes to the local community

Recognizing the importance of mutual growth and development the Nippon Paper Group strives to build positive ties with the local communities in close proximity to its forest areas. We pay particular attention to the concerns of local residents while taking into consideration the cultures and traditions of each region as well as the natural environment and ecosystems. We work diligently to contribute to society through a variety of endeavors. Considerable effort is placed on promoting education activities and creating employment opportunities.

Overview and Location of Afforestation Areas

Managing 163,000 hectares of forest land in four countries

The Nippon Paper Group manages 163,000 hectares of forest land in the four countries of Australia, South Africa, Chile and Brazil.

● Australia

Australia is a country rich in forest resources. With a highly developed lumber industry, it is the world's premier exporter of woodchips used in the manufacture of paper.

The Nippon Paper Group began importing natural hardwood chips from Australia at the start of the 1970s. Today, approximately 50% of its woodchips are imported from Australia (see page 55). At the same time, the Group actively participates in

discussions regarding the protection and use of native forests. We are committed to promoting afforestation activities that expand afforestation resources in Australia.

● South Africa

The history of afforestation in South Africa, one of the world's leading countries in this field, began in the late 17th century with the planting of conifers (pines). Since 1975, the Nippon Paper Group has imported woodchips from South Africa.

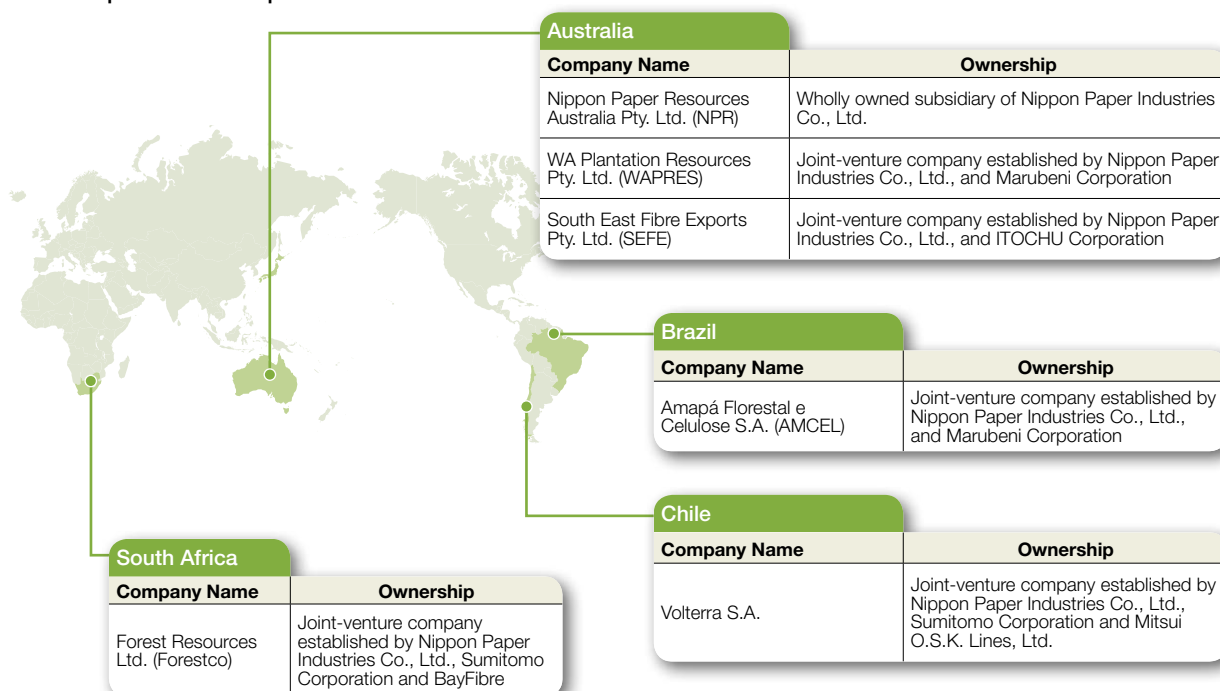
● Chile

The afforestation of radiata pines and eucalyptus has been actively undertaken in Chile since the mid-20th century. At 2,320,000 hectares, afforestation areas account for 3% of the nation's total land area (at the end of 2009). The forest products from the area are exported to countries around the world and play a vital role in supporting Chile's economy. Afforestation in Chile comprised the Nippon Paper Group's first project under the Tree Farm Initiative. (see page 59)

● Brazil

With its vast land area, Brazil is recognized worldwide for its rich forest resources and highly developed lumber industry. As a nation that continues to enjoy firm economic growth, significant progress is being made in the development of infrastructure essential to afforestation management. The Nippon Paper Group purchased AMCEL, a company engaged in such wide-ranging activities as the production and export of woodchips, and is managing substantial forest land.

Overview of plantation companies



Taking into Consideration the Needs of Local Residents and Regional Cultures

Placing the highest priority on communication while contributing to society

While placing the highest priority on communication with society, the Nippon Paper Group maintains the utmost respect for regional cultures and traditions as a part of efforts to promote harmonious coexistence.

Case Study **Fostering locally produced products in partnership with local communities** (Volterra S.A., Chile)

Volterra S.A. appoints a designated officer to serve as a point of contact for the local community. In addition to fielding requests from neighboring residents, particular care is taken to balance afforestation business promotion and regional development needs.

After supporting the efforts of a neighboring village to newly cultivate locally produced raspberries, Volterra S.A. participated in celebrations with local residents following the initial harvest in 2011.

Working closely with another neighboring village, the company also assisted in efforts to manufacture folk



With neighboring residents following the initial harvest of raspberries

handicrafts including baskets and trinket boxes made from locally produced wicker cane.

Case Study **Communicating with regional societies** (Volterra S.A., Chile)

Volterra S.A. delivers gifts to local elementary school students at Christmas each year as a part of efforts to interact with local communities. The children in particular look forward to this annual event.



Local elementary school students receiving gifts

Case Study **Respect for indigenous people** (Volterra S.A., Chile)

Residing in the southern region of Chile, the indigenous Mapuche people have long upheld and treasured their traditions and culture. As a part of its afforestation management activities, Volterra S.A. has endeavored to ascertain the presence of sacred sites. Every effort is made to preserve important legacies and to allow the indigenous Mapuche people to visit and utilize sites of historic significance within forests held by the company.

Case Study **Participating in a program that donates seedlings to farmers** (Volterra S.A., Chile)

Volterra S.A. is an active participant in a program initiated by an alliance between Corporación Chilena de la Madera (CORMA) and the corporate sector. Under this program, five million seedlings of pine and eucalyptus are being donated to farmers over a five-year period. In addition to the licensing of technology, the goal of the program is to provide rural areas with a source of income and to restore land exhausted by soil erosion. The company has donated eucalyptus seedlings each year since 2005 and provided 16,000 seedlings in 2012.

Case Study **Supporting plans to increase the number of available nursing home buses** (AMCEL, Brazil)

Amapa Florestal e Celulose S.A. (AMCEL) is located in Santana City, State of Amapá. Among a host of social issues, the city continues to confront a dearth of public buses suitable for people with disabilities. As a result, a great many people continue to face difficulties in traveling. In addition to the prohibitive costs of using taxis, safety and security issues continue to plague transportation. In an effort to address these issues, Japan's Ministry of Foreign Affairs is promoting plans, as part of its development assistance program, to provide buses for use by Casa da Hospitalidade (nursing home facilities).



Interested persons in front of the bus donated by AMCEL

As a joint private- and public-sector endeavor, AMCEL is providing its full cooperation and has donated a bus configured specifically for disabled persons use.

Contributing to Local Communities at Overseas Afforestation Areas

Case Study Engaging in employment support activities for people throughout the region (AMCEL, Brazil)

AMCEL is conducting employment as well as job education and training in conjunction with local industry, commerce and vocational schools at the request of the Amapá provincial and city governments, and the national and regional communities. Each year, the company is a major sponsor of such education programs as the Escola da Madera (lumber school)¹ and Youth Project², open



Practical training in lumber processing at the Escola da Madera (lumber school)

to young people and the economically disadvantaged. These programs have been held annually since 1998 in Santana (where AMCEL's head office is located), Porto Grande (where AMCEL has an operational office) and Tartarugalzinho (where AMCEL has a seedling nursery). Over 2,000 people have participated in the programs.

1 Escola da Madera (lumber school)

A school designed to teach techniques in processing wood materials including furniture making

2 Youth Project

This project is designed to teach participants a trade as mechanics, hairdressers and related positions

Case Study Putting in place fire protection teams at afforestation companies (WAPRES, BTP, Western Australia)

Afforestation companies in southwest Western Australia have formed their own fire brigades to address the vital issues of bushfires. As members of this group, WA Plantation Resources Pty. Ltd. (WAPRES) and the Bunbury Treefarm Project (BTP) have acquired firefighting equipment including fire trucks. Regular coordination meetings and joint training are held each year. Plans are in place to participate in full-fledged fire-fighting drills and training organized by specialist departments of the Western Australian government including the Department



Fire brigade on standby during a fire

of Environment and Conservation and the Fire and Emergency Services Authority. Particular emphasis is being placed on building close cooperation with government-affiliated specialist agencies.

Case Study Providing a venue for charity picnic races (BTP, Western Australia)

BTP, which has been contracted to manage the afforestation of Eco Tree Farm Pty. Ltd., a joint-venture company owned 70% by Osaka Gas Co., Ltd. and 30% by Mitsui & Co., Ltd., provides a portion of the company's plantation area free of charge as a venue for charity picnic races for three days each year. Over 500 people participated in the picnic races hosted by charitable organizations, which in 2012 marked the 39th time the event was held. The proceeds collected are donated to children suffering from disabilities due to accidents or illnesses as well as local fire brigades.



Charity picnic races held in a portion of the company's forest area

The organizers of the event and local residents are extremely appreciative of BTP's gesture in providing this venue each year.

Taking into Consideration the Natural Environment and Ecosystem Conservation

Helping to conserve the ecosystem through biodiversity and water quality research

The Nippon Paper Group has acquired forest certification at all of its afforestation areas and practices forest management that takes into consideration the environment. Among a host of endeavors, the Group conducts research on biodiversity and water quality with the aim of protecting the ecosystem.

In addition, we engage in environmental and related education activities for the benefit of young children and students in an effort to promote harmonious coexistence with the region.

Case Study Undertaking ecosystem research within company-owned natural forests (Volterra S.A., Chile)

Volterra S.A. has commenced research into the ecosystems of flora and fauna in the natural forests present within company-owned properties in conjunction with the University of Concepcion. The approximate 5,000 hectares of natural forests within areas owned by Volterra S.A. are home to many wild plants and animals. This not only includes rare flora and fauna, but also several endangered species. Working with specialists in various fields, the company is conducting academic studies. In addition to its monitoring activities, Volterra S.A. is actively promoting the integrity of ecosystems within forests.

Case Study Conducting biodiversity research (AMCEL, Brazil)

Approximately 176,000 hectares, or 55% of the 317,000 hectares of property held by AMCEL, is protected as a conservation area. The company is working diligently to maintain the ecosystem of plants and animals that inhabit the area. AMCEL has also installed equipment to monitor water levels and quality throughout its afforestation areas. The company regularly conducts water surveys in an effort to protect water quality and aquatic organisms. Among a host of other initiatives, AMCEL ensures that a large portion of its property is protected as a conservation area each year. This area then forms a part of the natural wildlife program run by the Brazilian Institute of Environment and Renewable Natural Resources.

Cooperating with the Department of Biological Sciences at the Federal University of Para, AMCEL conducted a survey for mammals in the company's afforestation and surrounding areas in 2010. From 2011 and throughout



Undertaking surveys

2012, the company continues to conduct a savanna vegetation survey in cooperation with Universidade Federal Rural da Amazonia. In addition, an ongoing record is being kept of wildlife sightings.

Case Study Providing opportunities for local high school students to participate in practical outdoor ecology studies in afforestation areas (South East Fibre Exports Pty. Ltd.(SEFE), Australia)

In March 2012, year 11 students from Bombala High School undertook an ecological survey in the afforestation areas owned by SEFE. As a part of the survey, research was conducted into the Hairy Anchor (scientific name: *Discaria pubescens*) grown and protected in the area by SEFE. Records were taken on the status and progress of growth.



Hairy Anchor and local high school students participating in outdoor studies

Case Study Conducting biodiversity research (Portland Treefarm Project (PTP), Australia)

Under the Portland Treefarm Project, a joint undertaking between Nippon Paper Resources Australia Pty. Ltd. (NPR); Mitsui Bussan Woodchip Oceania Pty. Ltd. (MWO), owned and operated by Mitsui & Co., Ltd.; and Australian Afforestation Pty. Ltd. (AAP), a joint-venture company established by Toyota Motor Corporation and Mitsui & Co., Ltd., biodiversity surveys have been conducted every three years since 2005. In the event that individual surveys identify rare wildlife, steps are taken to confirm the status of ecosystems and then to implement protection measures as required. These measures include supplementing areas with indigenous vegetation, putting in place conservation areas, and undertaking appropriate activities to ensure ecosystem maintenance.



Left: Swamp flax-lily (*Dianella callicarpa*)

Right: Southern pygmy perch (*Nannoperca australis*)

Case Study Adopting agroforestry techniques (Nippon Paper Resources Australia Pty. Ltd. (NPR), Australia)

NPR has adopted agroforestry techniques in its efforts to cultivate trees and other agricultural products together with livestock on the same land.

NPR began sheep farming in its afforestation areas at the end of 2005 (approximately 320 head of sheep as of August 31, 2012). We started to sell wool and livestock in 2006. Sheep grazing can help to reduce the amount of herbicides and the risk of forest fires. Sheep excrement is also an excellent fertilizer helping to cut back the use of chemical substitutes. Collectively, sheep grazing has contributed to NPR's efforts to engage in sustainable afforestation activities.



Sheep grazing on forest land

Stable Procurement of Recycled Paper

Balancing Group-wide supply and demand through uniform management at the Group's head office

Initiatives Aimed at Stable Recycled Paper Procurement

Promoting stable procurement and increased use of recycled paper by accurately grasping supply and demand trends

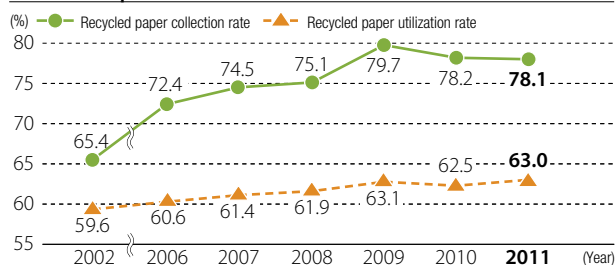
The collection of recycled paper has taken on greater importance with each passing year. This is attributable not only to government initiatives aimed at reducing the volume of waste, but also to measures designed to promote the recycling of resources. Recycled paper is an essential resource accounting for more than 60% of the raw materials used by Japan's paper industry.

Against this backdrop, the Nippon Paper Group has continued to adopt a stable procurement stance nurtured over many years in conjunction with the recycled paper industry. In this manner, the Group has promoted the stable procurement of recycled paper, recognized it as the starting point for recycled paper recycling.

● The current status of recycled paper

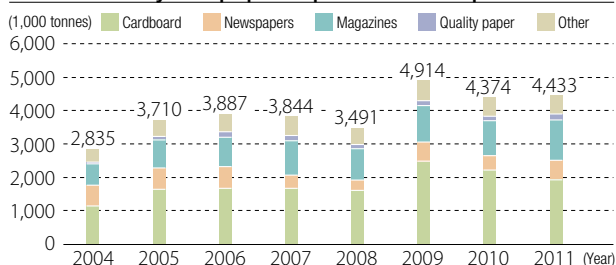
After recording historic highs in 2009, Japan's recycled paper collection and RP utilization rates contracted slightly to 78.1% and 63.0%, respectively, in 2011. In recent years, demand for recycled paper and particularly recycled paper for use in paperboard has grown in China. This has in turn impacted the price of recycled paper in Japan.

Recycled paper collection and recycled paper utilization rates in Japan



Source: Paper Recycling Promotion Center

Volume of recycled paper exported from Japan



* January to December annual totals

● Balancing supply and demand at all mills through uniform head office management

The Nippon Paper Group's consumption of recycled paper reached 2,910,000 tonnes in 2011. On an annual basis, this accounted for approximately 17% of the total consumed by Japan's paper industry as a whole. Taking this into consideration, securing sufficient volumes of recycled paper is therefore vital to ensuring the stable supply of pulp and paper products. Recycled paper, on the other hand, is a material that occurs in a variety of formats including used newspapers, magazines and cardboard boxes. It is not a material specifically designed for production and therefore its supply cannot be easily managed. Accordingly, the abilities to balance supply and demand of recycled paper with a high degree of accuracy, and to efficiently collect required volumes, are critical to maintaining stable recycled paper utilization.

The Nippon Paper Group identifies the status of supply and demand focusing on the amount of recycled paper required for production at each of its mills at five nationwide locations. Trends are then managed on a uniform basis by the head office of Nippon Paper Industries. In this manner, steps are taken to ensure a stable and balanced supply to each mill, taking into consideration the Group as a whole.

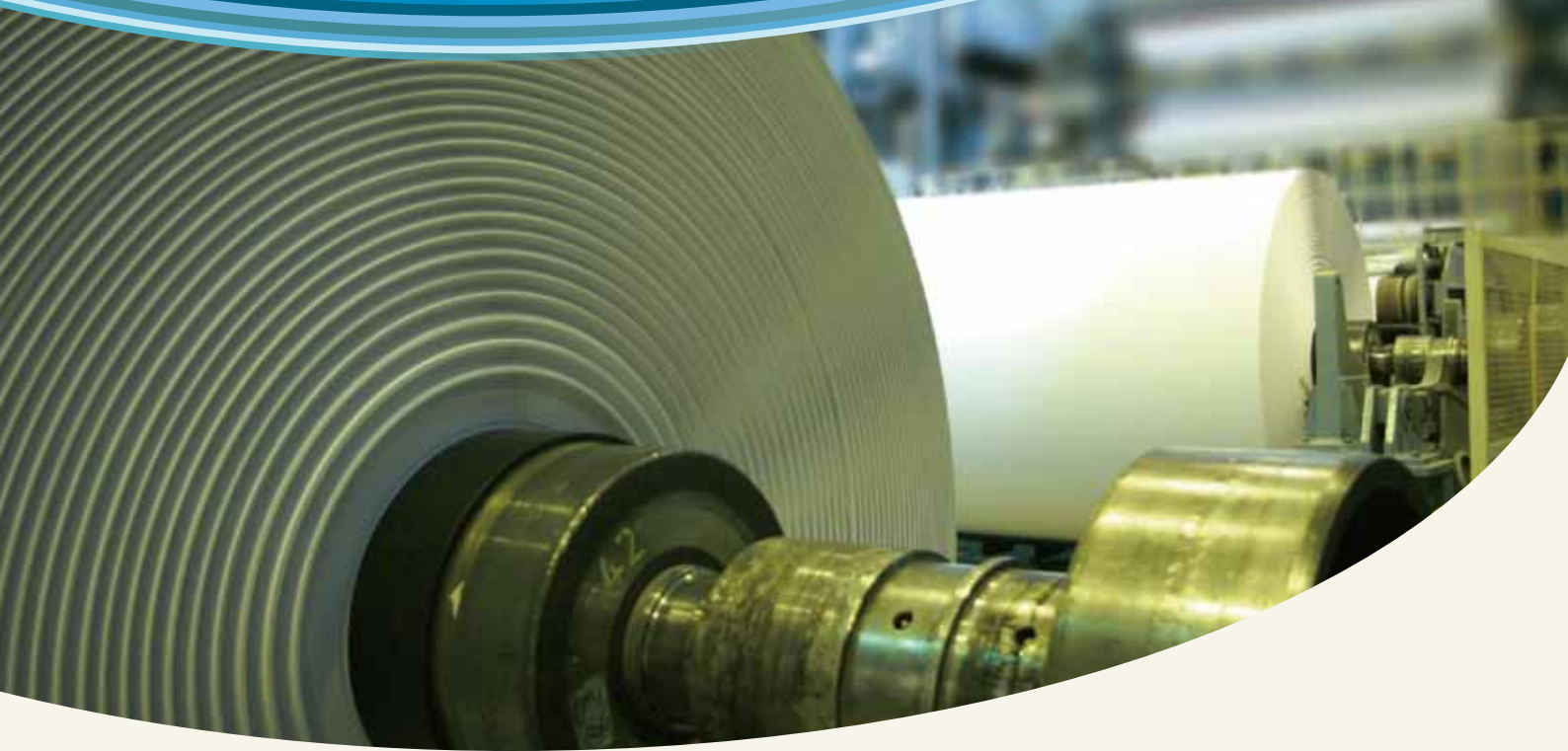
● Maintaining high stock capacity to support stable supply

Maintaining sufficient storage space to accommodate fluctuations in the amount of recycled paper generated is essential to the stable procurement of large volumes of recycled paper. Working to address fluctuations in the amount of recycled paper generated, the Nippon Paper Group maintains storage space equivalent to around 80% of its monthly consumption.



Recycled paper stockyard
(Yatsushiro Mill, Nippon Paper Industries)

Customer Responsibility



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Policy and Management

In addition to the stable supply of products that are essential to society including paper, we continue to pursue levels of quality and safety that meet the expectations of customers.

Basic Stance

Providing products and services that benefit society

The Nippon Paper Group's business activities are grounded in the supply of paper. In this manner, we have continued to develop and grow in tune with society. Extending our horizons beyond paper and paper products, we also engage in a broad spectrum of activities including the manufacture and sale of chemical products, timber and construction materials. Our customer base is equally wide ranging encompassing both the corporate sector and individuals.

The Nippon Paper Group recognizes that the stable supply of paper and related products is a source not only for winning the trust of customers, but also for fulfilling its responsibility to society, securing a steady stream of earnings and returning profits to its many stakeholders.

With this in mind, we will work to secure the highest product and service quality as well as reliability while endeavoring to take into consideration such critical concerns as environmental conservation across the entire product life cycle.

Philosophy and Basic Policy

Winning the trust of our customers

The Nippon Paper Group has positioned "winning the trust of its customers" at the heart of its Corporate Vision (see page 22).

Philosophy and Basic Policy on Product Safety

(established on October 1, 2004)

Philosophy

We pledge to work to improve safety at every stage of the life cycle of our products, from design to manufacture, supply, and disposal, and to provide products and services that the public can trust.

Basic Policy

1. To provide safe products and services in response to the continued trust of our customers.
2. To respect related laws and standards in order to guarantee the safety of our products and services.
3. To provide customers with precise information on the safety, features, and correct usage of our products.
4. To set up a product and service safety management structure and ensure that all Group employees have a thorough awareness of the importance of product safety.

As a part of efforts to achieve this goal, we formulated the Philosophy and Basic Policy on Product Safety in October 2004 and are endeavoring to win the trust of customers through the development and provision of socially useful and safe products and services, a key component of our underlying Action Charter (see page 22).

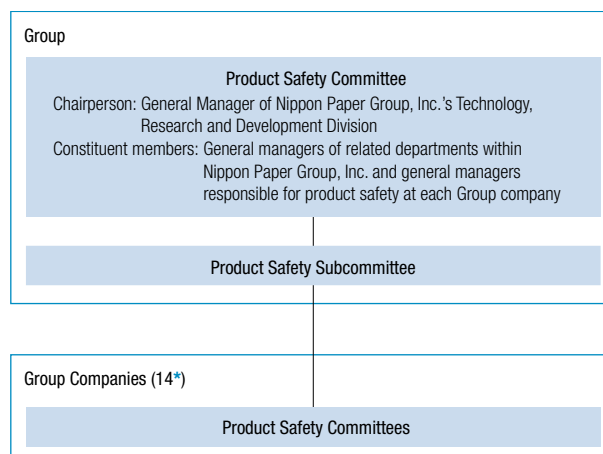
Product Safety Management System

Putting in place a Group product safety management system

The Nippon Paper Group Product Safety Committee, chaired by the General Manager of Nippon Paper Group, Inc.'s Technology, Research and Development Division oversees all activities concerning product safety. The committee, which is made up of the general managers of related departments within Nippon Paper Group, Inc. and the general managers responsible for product safety at each Group company, deliberates on and determines important matters concerning product safety policies and activities.

Reporting directly to the Product Safety Committee, the Product Safety Subcommittee monitors and manages the status of activities at each Group company. Drawing on information and the exchange of opinions among Group companies, the subcommittee also deliberates on the optimal response to matters of concern. The results of these deliberations are then submitted to the Product Safety Committee. Each Group company establishes its own product safety committee and engages in appropriate product safety activities.

Product Safety Management System



* Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Creia Co., Ltd., Nippon Paper Papyrus Co., Ltd., SHIKOKU COCA-COLA BOTTLING CO., LTD., NIPPON PAPER-PAK CO., LTD., Nippon Paper Chemicals Co., Ltd., Nippon Paper Lumber Co., Ltd., KOYO PAPER MFG. CO., LTD., Kitakami Paper Co., Ltd., Nippon Seitai Corporation, NP Trading Co., Ltd., Nippon Paper Development Co., Ltd., Akita Jujo Chemicals Co., Ltd. (As of March 31, 2012)

● Acquiring quality management system certification

Each Group company actively promotes efforts aimed at acquiring ISO 9001 certification, the international standard for quality management. Group companies that had acquired certification as of October 1, 2012 are presented as follows.

Acquisition of ISO 9001 certification (As of October 1, 2012)

Company Name	Mill/ Manufacturing Companies/Works
Nippon Paper Industries Co., Ltd.	Nakoso Mill
Paperboard Division	Akita Mill, Soka Mills, Ashikaga Mill, Yoshinaga Mill, Otake Mill
Chemical Division	Gotsu Works*, Iwakuni Works, Higashimatsuyama Works, Yufutsu Works
Nippon Paper Crecia Co., Ltd	Tokyo Mill
Nippon Paper Papyrus Co., Ltd	Harada Mill, Suita Mill, Kochi Mill
SHIKOKU COCA-COLA BOTTLING CO., LTD.	SHIKOKU COCA-COLA PRODUCTS CO., LTD. Komatsu No. 2 Mill, SHIKOKU CUSTOMER SERVICE CO., LTD.
Nippon Seitai Corporation	Hokkaido Works, Maebashi Mill, Saitama Mill
NIPPON PAPER UNITEC CO., LTD.	Four business sites at headquarters (construction, electricity, control systems, plant engineering)
Kokusaku Kiko Co., Ltd.	Headquarters, Yufutsu Department, Shiraoi Department, Asahikawa Department
NANKO UNYU CO., LTD.	
Nippon Paper Ishinomaki Technology Co., Ltd.	All departments (Electric Component Department, Machinery Department, Construction Department)
Graphic Arts Communication	Headquarters, Mill, Marketing Division
FLOWRIC CO., LTD.	Headquarters, Concrete Research Center, Nagoya Mill
N&E Co., Ltd.	
Australian Paper	Maryvale, Shoalhaven, Preston

* Nippon Paper Chemicals' Gotsu Works has gained certification for specific product types.

● Responding to instances of defective products

In instances where a problem with one of the Group's products has come to light, the Quality Assurance Department of the relevant Group company will take the lead in coordinating with the appropriate mill and related head office departments to promptly and accurately address each issue. In the event that a problem is perceived or determined as warranting urgent and serious attention, each Group company takes the appropriate action in accordance with its Product Safety Crisis Management Manual.

Verification and Audit of Recycled Paper

Implementing appropriate operating processes while undergoing inspections by third-party institutions

In January 2008, the Nippon Paper Group notified the public that it had been manufacturing certain recycled paper products with lower-than-standard recycled pulp content while at the same time misrepresenting that content. In the ensuing period, the Group took ongoing steps to thoroughly investigate the causes of these issues and to formulate and implement recurrence prevention measures. Moreover, during dialog with stakeholders in 2009, we were encouraged to continue our endeavors regarding accountability including full disclosure.

In order to promote continuous improvement, Nippon Paper Industries is currently undergoing third-party audits of its operating procedures from both the procedural performance (validity and compliance) perspective and the systems (management and review) perspective.

SGS Japan Inc., a third-party inspection and certification organization, conducted performance audits of the Group's operating processes from the receipt of orders through production to shipment between 2008 and 2011. For the period in question, SGS Japan confirmed that the Group's content ratio management system continued to operate without problem. Plans are in place for this organization to conduct similar audits in 2012.

The standards and criteria of the ISO 14001 environmental management system have been incorporated into production procedures at each of the Group's mills. Within the confines of this system, steps are being taken to manage and review production procedures.

In addition, the Nippon Paper Group undergoes inspections by customers based on the verification system formulated by the Japan Paper Association. Customers check that the production processes and recycled pulp contents at mills conform to regulations. Moving forward, the Group will continue to implement prevention measures and to pursue their ongoing improvement while accurately grasping the needs of society.



An audit by SGS Japan

Activities of Nippon Paper Industries Co., Ltd.

Strengthening its quality management system in an effort to deliver products and services that fully satisfy customers

Business and Product Features and Basic Stance

Placing particular emphasis on the stable supply and environmental friendliness of products

Nippon Paper Industries manufactures paper, which is sold mainly to corporate customers, including newspaper, publishing and printing companies. The company's products cover a wide spectrum of uses such as newsprint, publication paper, business communication paper and packaging paper. In 2011, Nippon Paper Industries maintained a 23% share of domestic production. This represented a drop of around 3% year on year due to damage from the Great East Japan Earthquake. However, all damaged plants had resumed operation by August 2012, with production volume continuing to increase over the ensuing period. The company is working diligently to earn the trust of customers by placing the utmost emphasis on ensuring the stable supply of safe and reliable products.

At the same time, Nippon Paper Industries is focusing increasingly on producing environmentally friendly paper products as interest in products that reflect environmental concerns continues to grow.

Product Safety Management Structure

Promoting efforts to strengthen companywide quality systems focusing on quality, speed and service

● Quality management system

Nippon Paper Industries maintains a nationwide manufacturing network of eight mills (as of April 2012). Each mill has put in place its own quality management system. The Quality Assurance Department oversees the quality of all products. Due to the wide range of products, companywide quality meetings are held regularly by item. The company's head office, mills and laboratories work in unison to promote quality enhancement measures.

● Responding to instances of defective products

The Quality Assurance Department takes the lead in responding to customer inquiries and instances of defective products. In the event that a major incident occurs as a result of one of the company's products, the Quality Assurance Department acts swiftly to resolve any and all issues in collaboration with relevant departments. Nippon Paper Industries has put in place a system to ensure that information relating to accidents and the appropriate company response is relayed immediately to the responsible director and the president. This information is also channeled by the Quality Assurance Department to each mill and relevant in-house department.

Approach toward Product Safety

Promoting product safety initiatives in strict compliance with statutory and regulatory requirements

Guided by the Product Safety Committee, Nippon Paper Industries' mills and research laboratory ensure that chemical substances are used and managed in accordance with ISO 14001. At the same time, steps are taken to comply with all statutory and regulatory requirements including the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture and the PRTR Law. Turning to base materials used in the production of food containers, the company conforms to the Food Sanitation Act as well as industry standards.

The Stable Supply of Products

Putting in place an industry-wide paper supply system to ensure the uninterrupted issue of newsprint in emergency situations

Demand is particularly high for the stable supply of paper used in such highly public information media as newspapers. As a result, the paper industry prepares emergency manuals by region for use when an extraordinary incident occurs. In the event of a disruption to communication and transportation systems as a result of a major disaster, paper companies follow this manual to ensure the smooth supply of newsprint.



Shipping products from a warehouse

Responding to Customers

Calling for and responding to the opinions and requirements of customers through sales and marketing activities as well as regular customer visits

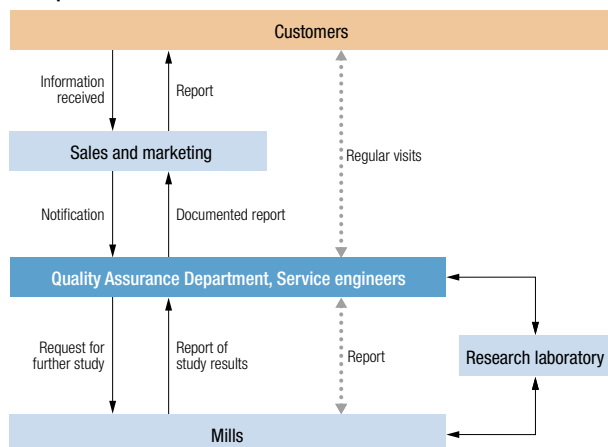
Nippon Paper Industries supplies newsprint, printing and publication paper and business communication paper largely to corporate customers. Sales representatives call on customers to solicit their opinions and needs. At the same time, the company has introduced a service engineer system in an effort to close the gap between customers and the production frontline. Under this system, technical staff engaged in the production of paper

and acting as service engineers regularly call on customers. In witnessing firsthand the printing process through such initiatives as “Quality Patrols,” service engineers directly solicit feedback from customers conveying this information to all related in-house departments including the production frontline. This is in turn leading to accurate and timely improvements in product quality.



Regular visit at a printing factory by a service engineer

Framework for addressing customer inquiries, complaints and claims



Product Development that Address the Needs of Customers

Providing products leveraging inherent strengths

● PEFC and FSC® certified paper

Nippon Paper Industries acquired Chain-of-Custody (CoC) certification (see page 57) under the Programme for the Endorsement of Forest Certification Schemes (PEFC), an internationally recognized forest certification system (see page 57). At the same time, Nippon Paper Industries was the first Japanese company to establish a comprehensive PEFC-certified paper production system from chip procurement through manufacture to sale in 2007. The company's Raw Material & Purchasing Division first obtained PEFC-CoC certification for the import of woodchips in December 2004. At the end of March 2007, Nippon Paper

Industries acquired certification at its headquarters as well as its Ishinomaki and Iwakuni mills. The Shiraoi Works of Hokkaido Mill and the Fuji Mill were certified in October 2007 with the Yatsushiro Mill certified in March 2010.

The Suzukawa Office of Fuji Mill, the Yatsushiro Mill, the Nakoso Mill and the Yufutsu Works of Hokkaido Mill acquired CoC certification from the Forest Stewardship Council (FSC®), an international organization engaged in the certification of forests similar to PEFC, in January 2003, April 2007, December 2007 and October 2009, respectively.

Status of CoC certification acquisition

PEFC		FSC	
Office	Acquisition Date	Office	Acquisition Date
Headquarters	December 2004	Headquarters	January 2003
Ishinomaki	March 2007	Fuji (Suzukawa)	January 2003
Iwakuni	March 2007	Yatsushiro*	April 2007
Hokkaido (Shiraoi)	October 2007	Nakoso	December 2007
Fuji	October 2007	Hokkaido (Yufutsu)	October 2009
Yatsushiro	March 2010		

* FSC CoC certification currently suspended

* As of September 30, 2012

● New products that use high-bulk technologies

Taking full advantage of its proprietary high-bulk technologies, Nippon Paper Industries develops new products that meet the needs of its customers. In April 2012, the company launched b7 BULKY, a new product in the b7 series. This series uses Nippon Paper Industries' unique bulking technology to produce well-textured coated paper that achieves low base weight yet high paper thickness. The newly launched b7 BULKY is produced at Ishinomaki Mill. As for features, b7 BULKY is a matt paper in a simple white with a 92% brightness level and offers superior shelf life thanks to its wood-free paper base. Compared with the existing b7 TRANEXT, the core brand in the b7 series, b7 BULKY achieves greater softness due to its even lower density. Moreover, b7 BULKY is available in a wide range of base weights to enable its use across various applications including magazines and books.

Suffering the full brunt of the tsunami following the Great East Japan Earthquake, operations at the Ishinomaki Mill were suspended. This led to substantial interruptions in the stable supply of products. Thanks largely to the tireless efforts of all company personnel, Paper Machine 8 was brought back into service in September 2011. Thereafter, Nippon Paper Industries directed its energies to the parallel tasks of reconstruction and stable product development. Due to these dual endeavors, the company was able to successfully launch b7 BULKY.

Note: Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. merged on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company. This section provides details of the activities of Nippon Paper Industries Co., Ltd. as of September 30, 2012.

Activities of Nippon Daishowa Paperboard Co., Ltd.

Providing reliable transportation and packaging materials for food, beverage, electrical and electronic device, pharmaceutical and other wide-ranging applications

Business and Product Features and Basic Stance

In addition to its mainstay cardboard base paper, the company provides a vast array of safe and high-quality paper products.

Nippon Daishowa Paperboard has a network of five mills in Japan, dedicated to the paperboard business. Every effort is made to engage in efficient and fast-paced management while bolstering the company's competitive prowess on the world stage. In addition to its mainstay paperboard business, which includes cardboard base paper, and coated duplex board, Nippon Daishowa Paperboard also pursues business opportunities across a variety of fields including coated, business communication paper and pulp. In calendar year 2011, the company held a 14.1% share of the paperboard market in Japan.

Nippon Daishowa Paperboard strives to provide high-quality safe and environmentally friendly products and services to meet the needs of customers and to earn their trust. In addition, the company works diligently to provide accurate and open information, including descriptive quality labeling.

Each of the company's five nationwide mills has acquired ISO 9001 certification.

Product Safety Management System

Providing safe products and services that comply with all relevant statutory and regulatory requirements as well as industry standards

Nippon Daishowa Paperboard participates in the Nippon Paper Group Product Safety Committee. The company supplies products and services that comply with all relevant statutory and regulatory requirements, as well as industry standards.

Nippon Daishowa Paperboard places particular emphasis on strengthening mechanisms that guarantee and certify recycled paper fiber content ratios, and compliance with the Law on Promoting Green Purchasing as well as the purchase of lumber from tree thinning. Another priority is the promotion of safety surveys regarding the paper and paperboard used in food packaging. The company follows a predetermined recycled paper fiber and non-wood fiber pulp content ratio verification process based on the system established by the Japan Paper Association. Nippon Daishowa Paperboard has also put in place guidelines for onsite customer inspections to verify recycled paper fiber content.

Calls for increasingly stringent, international safety and hygiene standards for paper and paperboard products used in food containers and packaging are becoming more pronounced in recent years. The paper industry formulated its own voluntary standards for paper and paperboard intended to come into contact with food in 2007. Nippon Daishowa Paperboard closely follows

Major Products

Product Category	Details
Cardboard base paper	Cardboard base paper, which includes linerboard and corrugating medium, is a product that entails the active use of recovered paper. Through the application of cutting-edge technologies that deliver such environmental benefits as increased energy efficiency, products are manufactured in a manner that reduces environmental impact. After processing, products are used in wide-ranging fields, including the transportation and packaging of groceries, beverages and electric and electronic devices. In addition, and in the context of recent efforts to reduce greenhouse gas emissions, demand for lightweight, high-intensity base paper has steadily grown. Nippon Daishowa Paperboard, is working to address this demand by delivering products that meet diverse needs, including superior safety, bonding, working, printing, water resistance and repellency.
Coated duplex board	Coated duplex board is a paper product comprising several laminated layers. Products vary according to combination of raw materials used for each layer. Taking full advantage of the latest technologies, Nippon Daishowa Paperboard, offers an abundant product lineup that is used in the publishing, food, confectionary, pharmaceutical, daily necessity and other wide-ranging fields. In 2010, the company commenced sales of both sides coated duplex board rebirth 70 (PEFC), a product that uses both recycled pulp and certified forest pulp and is compliant with the Law on Promoting Green Purchasing.
Gypsum board base paper	Gypsum board is used as a water-resistant construction material most commonly applied to walls and ceilings. It is made by pouring gypsum between two sheets of base paper. The gypsum board base paper manufactured by Nippon Daishowa Paperboard, offers outstanding adhesive, water absorbability, dimensional stability and other properties. Due to its consistent high quality, this product is attracting wide acclaim from customers. Boasting a broad spectrum of material and texture features, the company's gypsum board base paper lineup offers considerable flexibility according to each application and design.

Product Category	Details
Color board, chipboard	Color board is commonly used for general-purpose packaging and writing materials. Chipboard is used as a general-purpose packaging, mat board, interlining and other material and has a wide variety of product packaging uses including pharmaceutical and confectionary boxes.
Specialty paperboard	SIKRA PAK, a highly water-resistant paperboard, was developed as a flagship product in the company's specialty paperboard product range. Recovered container board is the principal raw material for SIKRA PAK, and as such it can be recycled as a paper product after use. SIKRA PAK has a variety of applications and can be used in sheet palettes, returnable containers, marine product packaging, election campaign boards and concrete panels. As an alternative to such mainstream materials as wood and foam polystyrene, SIKRA PAK is also attracting wide acclaim for its environmentally friendly, lightweight and recycling properties.
Core paperboard	Core paperboard is used in a variety of rolled containers for storing and transporting paper, cloth, film, drawings, certificates of merit and related items. Harnessing technologies developed over a lengthy period, the company's core paperboard products are manufactured with an emphasis on strength and precision for long-term, reliable use.
Paper	Nippon Daishowa Paperboard manufactures a variety of products for printing, book, office, drawing and packaging use. Brands include the high-quality paper Nichirin A, high-quality lightweight-coated paper COSMO AIR LIGHT, book paper Kohaku, rough cream Kohaku and new chiffon cream, machine-glazed paper Hakuto and machine glazed bleached Capital Wrap.

these voluntary standards and the policies outlined regarding production and details of prohibited chemical substances.

Product Safety Initiatives

Attending to each issue through a variety of measures including close-knit technological cooperation, while providing comprehensive and pertinent information

● Providing pertinent product information

The intended application is an essential factor in selecting the base paper for use in paper processed products. Amid the implementation of increasingly stringent safety and hygiene requirements, customers are also placing greater emphasis on the reduction of both costs and greenhouse gas emissions. At the same time, calls for more robust base paper with a lower base weight have become especially strong for use in cardboard boxes that serve a multitude of purposes, including transportation. In an effort to address these needs, Nippon Daishowa Paperboard is both evaluating and manufacturing new base papers. In addition to providing information regarding processing and utilization methods to customers, the company is also offering cooperation and support from a technological perspective, which includes invitations to view first-hand processing procedures.

Statutory requirements relating to the use of chemical substances in products differ depending on the application. At the same time, there is a growing number of companies implementing voluntary standards with respect to acceptable chemical substances in each field. The need to assess and confirm compliance is becoming increasingly vital. Nippon Daishowa Paperboard has appointed a designated officer to oversee the company's efforts in accurately and promptly addressing these needs.

The Stable Supply of Products

Promoting stable supply and precise information based on systematic production

The paperboard products manufactured by Nippon Daishowa Paperboard are essential to a broad spectrum of fields including the packaging and distribution sectors.

In addition to a procurement structure that ensures high-quality, safe and reliable raw materials and fuels, Nippon Daishowa Paperboard has put in place facility maintenance systems to secure continuous and systematic production. Through these systems, the company is endeavoring to fully address the needs of its customers by providing high-quality, safe and environmentally friendly products on a stable basis. Every effort is also made to ensure product information is accurate and open. Among a host of initiatives, Nippon Daishowa Paperboard pays

particular attention to product labeling.

In the event of an earthquake or similar disaster, the company has established a backup system that entails coordination between mills. This serves to minimize any impact on the company's operations.

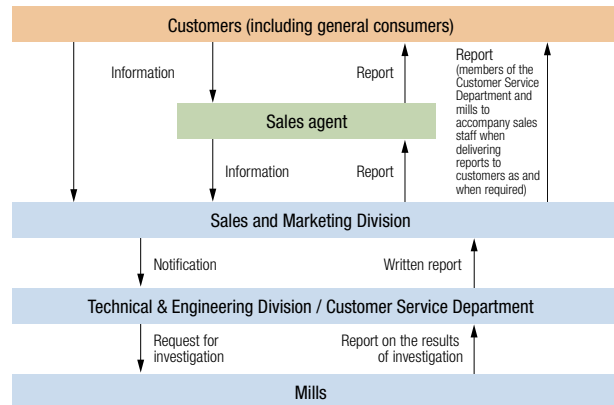
Responding to Customers

Maintaining a system to address instances of product defects and customer inquiries appropriately

● Responding to instances of defective products

Details of product claims are channeled through sales representatives to the Customer Service Department. The Department then contacts the appropriate officer within each mill to ascertain the cause of the claim and to discuss appropriate countermeasures. A written report is prepared for the customer.

System for responding to defects, claims, requests for consultation and inquiries



Product Development that Addresses the Needs of Customers

Nippon Daishowa Paperboard engages in the development of products that meet wide-ranging needs

In order to address the needs of such end users as soft drink manufacturers, who continued to call for lighter weight container board made from recovered materials, Nippon Daishowa Paperboard developed a base weight reduction method. Employing this method, the company has been successful in reducing the volume of resources used as well as its environmental impact. Looking ahead, Nippon Daishowa Paperboard will continue to promote methods that reduce the base weight of container board in an effort to upgrade and expand its lineup of environmentally friendly products.

Note: Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. merged on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company. This section provides details of the activities of Nippon Paper Industries Co., Ltd. as of September 30, 2012.

Activities of Nippon Paper Crecia Co., Ltd.

Concentrating on customers' perspectives in the development of easy-to-use products while strengthening the product safety management system

Business and Product Features and Basic Stance toward Customers

Leveraging our position as a manufacturer to support clean and comfortable lifestyles

Nippon Paper Crecia provides individual consumers with household paper products including facial and toilet tissues as well as health, nursing and toilet care products. The company also offers professional products which are mostly for business use. Through such brands as Kleenex®, Scottie® and Poise®, Nippon Paper Crecia has attracted a popular following in personal care and hygiene products.

Providing safe and high-quality products is part and parcel of the company's efforts to deliver a clean and comfortable lifestyle to its customers. In order to supply products of an even higher quality, Nippon Paper Crecia listens to its customers and engages in research and development that focuses on addressing customer needs.

Product Safety Management System

Striving to address customer concerns in a proper and timely manner while further enhancing quality

In addition to acquiring ISO 9001 certification at its Tokyo Mill in February 2009, Nippon Paper Crecia has incorporated ISO 9001 procedures into its quality management system.

The company has established the Product Safety Committee in order to engage in product safety risk management. Complementing this initiative, the Customer Service Office was relocated adjacent to the President Office. By ensuring that customer claims are conveyed directly to the president, Nippon Paper Crecia is reinforcing its crisis management framework.

In March 2012, the Quality Assurance Department was placed within the Marketing Division and positioned as the Quality Assurance Group of the Product Development Department. With this initiative, the company has put in place a system that is not only deeply involved from the product design process, but is also capable of promoting product safety risk management throughout each stage of the product life cycle from development through production to shipment in a timely and effective manner. In addition, the Quality Assurance Group takes the lead in implementing safety audits at each mill while also conducting inspections to confirm quality at OEM companies. Through these and other means, Nippon Paper Crecia is working to ensure increased product quality and stability.

Product safety management system



● Responding to instances of defective products

The Quality Assurance Group serves as the point of contact for all instances of defective products. While coordinating with the company's head office, relevant mills as well as the sales and marketing, distribution and all other appropriate departments, the Quality Assurance Group addresses each incident in a proper and timely manner. In addition to collating all appropriate information, the Quality Assurance Group formulates countermeasures after determining the degree of urgency and severity. An emergency countermeasures task force, made up of executive management and the general managers of all relevant departments, is established for incidents that are considered extremely urgent and severe.

Providing Relevant Product Information

Ensuring proper labeling, advertising and information disclosure in accordance with statutory requirements

Nippon Paper Crecia adheres strictly to all relevant statutory and regulatory requirements including Japan's Household Goods Quality Labeling Act and the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation, as well as industry standards. In this manner, the company takes steps to prevent erroneous labeling and advertising that may lead to misrepresentation. In addition, the Sales and Marketing Division's Intellectual Property Department and the Quality Assurance Group play a central role in both monitoring and verifying the accuracy of product labeling and advertising, while the Customer Service Office deals directly with inquiries relating to the features of each product and how products are used. Complementing each of the aforementioned measures, the company has established a page on its website to explain its products and field inquiries.



Explanations and details of products posted on the company's website

Responding to Customers

Responding sincerely to ensure that customers are fully satisfied

Contact details for the Customer Service Office are displayed on all products. This helps customers to more easily direct their concerns to the company and to address any instances of defective products. The company's website is also configured to accept customer queries and comments. Nippon Paper Crecia consistently acts in good faith whenever its products are a cause for customer inconvenience. Every effort is made to ensure that customers are fully satisfied.



The Customer Service Office

Basic philosophy and policies toward addressing customer claims

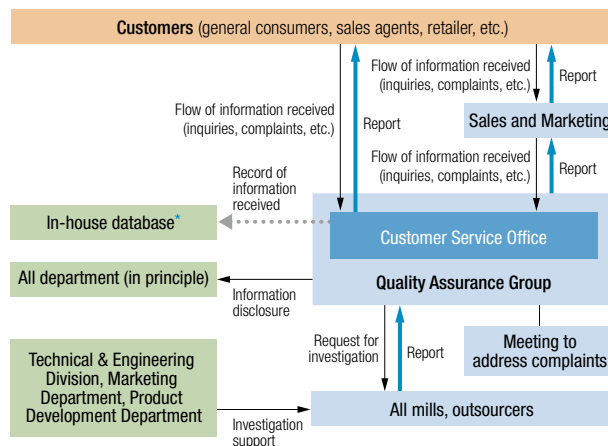
Basic Philosophy toward Addressing Customer Claims

Nippon Paper Crecia gives the highest priority to addressing customer claims in a sincere and timely manner. The company takes seriously the comments of its customers which are consistently reflected in efforts to improve products and services.

Basic Policies

1. The company positions efforts to address customer claims as one of its highest priorities.
2. The company maintains a deep respect for the interests of customers when addressing each claim.
3. Drawing on the collective strength of the organization as a whole, the company takes full responsibility until each customer claim is resolved.
4. Each claim is addressed without prejudice and in an open and fair manner irrespective of the details offered by the customer.
5. Every emphasis is placed on statutory compliance with unreasonable requests handled in a resolute manner.
6. Recognizing that customer comments are an invaluable source for improving the quality of its products and services, the company listens intently to the voice of its customers.
7. Every effort is made to stringently protect the personal information of customers.

Framework for handling customer inquiries, complaints and claims



Note: The recording of information received in the company's in-house database is strictly handled in accordance with the company's rules on the management of personal information.

The Stable Supply of Products

Supplying safe products through a nationwide network of four mills

Both facial and toilet tissues are items that are essential to daily life. Nippon Paper Crecia maintains a nationwide products network of four mills located in Saitama, Kanagawa, Shizuoka and Kyoto. Each mill takes great pride in delivering products that engender peace of mind. The company also maintains an emergency network in the event of an earthquake or other natural disaster.

New Product Development that Reflects Customers' Needs

Developing high-quality, easy-to-use products

In response to customer needs, Nippon Paper Crecia engages in product development activities that focus on enhancing both quality and added value. At the same time, the company pays equal attention to ease-of-use and environmental concerns.

For those products that are difficult to carry home or bulky, Nippon Paper Crecia has established an online shopping site.

The company is taking steps to upgrade and expand its lineup of online products.

Select Products



Scottie® 12-roll pack (double)



Kleenex® tissues
AQUAVEIL Accordion-Type Pocket Tissues (4-pack)



Acty brand fuss-free pull-up pants M-L (16 pants)

Activities of Nippon Paper Papyrus Co., Ltd.

Addressing diverse needs and winning the trust of customers by establishing a system that can accommodate high-mix, small-lot production, delivering highly functional, quality products and ensuring stable supply

Business and Product Features and Basic Stance

Responding to diverse customer needs through a flexible production system

Building on its craftsmanship nurtured over many years, Nippon Paper Papyrus handles a variety of specialty paper products in the thin paper field. The company's product lineup includes cigarette-related paper, thin printing paper, back carbon copying paper and processing base paper. In addition to its paper making technologies that use a mix of wood pulp, non-wood pulp and synthetic fibers, Nippon Paper Papyrus boasts such diverse processing techniques as impregnation, coating, thermal and crepe processing, as well as embossing. Drawing on these technologies and techniques, the company continues to develop and market a vast array of unique, highly functional and specialty papers.

Nippon Paper Papyrus places customers' needs at the heart of its operating activities. To this end, production lines are designed with the utmost care, focusing on operating reliability as well as the flexibility to accommodate high-variety, low-volume production. Through advanced automation, the company is well positioned to efficiently produce high-quality products on a



Specialty paper

stable basis. At the same time, Nippon Paper Papyrus places considerable weight on efforts to improve its delivery capabilities.

Major Products of Nippon Paper Papyrus Co., Ltd.

Major Product Category	Details
Cigarette-related paper	Cigarette paper, filter plug wrapping paper, filter tipping paper
Thin printing paper	India paper, paper for lists of stipulations, paper inserts, ultra-lightweight coated printing paper, bulky paper
Back carbon copying paper	Back carbon copying paper
Processing base paper	Releasing base paper, waxed base paper
Functional and specialty paper	Water-soluble paper, absorbent paper, oilproof paper, waterproof paper, facial tissues, various filter papers, heat sealable paper, tape base paper, specialty printing paper, wiper paper

Product Safety Management System

Standing at the forefront of the paper industry, Nippon Paper Papyrus has acquired ISO 9001 certification and is strengthening its quality assurance system.

Taking the industry lead in quality, Nippon Paper Papyrus acquired ISO 9001 certification at its Suita Mill in 1992. The company then took steps to acquire certification at its Harada and Kochi mills, putting in place a robust companywide quality assurance system.

Companywide technology and quality meetings are held each month to deliberate on issues relating to production technology and quality assurance. With a shared understanding, Nippon Paper Papyrus continues to operate its quality assurance system.

● Ensuring product safety management in accordance with statutory requirements and industry standards

Nippon Paper Papyrus has formulated a Product Safety Charter. Guided by this charter, the company maintains and promotes comprehensive product safety, taking into consideration product features and disposal with a view to protecting the global environment as well as operating safety. Included in the charter are the company's product safety policies. These policies provide specific guidelines for the direction and implementation of product safety activities.

The Product Safety Committee has been established to help promote appropriate activities. This committee puts forward and promotes proposals while managing progress. The committee also oversees the proper use and management of chemical substances and raw materials at mills and research laboratories. In this manner, every effort is made to ensure that the company complies with all relevant statutory requirements including the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and the PRTR Law. With respect to such food wrapping products as greaseproof and tea filter paper, Nippon Paper Papyrus engages in production that conforms to the Food Sanitation Act and industry voluntary standards.

As a member of the Nippon Paper Group, Nippon Paper Papyrus is conscious of its role in society. In this context, the company shies away from any activity that would betray society's trust. In adhering strictly to compliance through appropriate training, Nippon Paper Papyrus is endeavoring to raise awareness among directors and employees.

Product Safety Policies

(Formulated on June 30, 1995, and revised on April 1, 2004)

1. The company positions the pursuit of safety at the heart of its basic business philosophy. To this end, the company has established and continues to observe specific product safety standards that help prevent the distribution of defective products.
2. With the underlying goal of maintaining and pursuing product safety, the company draws on the collective strength of its technological capabilities and strives diligently to prevent any injury or inconvenience to its customers as a result of a defective product.
3. To achieve this goal, the company strictly manages product safety. Stringent measures are taken to confirm product safety as a part of efforts to improve new product development, quality and processes. The company also closely monitors product safety to ensure that appropriate standards are maintained.
4. The company supplies its customers with safe products while steadfastly providing information to ensure that standards are maintained.

Product Safety Initiatives

Sharing information on problem issues and countermeasures in a timely manner

● Responding to instances of defective products

Instances of defective products are addressed in accordance with product complaint handling rules and regulations. Incidents of a severe nature than can be attributed to the company's products are resolved in a timely manner through collaboration between the responsible sales and marketing department, the Quality Assurance Department and all other related departments. The utmost priority is placed on addressing and satisfying the requirements of customers. Information relating to problem issues and countermeasures are forwarded from the company's head office Technical & Engineering Division as well as the Quality Assurance Department and shared with the president, mills and relevant in-house departments.

● Providing pertinent product information

Nippon Paper Papylia strives to consistently respond to customer inquiries. To this end, all relevant product departments coordinate with the appropriate parties and departments within the company. The company has also established a page on its website to provide readers with individual products details and to field customer inquiries.

Customer Service Response Center by Inquiry

Nature of Inquiry	Customer Service Response Center
Cigarette-related paper inquiries	Tobacco & Industrial Paper Sales Department
Thin printing paper inquiries	Paper Sales Department
Functional paper inquiries	Special Products Marketing Department
Specialty paper inquiries	Specialty Paper Sales Department
General quality inquiries	Technology & Quality Assurance Department

The Stable Supply of Products

Promoting the decentralization of production bases while ensuring stable raw materials procurement

From a risk management perspective, Nippon Paper Papylia strives to secure stable access to wood pulp, non-wood pulp and other primary raw materials from multiple suppliers to ensure the stable supply of its products. In addition, the company is promoting a two-tiered structure, encompassing its Harada Mill in Shizuoka Prefecture and its Kochi Mill, in Kochi Prefecture, with respect to the partial production of function and specialty as well as cigarette-related paper.

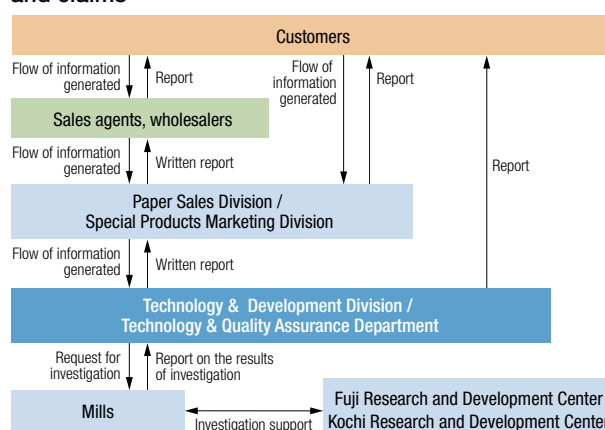
Responding to Customers

Promoting collaboration between departments to ensure a prompt response to customer inquiries

At Nippon Paper Papylia, officers responsible for sales and marketing take the lead in addressing customer complaints, requests for investigation and inquiries. Through a process of collaboration between sales and marketing, technical and engineering and development and research departments as well as mills, every effort is made to reply in a timely manner.

Moreover, officers responsible for sales and marketing as well as quality assurance call on printing and other companies. Information obtained through this process of onsite inspection on the status of consumption is used to further improve quality and to boost new product development.

Framework for handling customer inquiries, complaints and claims



New Product Development that Reflects Customers' Needs

Responding to changing needs by upgrading and expanding technical services

Nippon Paper Papylia acquired CoC certification under the FSC® and PEFC programs in May 2007. CoC certification is a worldwide system that certifies the efficacy of wood product processing and distribution.

Adhering to the requirements for certification, the company's Harada and Kochi mills engage in the procurement of resources from forests. These resources are then used in the development of products, which are sold to the market. Harnessing its inherent strengths, Nippon Paper Papylia promotes wood resource conservation by steadily reducing the weight of products. In this context, the company is actively addressing the need for environmentally friendly products.

Activities of SHIKOKU COCA-COLA BOTTLING CO., LTD.

Recognizing the paramount need to satisfy consumers, SHIKOKU COCA-COLA BOTTLING strives to deliver safe and reliable products.

Our Approach to Business and Products

Our aim is to continue to pursue growth along with communities we serve by providing moments of refreshment that anyone can enjoy anytime and anywhere.

SHIKOKU COCA-COLA BOTTLING manufactures a variety of Coca Cola beverages. Products are marketed in four prefectures of Shikoku, Japan, under the slogan "Moments of refreshment that anyone can enjoy anytime and anywhere."

As a member of the communities we serve, SHIKOKU COCA-COLA BOTTLING encourages active, healthy living of people in Shikoku through our beverage business. In addition to its social contribution activities that focus on environmental protection as well as the promotion of sporting and cultural pursuits, SHIKOKU COCA-COLA BOTTLING works diligently to fulfill the expectations of a wide variety of stakeholders. In this context, the company actively promotes information disclosure and strives to create a workplace that is both comfortable and rewarding for its employees. Endeavoring to become a trusted and integral member of society, SHIKOKU COCA-COLA BOTTLING engages in activities that help us continue to pursue growth along with the community and fulfill its corporate social responsibility as part of the Nippon Paper Group.

Coca-Cola Operating Requirements (KORE) Management System

Practicing management based on criteria that surpass international standards

The Coca-Cola group manages its operations based on a globally integrated proprietary management system called KORE that outlines specific Coca-Cola Operating Requirements. The system's strict standards encompass all of the standards for quality, product safety, the environment, and occupational health and safety for every operational process starting with the procurement of ingredients, through production, distribution, transportation, and sales, ending when products reach consumers. The KORE system satisfies the requirements of ISO international standards as well as applicable laws and regulations, while incorporating more stringent voluntary standards.

Certification bodies conduct measurements of performance against the requirements of each standard at least once a year. The objective evaluation from a third-party organization ensures that the Coca-Cola system's quality management operates in a fair and equitable way.

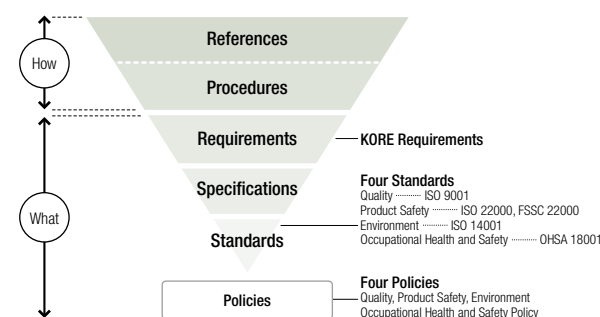
Coca-Cola (KO*) OPERATING REQUIREMENTS

"Coca-Cola Operating Requirements" are commonly referred to by the acronym "KORE."

* "KO" is an abbreviation for the Coca-Cola Company, whose shares are publicly listed on the New York Stock Exchange.



Architecture of the KORE Management System



The first company in Shikoku to acquire FSSC 22000 certification in December 2010

The Komatsu NO.2 Plant, owned and operated by SHIKOKU COCA-COLA PRODUCTS CO., LTD., was the first production facility of any company in Shikoku to acquire FSSC 22000 certification, the recognized standard for product safety.

The FSSC 22000 product safety benchmark incorporates PAS 220, the underlying precondition of ISO 22000, and is also one component of the GFSI certification scheme*. The company has taken steps to acquire ISO 22000 certification since 2008. Recognizing that this particular standard was not acknowledged under the GFSI certification scheme, the company accordingly shifted its efforts toward acquiring FSSC 22000 certification. As a result, SHIKOKU COCA-COLA PRODUCTS CO., LTD. was the first company in Japan to acquire FSSC 22000 certification in 2010. Moving forward, all 28 bottling plants managed under the Coca-Cola system had completed steps to acquire FSSC 22000 certification by March 2011.

* The GFSI Certification Scheme

The Global Food Safety Initiative (GFSI) is a worldwide food safety framework established to promote and continuously improve uniform international standards with respect to the conduct of food plant and farm inspections and surveys while at the same time strengthening the confidence of consumers. The food service, restaurant, retail, and related manufacturing sectors are increasingly working to acquire international certification under schemes acknowledged by the GFSI benchmark. The Consumer Goods Forum, a leading organizational structure within the GFSI, and comprised of approximately 650 international companies of which around 80 are domiciled in Japan, interact to uncover ways in which to increase efficiency across the entire supply chain as well as consumer needs.

Initiatives Aimed at Enhancing Customer Satisfaction

Establishing a system to effectively respond to consumer complaints through compliance with ISO 10002:2004

The SHIKOKU COCA-COLA Group listens attentively to the comments of its consumers taking great care to respond to all concerns and queries with integrity, speed and accuracy. The Group places the utmost importance on communication. In addition to providing safe and reliable products, services and information, the Group takes great pains to reflect consumer comments in its ongoing activities.

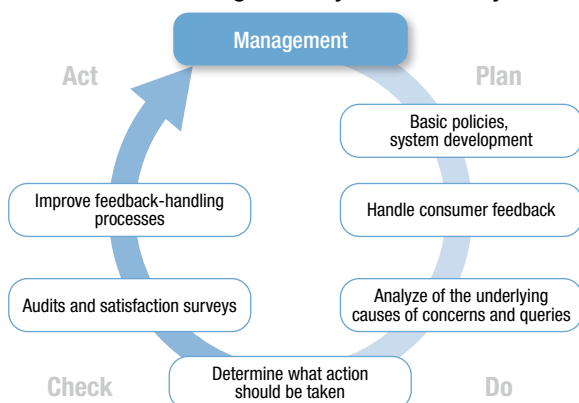
In March 2007, the Group issued the declarative statement that it conformed to ISO 10002:2004*, the international management standard for handling complaints. Compliance is a part of the Group's efforts to further enhance the level of consumer satisfaction.

In addition, SHIKOKU COCA-COLA BOTTLING received independent, third-party evaluation of the complaint handling procedures of the company from Tokio Marine & Nichido Risk Consulting Company. Results of this evaluation confirmed that the company's complaint-handling procedures and all related documents were in compliance with ISO 10002:2004.

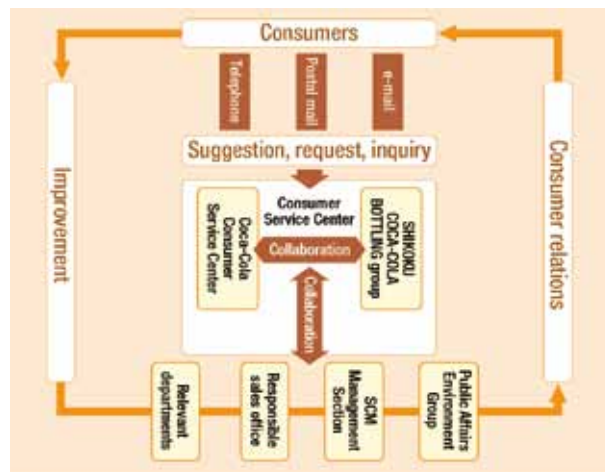
* ISO 10002:2004

ISO 10002 is the international standard for implementing a complaints management system issued by the International Organization for Standardization in 2004. ISO 10002 is not a third-party certification system undertaken by an evaluation certification organization. While it does provide a guideline standard for handling complaints, ISO 10002 more importantly allows companies to identify to both internal and external parties that it is continuously dealing with customer complaints in accordance with international standards. In declaring compliance of its own accord, each company is more accountable for its actions and statements.

ISO 10002: 2004 Management System PDCA Cycle



Framework for handling consumer inquiries, complaints and suggestions



Environmentally Friendly Products and Packages

● *ecoru Bottle Shiboru*, Japan's lightest bottle for water products, released

I LOHAS, a new water brand that employs a PET bottle called the *ecoru Bottle Shiboru* – the lightest of its kind in Japan – was launched on May 18, 2009.

Features of the lightest bottle

Japan's lightest bottle at 12g, employing semi-transparent cap

- The first-of-its-kind semi-transparent cap for a Coca-Cola system product
- The lightest cap in Japan for bottles in this size

Weight around the neck section is 20% lighter than previous bottles

Easy-to-remove wrap-around label

- Wrap-around label as opposed to the conventional shrink label
- Easy removal without the need to remove using perforation
- Substantial reduction in the amount of plastic used due to smaller size and lighter weight

Upsized 555ml bottle with added value

- Reflecting consumer calls for a little more than the standard 500ml size



Development of Environmentally Friendly Products

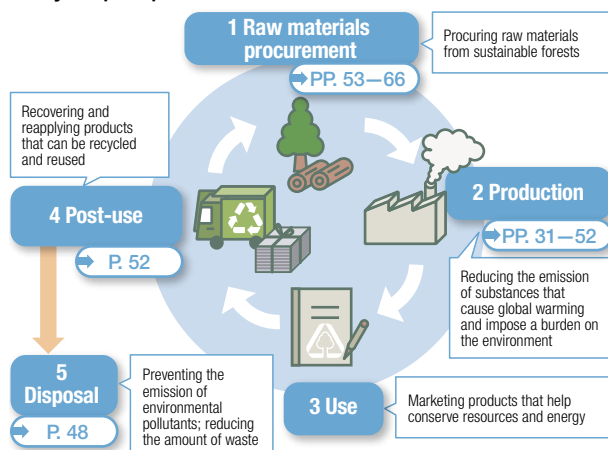
Actively developing products that help reduce environmental impact

Basic Stance

Engaging in development that incorporates environmental concerns throughout the entire product lifecycle

The Nippon Paper Group is engaged in a wide variety of business activities that utilize wood as a raw material. Wood is a resource that can be renewed through a process of photosynthesis. Wood-based products are environmentally friendly and therefore contribute to the creation of a sustainable society. In addition, the Nippon Paper Group takes into consideration environmental concerns across every stage of the product lifecycle from the procurement of raw materials through production to use and disposal. The Group's efforts at each stage of the product lifecycle from 1 to 5 are depicted in the following diagram. Moving forward, the Nippon Paper Group is committed to developing environmentally friendly products and contributing to an affluent society.

Points of environmental concern from a product lifecycle perspective



Environmentally Friendly Raw Materials Procurement

Procuring raw materials from sustainable forests

The Nippon Paper Group procures raw materials from sustainable forests that are managed taking into consideration environmental and social concerns (see pages 56–59). In addition, the Group is endeavoring to revitalize Japan's forests by actively utilizing domestic timber wherever possible.

Case Study SGEN certified MDF using 100% domestic timber (Nippon Paper Lumber Co., Ltd.)

In March 2011, N&E Co., Ltd., a Nippon Paper Lumber Co., Ltd. subsidiary, was the first company in the industry to manufacture and market SGEN (see page 57) certified Medium-Density Fiberboard (MDF), made from 100% domestic timber.

The use of timber produced in Tokushima Prefecture is helping to revitalize local forests. Furthermore, the application of raw materials accredited under the SGEN system, a certification system initiated in Japan, encourages environmentally friendly procurement.



SGEN certified MDF



An example of the product used in construction

Environmentally Friendly Production

Reducing emissions of substances that impose a burden on the environment and minimizing the use of raw materials

The Nippon Paper Group strives to reduce the emission of substances that cause global warming and impose a burden on the environment as a key endeavor at the production stage (see pages 40 to 43 and pages 48 to 51).

At the same time, the Group works diligently to develop technologies that minimize the use of raw materials while achieving the same quality.

Case Study Developing lower base weight container board (Nippon Daishowa Paperboard Co., Ltd.*)

Nippon Daishowa Paper has developed a method for reducing the base weight of the C-class linerboard as used in cardboard boxes for canned coffee. This has reduced the amount of raw materials used by approximately 25%. Looking ahead, the company will endeavor to develop methods that minimize the base weight of K-class linerboard and corrugating medium with respect to the base paper used in container board as a part of its expanded lineup of environmentally friendly products.

Note: Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Industries Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. merged on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company.

Case Study Continued improvements in environmentally friendly PET bottles
(SHIKOKU COCA-COLA BOTTLING CO., LTD.)

PlantBottle, a next-generation PET bottle that uses between 5 and 30% renewable plant-based materials, was introduced to Japan in 2010 and used for the entire product range (280ml, 555ml, and 1,020ml) of *I LOHAS* water brand beverages.

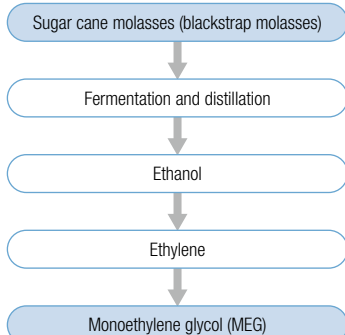
PlantBottle packaging is made through a purifying process and the effective use of such materials as sugar cane and molasses, a sugar byproduct. This use of plant-based materials helps reduce the reliance on petroleum, an exhaustible resource. Moreover, *PlantBottle* is identical to conventional PET bottles in terms of shape, weight, and strength. In addition to ensuring product safety, *PlantBottle* can also be fully recycled at existing PET bottle recycling plants.



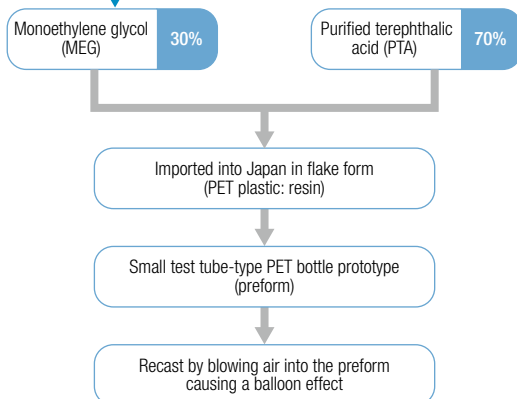
I LOHAS

***PlantBottle* manufacturing method**

Plant-based material manufacturing method



PET manufacturing method



Environmentally Friendly Utilization

Developing products that help conserve resources

Conserving energy and resources are important considerations during the use of products. The Nippon Paper Group strives to develop products that reduce waste while at the same time endeavoring to satisfy the needs of users.

Case Study Scottie Fine Smart & Dry Kitchen Towel Double Length Roll
(Nippon Paper Crecia Co., Ltd.)

Nippon Paper Crecia, a company that engages in the sale of familiar household paper products, released Scottie Fine Smart & Dry Kitchen Towel Double Length Roll. In addition to doubling the length of conventional single roll products, this product also reduces sheet size by 10%, which by eliminating the historic waste experienced at the time of use allows a 10% increase in the number of sheets. Among a host of benefits, this addition to the Scottie fine series helps secure customer storage space and reduce the frequency of replacement and waste, while curtailing the use of materials and transportation energy.



Scottie Fine Smart & Dry Kitchen Towel Double Length Roll

Environmentally Friendly Handling after Use

Promoting the use of recycled paper

The Nippon Paper Group markets a wide variety of products made from recycled paper.

Case Study White paper string
(Kitakami Paper Co., Ltd.)

Utilizing white paper string, made from recycled paper, as an alternative to polyester string, which cannot be recycled, helps reduce the amount of waste. This initiative is driven by the growing number of local government agencies that prohibit the use of polyester string to tie together used paper including newspapers in an effort to curtail waste disposal expenses.



White paper string

Case Study Election Campaign Poster Notice Boards
(Nippon Daishowa Paperboard*)

Nippon Daishowa Paperboard, has developed and currently markets, *SIKRA PAK*, a highly water-resistant paperboard made primarily from recycled paper. In addition to sheet palettes and the packaging of marine products, *SIKRA PAK* is used as an alternative to the mainstream wooden election campaign notice boards.



An election campaign notice board made from *SIKRA PAK*

Case Study Super Jet Fiber, a heat insulation material
(Nippon Paper Lumber Co., Ltd.)

Nippon Paper Lumber manufactures a heat insulation material for home use that is primarily made of recycled newspapers. In general terms, the manufacture of this product requires only one-seventh of the energy necessary for the production of more commonly used glass fiber



Super Jet Fiber (insulator)

insulation materials. The average house uses approximately 1.5 tonnes of heat insulation materials. On a morning paper subscription basis, this equates to about 20 years of recycled newspapers.

Environmentally Friendly Disposal

Providing products that impose minimal burden on the environment at the time of disposal

Reducing the amount of waste, enhancing recyclability and promoting easy waste disposal are all important considerations at the disposal stage of each product. While the wood material-based products supplied by the Nippon Paper Group are believed to impose a relatively small burden on the environment at the disposal stage, every effort is being made for further environmentally friendly disposal.

Case Study KC FLOCK powdered cellulose
(Nippon Paper Chemicals*)

Nippon Paper Chemicals markets KC FLOCK, the brand name for the company's powdered cellulose made from wood pulp using a refining process. Cellulose is a food fiber that is not harmful to humans. Biodegradable and easily incinerated, cellulose is used extensively in food, cosmetics, filter aids and other fields. As a filter aid, KC FLOCK is much easier to incinerate compared with the more conventional diatomaceous earth. This helps to significantly reduce waste. In addition, when processing liquids that contain rare metals, the KC FLOCK is able to catch the rare metals which can then be easily recovered after incineration of the KC FLOCK.



KC FLOCK

Case Study Water-soluble paper that reduces the burden imposed on the environment
(Nippon Paper Papylia Co., Ltd.)

The raw material plant fibers that combine to form paper separate when stirred in water. Nippon Paper Papylia successfully developed a method that lowers the strength of this plant fiber cohesion when immersed in water to produce water-soluble paper. While the microorganisms and other properties inherent in general-purpose paper ensure low environmental impact at the time of disposal, water-soluble paper dissolves instantaneously in water accelerating decomposition and further reducing the burden imposed on the environment. At the same time, water-soluble paper offers the same properties as general-purpose paper and is used for confidential as well as medical documents and other wide-ranging applications.

Recognizing the environmental properties of water-soluble paper and its ability to instantaneously dissolve when immersed in water, Japan's Ministry of Land, Infrastructure, Transport and Tourism utilized the company's product in the paper lanterns launched by each region along the Tohoku Pacific coast during the Yayoi Light Festival, which was held in March 2012 to pray the earliest reconstruction efforts following the Great East Japan Earthquake.



Paper lanterns: water-soluble paper comprises the paper balloon portion

Note: Nippon Daishowa Paperboard Co., Ltd. and Nippon Paper Chemicals Co., Ltd. merged with Nippon Paper Industries Co., Ltd. and NIPPON PAPER-PAK CO., LTD. on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company.

Human Rights, Employment and Labor Responsibility



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Policy and Management

Building a healthy and safe workplace environment in which employees, who serve as the driving force behind the Group's corporate activities, can take full advantage of their individual capabilities while conforming to the highest ethical standards

Basic Stance

Placing the utmost emphasis on the optimal application of a diverse pool of human resources while adhering strictly to a policy of safety and disaster prevention

The Nippon Paper Group respects human rights in every aspect of its business activities and aims to develop a working environment that makes the most of a diverse range of human resources. Recognizing the important standing and role played by human resources, a company should work in partnership with its employees to secure mutual growth. In utilizing a diverse workforce, the Nippon Paper Group therefore places considerable weight on building a fair evaluation and compensation system as well as education and training programs that help employees reach their full potential.

Paper manufacturing is both a core Group activity as well as a typical process industry. While the Nippon Paper Group's production sites use heavy machinery and engage in operations that give rise to inherent dangers, every effort is made to maintain a safe working environment and to take all appropriate measures to ensure safety and to prevent disasters.

Philosophy and Basic Policy

Respecting fundamental human rights and supporting the UN Global Compact

In order for the Nippon Paper Group to gain the trust of society and to adequately fulfill its responsibilities, each and every Group employee must act with a high sense of moral standards and strong motivation. On this basis, it is important for the Group to promote employee awareness while ensuring that employee behavior remains consistent with generally accepted morals. At the same time, the Nippon Paper Group is charged with the

responsibility of building a workplace environment that allows individual employees to reach their full potential and to put in place a system that rewards results.

Taking all this into consideration, the Nippon Paper Group established its Philosophy and Basic Policy on Human Rights, Employment and Labor.

In addition, the Group joined the United Nations Global Compact in November 2004 and supports its 10 principles.

Employee Education and Training with respect to Human Rights

Providing employees with educational opportunities for the purpose of implementing appropriate personnel policies

The Nippon Paper Group provides employees with education opportunities for the purpose of implementing appropriate personnel policy with respect to human rights. The officers responsible for personnel matters, from each operating company and works, attend training courses and seminars hosted by government authorities and agencies.

Concern for Human Rights across the Supply Chain

Promoting initiatives across the entire supply chain

Concern for human rights and labor across the entire supply chain is a clearly defined component of the Nippon Paper Group's Philosophy and Basic Policy Concerning Raw Materials Procurement. At the same time, the Group conducts supplier surveys and hearings to confirm that these concerns are indeed being practiced (see page 56).

In addition, Nippon Paper Group forest management takes into consideration the culture and traditions of residents in each region of its overseas afforestation business (see pages 62-65).

Philosophy and Basic Policy on Human Rights, Employment and Labor (established on October 1, 2004)

Philosophy

Respecting fundamental human rights at all times and making the most of the individuality and capabilities of a diverse range of human resources, we aim to create a company overflowing with dreams and hope.

Basic Policy

1. Respect for human rights

We pledge to respect fundamental human rights and not to engage in any behavior that disregards such rights, including discrimination based on matters such as nationality, race, place of birth, sex, religion, medical conditions or disabilities, sexual harassment and the abuse of power. We also pledge to manage personal information appropriately in order to prevent infringements on privacy.

2. Prohibition of forced and child labor

We pledge not to force any employees to carry out unreasonable work. We also pledge not to employ children aged under the minimum employment age stipulated in local laws and regulations.

3. Promotion of personnel training and skill development

We pledge to promote personnel training and skill development programs to help improve individual employees' abilities and skills through the establishment and maintenance of structures to make the most of the individuality and capabilities of a diverse range of human resources.

The Status of Employment and Industrial Relations

Building a better company based on sound industrial relations

The Status of Employment

Employing a workforce of over 13,000 employees in and outside of Japan

The Nippon Paper Group maintains a workforce of over 13,000 employees in and outside of Japan. In its efforts to fulfill its responsibility toward society, the Group strives to ensure stable employment while continuously recruiting new employees.

In addition to building a pleasant and comfortable workplace environment, the Group works diligently to maintain a high percentage of employees taking child-care leave as well as a high retention rate for newly hired employees.

Industrial Relations

Improving the workplace environment through labor and management consensus

The Nippon Paper Group strives to maintain a sound relationship with its employees. At the same time, the vast majority of consolidated subsidiaries have formed labor unions. Irrespective of the existence of a labor union, every effort is made to promote smooth industrial relations.

For example, under the common objective of building a better company, Nippon Paper Industries, one of the Group's

principal subsidiaries, has taken steps to establish a variety of committees that examine specific issues relating to both management and labor. These committees cover such fields as the operations of labor and management agreements as well as personnel measures. Management and labor also engage in ongoing discussions that reflect genuine and deep-seated mutual respect. Deliberations and agreements between management and labor provide the basis for a variety of initiatives, as well as efforts to improve the workplace environment. Complementing these endeavors, regular central labor-management council meetings provide a forum to discuss diverse issues from corporate management to terms and conditions including employee benefits.

● Notification regarding major work-related changes

Major changes to such work-related issues as personnel systems and steps to rationalize human resources are in principle



A central labor-management council meeting

implemented on the basis of prior discussions between labor and management. As a result, companies within the Group do not unilaterally impose changes on employees.

The status of employment

1. Number of employees on a consolidated basis (as of March 31, 2012)

Number of employees on a consolidated basis: 13,407
(male 12,072; female 1,335)
(Number of employees at overseas bases: 1,625)

2. Percentage of female employees in management (as of March 31, 2012)

Nippon Paper Group, Inc., and Nippon Paper Industries Co., Ltd.: 2.04%

Consolidated subsidiaries in Japan: 1.30%

3. Number of newly recruited employees at consolidated subsidiaries in Japan (FY2011)

	New Graduates	Mid-Career Recruits
Male	73	86
Female	10	14
Total	83	100

4. Number of employees taking child-care leave (FY2011)

	Nippon Paper Group, Inc., and Nippon Paper Industries Co., Ltd.	Consolidated subsidiaries in Japan
Number of employees taking child-care leave	12	27
Male employees	1	2
Female employees	11 (take-up rate 100%)	25 (take-up rate 89%)

5. Rate of employment of disabled persons

Nippon Paper Industries Co., Ltd.: 1.82%
(as of June 1, 2012)

Nippon Paper Group, Inc., and five direct subsidiaries*: 1.76%
(as of April 1, 2012)

6. Average years of employment (as of March 31, 2012) (Nippon Paper Group, Inc., and five direct subsidiaries*)

	Average Age	Average Years of Employment
Male	42.3	21.3
Female	41.4	19.8
Total	42.3	21.2

7. New graduate recruits three-year retention rate

Nippon Paper Industries Co., Ltd.: 92.5%

* Five direct subsidiaries

Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd. and SHIKOKU COCA-COLA BOTTLING CO., LTD. Of the aforementioned five direct subsidiaries, Nippon Daishowa Paperboard Co., Ltd. merged with Nippon Paper Industries Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company.

Creating Workplaces that Support Employee Diversity

With a deep respect for fundamental human rights and the unique characteristics of each individual, the Nippon Paper Group consistently recruits new graduates and actively employs women and people with disabilities.

Basic Stance

Developing a dynamic organization where diverse employees can demonstrate their capabilities

Employees with different personalities stimulating one another and mutually helping to develop a deep understanding serve to boost energy in the workplace. Amid forecasts of a drop in the pool of labor due to such factors as the declining birthrate, efforts by companies to expand the breadth of their organizations by utilizing diverse workers are becoming increasingly vital to ensuring sustainable development and growth. Based on this understanding, the Nippon Paper Group strives to secure a diverse employee pool.

Employment and Recruitment based on a Respect for Human Rights

Promoting discrimination-free recruitment and employment while endeavoring to establish open and fair evaluation systems

Based on its Philosophy and Basic Policy on Human Rights, Employment and Labor, the Nippon Paper Group promotes discrimination-free recruitment and employment. As a part of its recruiting activities, the Group employs a selection process that places particular emphasis on test and interview results. Factors including nationality, place of birth, gender and educational background have no place in selection. In order to ensure that evaluation systems are both fair and acceptable, the Group provides feedback of performance review results to employees.

New Graduate Recruitment

Ensuring that Group companies engage in new graduate recruitment on an ongoing basis

The Nippon Paper Group hires new graduates on a continuous basis to ensure a balanced age composition of its workforce and to provide the younger generation with employment opportunities. Group companies in Japan hired a total of 83 new graduates (73 males and 10 females) in fiscal 2011. Certain Group companies also engage in mid-career hiring. At total of 100 employees were hired during fiscal 2011.

While recruiting activities are undertaken on an individual operating company basis, employees can rotate between companies upon request depending on their suitability and personnel training needs.

Hiring and Advancement of Women

Actively pursuing the recruitment of women

While women account for 9.9% of the total number of Nippon Paper Group employees in Japan, they represent only around 1.3% of total management.

The Nippon Paper Group is making efforts to aggressively hire women and to develop workplaces where women can more easily excel.

Percentage of female employees in management¹

(Nippon Paper Group, Inc. + Nippon Paper Industries Co., Ltd., the Nippon Paper Group (Japan)²)



¹ Data for fiscal 2011 is as of the end of the fiscal year. Figures for the fiscal years 2007 to 2010 are data as of April 1 of each following fiscal year.

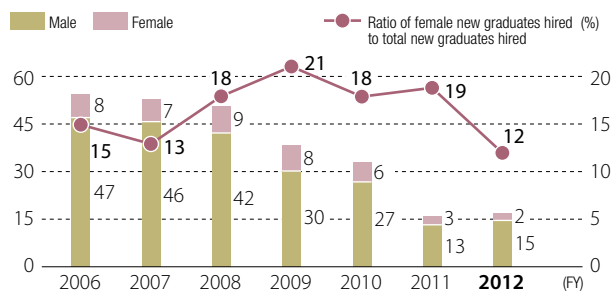
² Data for the Nippon Paper Group (Japan) is the total for consolidated subsidiaries in Japan

Promoting the hiring of women

In relative terms, Nippon Paper Industries does not engage in large volume general position hiring. While the ratio of male and female hires differs from year to year, every effort is made to meet the established target of ensuring that the proportion of newly hired female employees is kept above a certain level.

Number of new graduates hired

(Nippon Paper Industries Co., Ltd., main career-track position)



Comeback entry system

Certain employees, particularly women, tend to leave employment for personal reasons including child care, nursing care and the transfer of a spouse. Nippon Paper Industries launched a reemployment system for these employees in October 2007. Nine individuals have applied for reentry to the workforce since this system was established. Two have been reemployed.

Promoting Work-Life Balance

Realizing an ideal workplace environment that places equal emphasis on work and family concerns

The Nippon Paper Group strives to establish an ideal workplace environment that allows employees to reach their full potential while

balancing work and family needs. In May 2011, Nippon Paper Group, Inc. and the Group's major operating companies took steps to reduce electric power consumption in response to shortfalls in the supply of electric power as a result of the Great East Japan Earthquake. At the same time, the Company and major Group companies introduced daylight saving time at their respective head office facilities in order to promote work-life balance.

Working hours and annual leave taken

(Nippon Paper Industries Co., Ltd.)

Fiscal years	2007	2008	2009	2010	2011
Total number of working hours	1,946	1,841	1,776	1,792	1,744
The rate of annual leave taken by employees (Union employee average)	71.4	73.5	67.7	73.0	68.0

● Complying with Japan's Act on Advancement of Measures to Support Raising Next Generation Children

The Nippon Paper Group has put in place an action plan and strives to support its employees in maintaining work and child-care balance in accordance with the Act on Advancement of Measures to Support Raising Next Generation Children. As one example, Nippon Paper Industries, revised its systems in line with revisions to Japan's Child Care and Family Care Leave Act. The company has continued to implement systems that exceed the provisions stipulated under revised legislation. This includes extensions to the exemption period for overtime working hours, the application period for child care and reserve leave for child rearing.

Action Plan in Response to the Act on Advancement of Measures to Support Raising Next Generation Children (Nippon Paper Industries)

1. Take-up of child care leave

One or more male employees to take up child care leave during the period of the plan
A female take-up rate of 70% or more
Establishment of a project team to promote the take-up of child care leave by male employees

2. Reduction of overtime working hours and the promotion of use of paid annual leave

3. Implement workplace tours for the families of employees

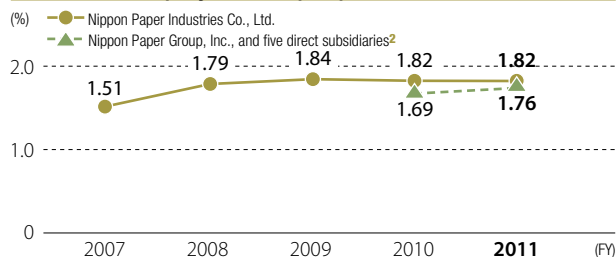
Period to achieve objectives outlined in the plan: March 31, 2013

Increased Hiring of People with Disabilities

Improving the rate of employment of people with disabilities across the entire Group

For safety reasons, a number of restrictions exist on the employment of disabled workers at paper manufacturing production sites. The Japanese government set a rate for the employment of people with disabilities of 1.8% of a company's workforce, to be achieved by the end of March 2013. Nippon Paper Industries aimed to achieve this rate by 2009. As a result, the company achieved its target in June 2009 when the rate reached 1.84%. As of June 2012, the rate stood at 1.82%. With the statutory rate set to rise to 2.0% from April 2013, the Nippon Paper Group as a whole will continue efforts to lift its rate for the employment of people with disabilities.

The rate of employment of people with disabilities¹



¹ Nippon Paper Industries Co., Ltd., data is as of June 1 of each fiscal year; Other Group company data is as of April 1 of each fiscal year

² Nippon Paper Group, Inc., and five direct subsidiaries
Total data for six companies comprising Nippon Paper Group, Inc. (the Company), Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., and SHIKOKU COCA-COLA BOTTLING CO., LTD.

Promoting the Employment of Elderly Persons

Upgrading and expanding systems with the aim of promoting employment of elderly persons

The Nippon Paper Group established the Reemployment after Retirement System to respond to the needs of an aging society and to facilitate the passing on of skills.

In fiscal 2002, Nippon Paper Industries introduced a reemployment system to allow union employees to work up to the age of 65.

Reemployment performance*

Fiscal years	2007	2008	2009	2010	2011
Number of employees seeking reemployment	35	50	55	62	44
Number of employees reemployed	34	44	52	59	43

* Results for members of the Nippon Paper Industries Union

Cultivating Human Resources

Supporting efforts to enhance the capabilities of each employee, while implementing proper evaluation systems based on skills and performance

Basic Stance

Cultivating human resources

The Nippon Paper Group places considerable emphasis on building positive ties with employees and developing human resources. At the same time, the Nippon Paper Group continues to build a mechanism whereby motivated and capable individuals can improve their skills by equitably offering opportunities to learn. Furthermore, every effort is made to assign the right persons to the right positions, and to provide fair evaluation and compensation.

Initiatives Aimed at Developing Human Resources

Recognizing that employees are important partners, the Nippon Paper Group strives to build sound relationships and cultivate human resources.

In reinforcing its mechanism for human resource development, the Nippon Paper Group focuses its attention on the following five areas: (1) support for self-development and voluntary career planning; (2) early identification and development of potential leaders; (3) reinforcement of frontline capabilities; (4) support for the development of lifelong as well as career plans; and (5) assignment of the right people to the right positions. Complementing these endeavors, the Group has also established a Global Human Resources Bank.

● Support for self-development and voluntary career planning

The Nippon Paper Group supports employee self-development and voluntary career planning. In addition to existing training programs based on various stages throughout each employee's career, Nippon Paper Industries, for example, provides extensive learning opportunities for employees. These opportunities allow employees to select from a wide-ranging curriculum to help improve those capabilities that employees themselves consider require development. Nippon Paper Industries expanded its program to 156 correspondence courses in fiscal 2012.

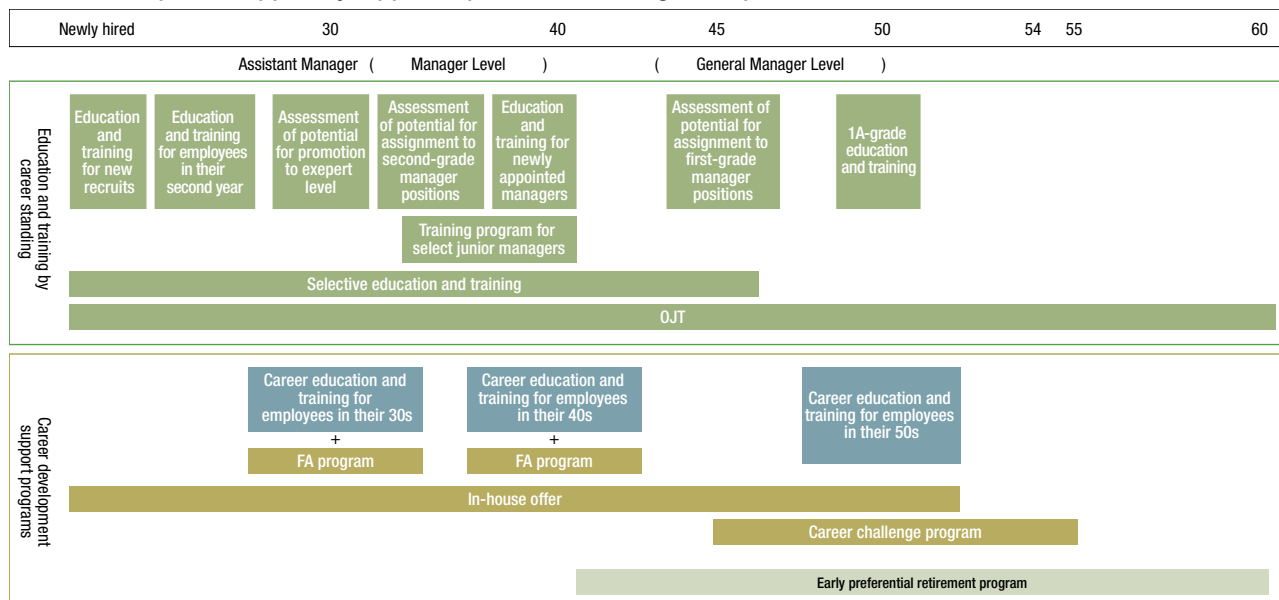
Moreover, steps were taken to introduce various age-based career training programs for employees in their 30s, 40s, and 50s in fiscal 2007. These programs help identify strengths and



Career training
(Nippon Paper Industries)

objectively locate weaknesses and additional processes including comprehensive evaluation. Together with the in-house FA system adopted from fiscal 2008, every effort is being made to revitalize human resources.

Career development support by Nippon Paper Industries for general positions



● Early identification and development of potential leaders

As one example of the cultivation of a human resources plan, Nippon Paper Industries implements training programs for selected junior managers.

Recognizing the need to foster personnel who possess a global perspective in future overseas business development endeavors, Nippon Paper Industries and other Group companies have put in place an open-application overseas study program. This program is supported by the dispatch of personnel to overseas tertiary institutions as well as overseas assignments to the various offices of Nippon Paper Group, Inc. outside of Japan.

● Reinforcement of frontline capabilities

The human resource capabilities, or “field power,” of the production frontline represent the heart of the manufacturing process. This field power is therefore vital in the Group’s existence as a going concern amid increasingly harsh competition both in and outside Japan. The Nippon Paper Group passes on to each generation the technologies and skills nurtured over a lengthy period. Every emphasis must be placed on maintaining and strengthening the capabilities of its human resources.

Nippon Paper Industries organized the “Committee to Study the Strengthening of Mill-Level Field Power” in fiscal 2006. The company also conducted education aimed at introducing initiatives across all mills in fiscal 2007. Based on these endeavors, activities aimed at strengthening the frontline have been undertaken at all mills since fiscal 2008. Through these means, Nippon Paper Industries has put in place a framework that covers the technologies and skills to be carried forward at each production site. In addition to analyzing areas of individual weakness as well as specific points that require bolstering, steps are being taken to implement education and training on a priority basis.



Group discussions

● Support for the development of lifelong as well as career plans

In recent years, employees have witnessed a rise in the age at which public pension payments begin, as well as signs of increasingly diverse lifestyles. Employees must therefore consider a number of factors when planning their careers and life after retirement. Against this backdrop, and in an effort to allay the concerns and anxieties of employees, core operating companies within the Nippon Paper Group offer Life Plan Seminars to enhance employee understanding of each company’s and the government’s programs, as well as the need to develop meaningful life plans that include health management.

● Assignment of the right people to the right positions

The core operating companies of the Nippon Paper Group periodically survey employees to ascertain what kind of job assignments they wish to have. Based on the results of these surveys, every effort is made to match employee strengths with job types.

In addition, Nippon Paper Industries launched the In-house Staff Recruitment Program in fiscal 2005. The 45 programs initiated to date have attracted 72 applications. After completing the necessary screening process, 29 employees were subsequently transferred.

● Establishing the Global Human Resources Bank

Nippon Paper Industries established the Global Human Resources Bank, a list of personnel with experience either working or studying overseas, or with advanced language skills in an effort to better address global expansion, which continues to progress at an accelerated pace.

At the same time, steps will be taken to foster personnel who can more effectively excel on the world stage by introducing special education and training programs. Currently, 460 personnel are registered with the bank.

Fair Evaluation and Compensation

Engaging in fair employee evaluation based on skills and performance

The Nippon Paper Group conducts individual review sessions during which employees are provided with feedback on their evaluations from managers. This forms part of the Group’s efforts to ensure that personnel evaluations are fair and transparent.

Nippon Paper Industries conducts competency and performance evaluations of its managers and general position employees from fiscal 2000. The competence evaluation is based on competency that clearly indicates the guidelines for action. The performance evaluation is based on the management by objective system. Since fiscal 2006, all employees have been provided with feedback on evaluation results. By informing employees through individual interview sessions, Nippon Paper Industries is endeavoring to promote a higher level of understanding and acceptance of evaluation results. In addition, the company commissions assessments from specialist external parties in an effort to boost the objectivity of its evaluation process with respect to the appointment screening of management and other positions.

In ensuring that employees are fully informed of the results of their evaluation based on clearly defined criteria, Nippon Paper Industries encourages employees to recognize their strengths and areas where they need more work. This helps to further motivate employees toward skills development.

Occupational Safety and Health

Maintaining a workplace environment in which employees can go about their duties without undue anxiety by working daily to uncover inherent risks

Philosophy and Basic Policy on Safety and Disaster Prevention

Taking into consideration the characteristics of each business to secure occupational safety and to prevent disaster

Maintaining a safe work environment for employees is one of the most basic responsibilities of any corporation. The Nippon Paper Group strives for “safety first” operations. Irrespective of the amount of care taken, it is virtually impossible to totally eliminate all risks inherent in the workplace. It is nevertheless important to maintain an unwavering daily commitment to uncovering and minimizing these risks.

As a part of efforts to consistently engage in sound management while responding to the trust of employees, it is also important to build a pleasant and comfortable workplace that helps maintain and improve employees’ health.

Therefore, the Nippon Paper Group formulated the Philosophy and Basic Policy on Safety and Health Measures in 2004. Under this philosophy and basic policy, the Group strives to establish a safe and appealing workplace while each mill and works strives to prevent accidents and disasters.

Philosophy and Basic Policy on Safety and Health Measures (established on October 1, 2004)

Philosophy

In addition to acknowledging that it is the company’s duty to guarantee safety and health while striving to develop pleasant, improved working conditions, we pledge to work ceaselessly to prevent any and all accidents, minor or major.

Basic Policy on Safety and Health

1. To respect the Industrial Safety and Health Law.
2. To establish self-imposed standards and step up daily management.
3. To set up a management structure and clearly define roles, responsibilities, and authority.
4. To strive to improve safety and health training.
5. To develop and maintain a safe, pleasant working environment.

Basic Policy on Safety and Risk Prevention

1. To respect laws and regulations pertaining to safety and risk prevention.
2. To establish self-imposed standards and step up daily management.
3. To set up a management structure that clearly defines roles, responsibilities, and authority.
4. To strive to improve safety and risk prevention education and training.
5. To work in cooperation with related government and local communities and share information.

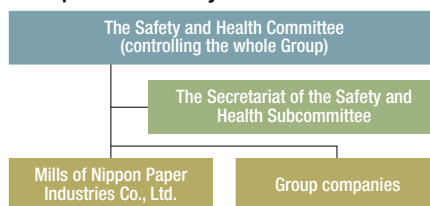
System to Promote Occupational Safety and Health

Labor and management working together to build a safe workplace environment

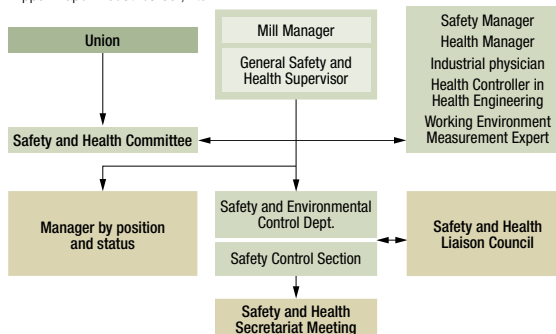
The Nippon Paper Group has established the Safety and Health Committee. This committee is coordinating Group-wide employee measures aimed at securing occupational safety, preventing disasters and preserving security in and outside of Japan.

Labor and management occupational safety and health meetings are held regularly once each year. Officers responsible for occupational safety and health from the head offices of each operating company and mills come together to discuss a variety of issues, including the annual occupational safety and health management plan. Safety and health committees are also established at each mill and works. These committees deliberate on and determine important management matters relating to occupational safety and health as well as activity policies. Employees are notified of the details of decisions through department meetings and internal mill newsletters.

The Nippon Paper Group’s structure to promote occupational safety and health



Examples of Organizations for Health and Safety in Mills:Kushiro Mill, Nippon Paper Industries Co., Ltd.



● Mill safety audit system

The Nippon Paper Group engages in occupational safety and health activities on both an organizational and continuous basis. As a part of these endeavors, the Group conducts mill safety audits while raising the level of safety management.

In addition, audits implemented together with the auditors of other companies were introduced within each Group company from 2010 in an effort to further promote safety activities. By deepening exchange between companies, the Group is endeavoring to raise the quality of its audits.

● Occupational safety and health management system

The Nippon Paper Group has adopted an occupational safety and health management system in order to better promote such activities.

Nippon Paper Industries introduced the Nippon Paper Occupational Safety and Health Management System (NPSS) in 2010. This system is designed to help reduce occupational accidents, ensure the systematic and continuous implementation of safety and health activities and promote the passing on of safety and health know-how to each succeeding generation of employees. Similar systems have also been introduced or are being considered by other Group companies to better build a working environment in which employees can go about their duties without concern or anxiety.

The status of occupational safety and health management system introduction

Company Name	Status of Introduction
Nippon Paper Industries Co., Ltd.*	Introduced in January 2010
Nippon Daishowa Paperboard Co., Ltd.*	Introduced in January 2011
Nippon Paper Crecia Co., Ltd.	Introduced in January 2011
Nippon Paper Papyrus Co., Ltd.	Introduced in January 2011
SHIKOKU COCA-COLA PRODUCTS CO., LTD.	Acquired OHSAS certification in 2009
NIPPON PAPER-PAK CO., LTD.*	Introduced in January 2011
Nippon Paper Chemicals Co., Ltd.*	Introduced in January 2012
Kitakami Paper Co., Ltd.	Plans to introduce in January 2013
NIPPON PAPER UNITEC CO., LTD.	Introduced in January 2011

* Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. merged on October 1, 2012 with Nippon Paper Industries Co., Ltd. as the surviving company.

● Reinforcing risk assessment procedures

The Nippon Paper Group adopted risk assessment procedures in 2009 as a preliminary step toward building an occupational safety and health management system. In adopting these procedures, the Group put in place its own methods and processes. Risk assessment is undertaken from a number of viewpoints. The Group has adopted a three-tiered assessment system beginning



Meeting to exchange the risk assessment information
(The Yufutsu Works of Nippon Paper Industries' Hokkaido Mill)

with the section chief, his or her immediate superior and finally, department managers. For its part, Nippon Paper Industries has identified areas of particular focus based on past incidents and is pushing forward a risk assessment review in order to eliminate any recurrence.

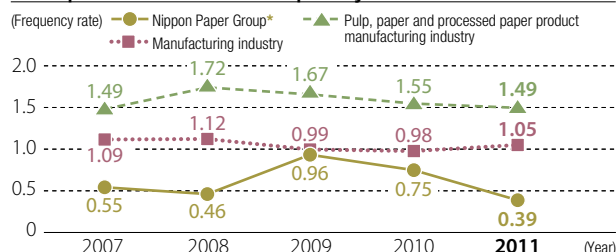
Status of Occupational Accidents

Preventing occupational accidents

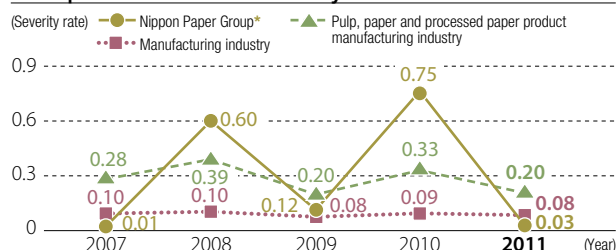
The Nippon Paper Group places the utmost importance on safety in the workplace. It is, however, by no means satisfied with its performance to date.

The Group has continued to pursue an occupational accident frequency rate of 0.3% or less since 2009. To this end, steps have been taken to promote the use of risk assessment methods, activities aimed at notifying employees of potential dangers, patrols, and education and training.

Occupational accident frequency rate



Occupational accident severity rate



* The Nippon Paper Group: The manufacturing works of the following six Group companies: Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Chemicals Co., Ltd. and NIPPON PAPER-PAK CO., LTD.

Report An incident that led to an occupational fatality (Nippon Paper Industries Co., Ltd.)

An incident that led to an occupational fatality occurred at the Hokkaido Mill of the Yufutsu Works on July 13, 2012.

Overview of the incident

Date of occurrence: July 13, 2012

Location: The Hokkaido Mill of the Yufutsu Works owned and operated by Nippon Paper Industries Co., Ltd.

Victim: A 22 year old employee with three years and three months working experience

Type of work: Paper machine air cleaning operations

Circumstances: Equipment was caught between the roll and blow-box by an air hose during cleaning activities at the time paper machines commenced operations.

Contributing factor: There are indications that in bringing the air hose too close to the jamming section, the operator was drawn into the paper machine together with the hose.

Countermeasures:

- (1) Reinforce operating method education and training within the workplace and ensure strict adherence to operating safety standards;
- (2) install cleaning equipment to remove the need for manual cleaning activities; and
- (3) break down operating safety standards for all operations, thoroughly uncover all operating risks through a process of risk assessment, and establish countermeasures.

Occupational Safety and Health

Safety Education

Raising employee awareness toward safety through systematic education and training

The Nippon Paper Group places considerable weight on employee safety education and training. Beginning with employees in supervisory positions, these efforts are designed to raise employee awareness toward occupational safety and health.

Nippon Paper Industries puts in place an annual NPSS plan at each of its works. Each works then implements various occupational safety and health education programs in accordance with these plans, covering every stage of an employee's career from initial hiring through to supervisor training. In this manner, the company is endeavoring to achieve incident-and accident-free workplaces by again promoting awareness.

Efforts regarding Safety and Disaster Prevention

Steadfastly promoting a wide range of measures

● In-house safety measures

Nippon Paper Industries has always endeavored to ensure workplace safety with the intention of preventing personal injury to any and all people working within its mill premises. The company has accordingly implemented safety patrols and education in collaboration with the labor union as well as primary and secondary subcontractors. Safety patrols involve designated personnel patrolling work premises to identify areas of potential safety concern as well as risky employee behavior. Since 2006, we have enhanced the safety not only in-house but also secondary subcontractors by clarifying the responsibility of primary subcontractors.

● Natural disaster and fire countermeasures

Individual mills and works within the Nippon Paper Group adopt their own disaster prevention measures that reflect the nature of their operations and regional characteristics. These mills and works create manuals on disaster prevention including steps to prepare for a natural disaster. They also conduct emergency drills.

Note: Please refer to pages 6 to 11 for measures adopted following the Great East Japan Earthquake.



Emergency drill
(Takebashi head office building)

● Traffic safety initiatives

Traffic safety education is offered to raise the awareness of employees toward traffic safety. The objective is to ensure the safety of employees while commuting to and from work. In addition, the Group actively participates in various traffic safety campaigns organized by local police authorities. Every effort is made to ensure that all employees remain conscious of the need to drive safely.



Traffic safety seminar
(Nakoso Mill, Nippon Paper Industries Co., Ltd.)

Efforts regarding Hygiene and Health

Taking into consideration the importance of mental and physical health

● Maintaining and improving employees' health

The objective of the Nippon Paper Group in terms of the health of its employees is the prevention and early detection of disease. For example, during regular health examinations, a public health nurse interviews each employee under the supervision of an industrial physician and offers advice on the prevention of disease. In addition, industrial physicians regularly visit workplaces. Based on the results of these visits and their advice, the Group strives to improve working environments to allow for better hygiene and health management. Moreover, the Nippon Paper Group takes great care in supporting the health of not only employees but also their families. An opportunity for a medical examination is offered to the spouses of employees.

● Tackling mental health

Nippon Paper Industries has historically held lectures and seminars about mental health in each mill and works. In 2003, the company introduced a mental health care system on the web, which is a mechanism to provide mental health checkups and counseling to all employees. Among a number of initiatives, all company employees have been requested to complete an annual mental health examination, which entails the completion of survey sheets, since 2008. Nippon Paper Industries is putting in place a structure that is designed to maintain the mental health of its employees while taking into consideration individual privacy concerns and confidentiality.

Community Responsibility



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Policy and Management

The Nippon Paper Group engages in a variety of social contribution activities to garner the trust of and remain close to local residents as a good corporate citizen.

Basic Stance

Each Group company and works engages in social contribution activities guided by a Group-wide philosophy and principles.

The Nippon Paper Group is helping to realize a sustainable society by effectively and appropriately utilizing trees, a renewable resource, to produce a variety of products including paper. In recent years, the Group has also placed considerable emphasis on CSR management. In this context, the Nippon Paper Group is aggressively engaging in social contribution activities as a good corporate citizen.

The Group conducts a broad spectrum of activities that make the most of its specialist expertise and business resources in locations spread across the length and breadth of Japan. In addition to clean-up activities around areas in close proximity to its mills, the Group participates in a variety of events deeply rooted in each regional community including local festivals while at the same time conducting mill tours for local residents. In order to stimulate increased thought toward the environment and related issues, the Nippon Paper Group conducts lectures on such topics as paper recycling. These efforts are complemented by the School of Friendship for Forests and Paper, which utilizes Company-owned forests.

Looking ahead, the Group will continue to upgrade and expand its activities. Redoubling its efforts, the Group will continue to support the development of society through Group-wide social contribution activities.

Philosophy and Principles for Social Contribution Activities (formulated on April 1, 2004)

Philosophy

As a member of society, we shall proudly promote activities that contribute to social development.

Principles

1. We shall pursue activities that contribute to cultural heritage and development.
2. We shall pursue activities that contribute to conservation and improvement of the environment.
3. We shall pursue activities that contribute to the development of communities.

Structure for Promoting Social Contribution Activities

With the CSR Division playing a central role, the Nippon Paper Group positions officers responsible for social contribution activities in each Group company, and engages in ongoing activities.

In June 2008, the Group established the CSR Division. This division takes the lead in promoting Group-wide social contribution activities.

Each Group company appoints an officer responsible for overseeing social contribution activities. Each responsible officer makes efforts to ensure that existing social contribution activities are undertaken on a continuous basis while upgrading and expanding their content and details. In recent years, particular emphasis has been placed on contributing to regional development. In addition to mill tours for school-age students, the Group has proactively targeted community events including, for example, clean-up activities.

Specific activity themes

- Promote activities that effectively utilize the business resources and specialist expertise of each Group company
- Increase the community involvement of Group company mills and overseas affiliates
- Promote corporate citizenship activities in which our employees play an active role
- Effectively use the forests owned by Nippon Paper Industries, in Japan (about 90,000 hectares)
- Employ effective PR inside and outside the Group

List of Social Contribution Activities

Engaging in diverse activities that reflect the basic policy

The Nippon Paper Group engages in a diverse range of activities based on its Philosophy and Principles for Social Contribution Activities. The nature and content of these activities encompass a wide range of areas including education, the environment, and coexistence with the community and society. Summaries of major themes are presented in the table to the right. For more detailed information on the Group's major social contribution activities, please refer to the following website.



Social Contribution Activities

<http://www.nipponpapergroup.com/e/csr/social.html>

The Nippon Paper Group's principal social contribution activities*

Category	Principal Activities	Specific Examples	Page No.
Educational Activities	Providing opportunities to tour Group companies and their facilities	Organizing tours of the Group's mills	96
	Providing opportunities for work experience	Promoting internship programs	96
	Learning opportunities conducted by employees	Organizing onsite and classroom lessons	—
	Utilizing Company-owned forests	Promoting awareness through the School of Friendship for Forests and Paper	97
	Providing educational opportunities through music	Inviting young children and students to Sapporo Symphony Orchestra pop concerts	—
	Providing educational opportunities through sport	Holding Little League baseball clinics and tournaments	97
		Holding ice hockey classes and ice hockey championships	—
		Donating unicycles; holding unicycle classes	97
	Providing products to classrooms	Supplying educational institutions with paper products	—
		Supplying educational institutions with printed materials and publications	96
Environmental Activities	Preserving biodiversity	Utilizing the Group's proprietary in-container rooting technology	46
		Promoting Morino Chonai-kai activities	98
		Establishing a sanctuary for Blakiston's fish owl	47
		Supporting the activities of the Shirane-aoi Preservation Group	98
	Promoting recycling activities	Operating the Recycle Plaza Shiyukan	98
		Collecting and recycling wooden chopsticks	—
		Supporting the activities of organizations dedicated to promoting recycling	52
		Establishing a waste paper collection facility	—
		Recovering and recycling milk cartons	52, 98
	Adding greenery to local communities	Promoting and participating in afforestation activities	46
Providing opportunities for environmental education	Holding global environment forums (open seminars)	44	
	Participating in a variety of environmental events	—	
Activities Aimed at Promoting Coexistence with Local Communities	Regional cleaning activities	Engaging in clean-up activities of areas surrounding the Group's mills and works	99
	Local community safety and disaster prevention	Engaging in activities that focus on the safety of children	—
		Engaging in road safety activities	—
		Executing disaster relief and support agreements	—
	Preserving local community cultures	Participating in campaigns to preserve the cultural value of Japan's cherry blossoms	—
		Supporting Asukayama Takagi Noh plays	99
	Coexistence with local communities	Maintaining the multi-faceted functions inherent in forests through the proper management of Company-owned forests	—
		Engaging in local community revitalization activities	99
		Opening the Group's recreational facilities including gymnasiums to the general public	—
		Leasing free-of-charge Company-owned land	6
Supporting sporting events including the Naha and Fukuchiyama marathons		—	
Holding events including summer festivals and winter sports carnivals		—	
Activities Aimed at Promoting Coexistence with Society	Social welfare activities	Supporting events run by social welfare organizations	—
		Purchasing products (food and other items) from social welfare organizations	—
		Donating used stamps and postcards as well as blood	—
	Supporting sporting opportunities for disabled persons	Supporting ice sledge hockey	—
	Providing opportunities for employees to engage in volunteer activities	Organizing buses for travel by volunteers in support of victims of the Great East Japan Earthquake	—
	Supporting the Fujihara Foundation of Science	Providing financial support to the Fujihara Foundation of Science	99
	Supporting victims of natural disasters	Providing donations as well as relief supplies	8

* Please refer to pages 62 to 65 for information at activities at overseas afforestation areas.

Educational Activities

The Nippon Paper Group plays an important role in providing young children with a variety of learning opportunities. In an effort to support sound and healthy growth, the Group organizes tours of its domestic production facilities, puts in place a wide range of work experience programs and provides the chance to participate in sporting and artistic events.

Providing Opportunities to Tour Group Companies and Their Facilities

Organizing tours of the Group's mills to showcase the importance of a recycling-based society through paper

In fiscal 2011, 10,053 elementary, junior and senior high school students toured the Group's production facilities.

Case Study Holding a parent-child paper experience tour (Nippon Paper Industries Co., Ltd.)

In November 2011, the Yatsushiro Mill, owned and operated by Nippon Paper Industries, held a parent-child paper experience tour, opening the mill to the public and providing a forum for parents and children. The goal was to improve ties with the local community. 31 fifth year students from the neighboring Otago elementary school and their parents were invited to participate in paper making and to tour the mill. Students and parents also enjoyed a barbeque while viewing a video of the Mill.



Experience of papermaking by hand

Providing Opportunities for Work Experience

Providing the younger generation of the future with practical work experience

Case Study Work experience for high school and international students (NIPPON PAPER-PAK CO., LTD., Nippon Paper Industries Co., Ltd.)

Over a five day period in July 2011, MIKI NIPPON PAPER-PAK CO., LTD., a manufacturing subsidiary of NIPPON PAPER-PAK, accepted a second year student from Mikiigashi High School in Hyogo Prefecture as a part of an internship program. The program included an overview of the paper-pack manufacturing process, and experience of the plate making section, the printing section, and the carton side seaming section. Moreover, the R&D Department of Nippon Paper Industries has continued to receive students from around the world as a part of a summer student program since 1991. Over a period of around one to two months, students participate in paper and pulp research activities.



Practical training in the supply of semi-finished products at the carton pasting department

Case Study Making products by hand at the Kids Job 2011 Exhibition (Nippon Paper Industries Co., Ltd.)

In August 2011, the Fuji Mill, owned and operated by Nippon Paper Industries, set up a booth to provide visitors with experience in making products by hand as a part of its participation in the Fujisanmesse Kids Job 2011 Exhibition organized by Fuji City and Fujisanmesse. The Kids Job initiative is designed to provide children with an insight into what it is like to work and pursue a career. Despite the inclement weather, approximately 7,000 children and adults attended the event.

20 employees from the Fuji Mill participated in the Exhibition. A booth was set up to allow visitors to participate in the making of recycled postcards from used paper packs by hand. With an endless stream of willing participants, approximately 500 people took part over a two-day period. Through this opportunity to make paper, children were introduced to the importance of paper packs as a precious resource. In addition to providing children with the satisfaction of creating original postcards, this initiative attracted wide acclaim from parents.



Fuji Mill's exhibition booth

Providing Products for Use in the Classroom

Helping young children with their studies by donating free-of-charge paper and printed materials to local community educational institutions

Case Study Providing student newspapers to local schools (NIPPON PAPER LOGISTICS CO., LTD.)

NIPPON PAPER LOGISTICS has continued to provide schools in close proximity of its head office with the Mainichi Student Newspaper since 2007 free of charge. Deliveries were initially made to Oji Elementary School and Oujisakura Junior High School. Following their relocation, the company commenced free deliveries to the Higashijuuou Elementary School and the Asuka Senior High School from 2009. These newspapers are used as learning materials for children and students.



Newspapers and brochures provided free of charge

Utilizing Company-owned Forests in Japan

Promoting a better understanding of the many benefits that forests provide while utilizing Company-owned forests in Japan

Case Study Conducting the annual School of Friendship for Forest and Paper
(Nippon Paper Industries Co. Ltd., Nippon Paper Development Co., Ltd.)

The School of Friendship for Forest and Paper is a hands-on course on the natural environment conducted within forests (approximately 90,000 hectares) owned by Nippon Paper Industries in Japan. With the aim of introducing participants to the beauty and abundance of forests owned by the company, the school is also an opportunity to experience the connection between nature and everyday life. This initiative was first launched in the Sugenuma forest of Gunma Prefecture, one of the company's leading metropolitan-based forests in October 2006.

The common programs that make up the school draw heavily on the knowledge and experience of employees. With Group employees serving as guides, for example, participants enjoy walks through the forest as well as lessons on how to make paper from twigs. In addition the Japan Philanthropic Association cooperates in accepting participants drawn from the general public. Despite its cancellation in the spring of 2011 due to impact of the Great East Japan Earthquake, the Sugenuma forest school has been held on an annual basis since its inception. October 2012 marked the 13th time the school was held. Over this period a total of 442 children, parents and local high school students have attended the school.

Since 2007, the Toyono School of Friendship for Forests and Paper has been held each year in Nippon Paper Industries' Toyono forest in Kumamoto Prefecture. Organized mainly by the company's Yatsushiro Mill, particular emphasis is placed on activities deeply rooted in the local community. One program of this school incorporates such activities as a mill tour with programs modified to accommodate the needs of each region.



A ceremonial photograph of all involved parties



Families taking part in making paper by hand

Providing Educational Opportunities through Sport

Helping to revitalize society through sporting classes and tournaments

Case Study Conducting baseball classes for high school students in Fukushima and Miyagi prefectures
(Nippon Paper Industries Co., Ltd.)

In October 2011, players from Nippon Paper Industries' Ishinomaki Mill baseball team participated as instructors in a baseball clinic organized over a two-day period by the Fukushima High School Baseball Federation. This clinic brought together around 380 high school students from within Fukushima Prefecture and instructors.

After the opening ceremony, participants engaged in warming up exercises followed by practical training sessions by position. Instructors from the mill's baseball team were aggressive in providing guidance to participating high school students with batting practice replicating actual game situations. Running in conjunction with this practical training, the Ishinomaki team's trainer, Kazuki Nishikawa, provided guidance and coaching to instructors.

Ishinomaki Mill baseball team members also took part in a clinic organized by the East Chapter of the Miyagi High School Baseball Federation in November 2011. This clinic was attended by approximately 190 high school students from the Ishinomaki district and instructors.

Case Study Donating unicycles to elementary schools in Kagawa and Ehime prefectures
(SHIKOKU COCA-COLA BOTTLING CO., LTD.)

SHIKOKU COCA-COLA BOTTLING has continued to donate unicycles to elementary schools in Shikoku since 1996. In fiscal 2011, the company donated a total of 50 unicycles to eight elementary schools recommended by the school boards of Kagawa and Ehime prefectures in September. Attracting wide acclaim as an educational tool that can help stimulate the interest of children while effectively developing the nervous system and concentration, unicycles are included in the curriculum guidelines issued by Japan's Ministry of Education, Culture, Sports, Science and Technology.

SHIKOKU COCA-COLA BOTTLING has to date donated a total of 750 unicycles in the hope that this outstanding educational tool will contribute to the healthy development and growth of children of the next generation.



Children participating in a class using unicycles donated by SHIKOKU COCA-COLA BOTTLING

Environmental Activities

Placing particular emphasis on environmental conservation activities that take into consideration the characteristics of each region and works

Preserving Biodiversity

Protecting and cultivating rare species while utilizing the Group's management resources

Case Study Supporting the activities of the Shirane-aoi wo Mamoru Kai (Shirane-aoi Preservation Group) (Nippon Paper Industries Co., Ltd., Nippon Paper Development Co., Ltd.)

Shirane-aoi (*Glaucidium palmatum*: Japanese wood poppy) is a perennial designated as a semi-endangered species in the Red Data Book of Gunma Prefecture. To protect and breed this plant species, the Shirane-aoi Preservation Group was set up in December 2000 mainly at the initiative of Gunma Prefectural Oze High School and the residents of the village of Katashina in Tone-gun, Gunma Prefecture.

Nippon Paper Development, which runs the Marunuma Kogen Resort, has supported the Shirane-aoi Preservation Group since its inception.

Nippon Paper Industries has offered a portion of its company-owned Sugenuma Forest as a plantation site for Shirane-aoi. Since 2002, the Group has called for volunteers to participate in planting and other activities.



Planting trees together with a student from Oze High School

Case Study Participating in Morino Chonai-Kai in collaboration with the local community (Nippon Paper Industries Co., Ltd.)

Forests represent a precious renewable resource. Forestry preserves national land, cultivates water resources and prevents global warming. Thinning, which entails the trimming of excess growth, and efforts to promote healthy development and luxuriant undergrowth, help forests carry out these functions. Recently, however, thinning activities have fallen below adequate levels due mainly to the deterioration in earnings experienced by the forestry industry.

Launched by the environmental NPO Office Chonai-Kai, to promote thinning, the Morino Chonai-Kai is a mechanism that offsets forest thinning costs. This entails the purchase and use of "forest thinning support paper," which includes a portion of the thinning costs, by companies that agree with forest thinning. As a supporter, the Nippon Paper Group was a participant in the Kanagawa Prefecture Morino Chonai-Kai, the Kansai Morino Chonai-Kai, and the Hokkaido Morino Chonai-Kai as of September 2012.

Promoting Recycling Activities

Consistently engaging in recycling and related educational activities

Case Study Visitors to the Recycle Plaza Shiyukan reach 100,000 (Nippon Paper Industries Co., Ltd.)

The Recycle Plaza Shiyukan, run by the Asahikawa Works in the Hokkaido Mill, owned and operated by Nippon Paper Industries, achieved the milestone of 100,000 visitors on January 12, 2012. The 100,000th visitor was a female resident of Asahikawa City who came to view the exhibits displayed in the Exhibition Hall. A brief ceremony with a decorative banner made by Plaza staff was followed by the presentation of a commemorative gift.

Making use of a former infirmary, Shiyukan opened on October 20, 1999 (Recycling Day) to promote increased awareness toward the current status and importance of paper recycling. As an experience-based facility, Shiyukan allows visitors to make paper by hand. In addition to families as well as elementary, junior and senior high school students, the Recycle Plaza Shiyukan welcomes visitors from a variety of associations, residents of Asahikawa City as well as people from outside Hokkaido, and international travelers.



The Recycle Plaza Shiyukan

Case Study Making toilet paper from school lunch milk cartons (Nippon Paper Crecia Co., Ltd.)

To promote recycling activities, Nippon Paper Crecia's Tokyo Mill makes toilet paper by using the school lunch milk cartons from local elementary and junior high schools in the city of Soka. This toilet paper is then returned to each school.

Members of elementary school PTAs are invited to the Mill to view the making of products from recycled resources. This initiative is designed to deepen interest in recycling activities.



Providing an explanation about recycling in front of stacks of recovered milk cartons

Activities Aimed at Promoting Coexistence with Local Communities and Society

Working in partnership with local government authorities and residents to help build clean and safe living environments while reenergizing regional economies

Regional Cleaning Activities

Maintaining clean city and town environments

Case Study Participating in the a campaign to clean up Iwakuni Harbor
(Nippon Paper Industries Co., Ltd. and other Group companies)

The annual cleanup of Iwakuni Harbor was held on July 20, 2011. 84 employees from the Iwakuni Mill of Nippon Paper Industries, the Iwakuni Works of Nippon Paper Chemicals, Nippon Paper Logistics, and other Group companies participated.

Organized by the Port Authority of Iwakuni Harbor, and other agencies, this initiative aims to maintain a pleasant public wharf environment. Group employees removed weeds near the Mill, cleaned up street gullies, and collected rubbish.



Clean-up activities at Iwakuni Harbor

Coexistence with Local Communities

Strengthening ties with local communities through such initiatives as the introduction of interactive CSR activities

Case Study The Happy Shikoku Project
(SHIKOKU COCA-COLA BOTTLING CO., LTD.)

SHIKOKU COCA-COLA BOTTLING announced details of the Happy Shikoku Project, a new CSR initiative, in April 2012.

Based in Shikoku and supplying to the area, the company is supported by the local community. Aiming to bring happiness to Shikoku through its business activities, the company launched the Happy Shikoku Project. Under the "Happy Shikoku" icon, the company intends to promote CSR activities interactively by calling for ideas to bring joy to Shikoku from its stakeholders. Also, a portion of the proceeds of the company's sales is being earmarked for social contribution programs.



Announcing details of the Happy Shikoku Project

Preserving Local Community Cultures

Supporting opportunities to experience traditional cultures

Case Study Supporting the Asukayama Takigi Noh Play
(Nippon Paper Development Co., Ltd.)

The Asukayama Takigi Noh Play (torchlight Noh Performance) was conceived by the late Shigeya Kimura, a noh actor born and raised in Tokyo's Kita Ward. Mr. Kimura wanted to give something back to his hometown through his expertise. The play is held each year in autumn at an outdoor stage in Asukayama Park, Kita Ward. As a member of the local community, Nippon Paper Development has undertaken a variety of duties including reception tasks in its efforts to support the running of the event over the past five years.

The 9th Asukayama Takigi Noh Play was held in October 2011 featuring performances of the Kyogen (comic drama) Tsutoyamabushi by living national treasure Mansaku Nomura, and Koi no omoni by the Kanze style Noh actor Manzaburo Umewaka.



An outdoor performance of a Noh play

Supporting the Fujihara Foundation of Science

Supporting efforts to further advance science and technology

Considered the "Nobel Prize of Japan," the Fujihara Award, presented by the Fujihara Foundation of Science, recognizes outstanding contributions to science and technology by Japanese scientists. Nippon Paper Industries lends financial support to the Foundation to promote science and technology.

In June 2012, the 53th Fujihara Award was bestowed on Dr. Kenji Fukaya, of the Department of Mathematics at the Graduate School of Science, Kyoto University and Dr. Hisashi Yamamoto, of the Institute of Science and Technology Research Molecular Catalyst Research Center. Each received a gold medal, certificate, and honorarium of ¥10 million.



A commemorative photograph taken after the presentation ceremony

Guideline Comparison Table (GRI Ver 3.1)

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1 Strategy and Analysis			
1.1	6.2	4–5	Message from the President
1.2		4–5	Message from the President
		12–15	Building a Sustainable Future
2 Organizational Profile			
2.1		16	Outline of the Nippon Paper Group
2.2		17	Outline of the Nippon Paper Group
2.3	6.2	17–18	Outline of the Nippon Paper Group
2.4		16	Outline of the Nippon Paper Group
2.5		16, 18	Outline of the Nippon Paper Group
		55	Countries of Production and Species of Woodchips the Group Procured from Overseas
		59	Promoting Overseas Afforestation
2.6		16	Outline of the Nippon Paper Group
2.7		17	Outline of the Nippon Paper Group
2.8		16 38–39	Outline of the Nippon Paper Group Material Balance
2.9		17	Outline of the Nippon Paper Group
2.10		29, 36	External Awards for Environmental Conservation Activities
3 Report Parameters			
3.1		2	Period Covered
3.2		Back cover	Issued
3.3		Back cover	Issued
3.4		Back cover	Inquiries
3.5		2 28–29	Editorial Policy Dialog with Stakeholders
3.6		2	Scope of Organizations Covered
3.7		2	Scope of Organizations Covered
3.8		Not applicable	—
3.9		37	Environmental Accounting
3.10		Not applicable	—
3.11		2	Scope of Organizations Covered
3.12		100–102	Guideline Comparison Table
3.13	7.5.3	—	
4 Governance, Commitments, and Engagement			
4.1	6.2	20	Group Governance
4.2		20	Group Governance
4.3		20	Group Governance
4.4		20	Group Governance
		85	Industrial Relations
4.5		21	Compensation Paid to Directors
4.6		20–21	Group Governance
4.7		—	—
4.8		4–5	Message from the President
		22	The Nippon Paper Group's Action Charter
4.9		20	Group Governance
		22	CSR Management
		23	Signatory to the United Nations Global Compact
		34	Environmental Management
4.10		—	—
4.11		40–43	Mitigation of Climate Change
		44–47	Biodiversity Conservation
4.12		91	Safety (Risk Assessment)
		23	The United Nations Global Compact
4.13		23	Participation in Industry and Trade Associations and Advisory Organizations in Japan and Overseas
4.14		28	Contact Points that Allow Dialog with Stakeholders
		95	The Nippon Paper Group's Principal Social Contribution Activities

* DMA: Disclosure(s) on Management Approach

Item	ISO 26000 clauses	Corresponding Page(s)	Contents	
4.15	6.2	28	Contact Points that Allow Dialog with Stakeholders	
4.16		26–27	IR Activities	
		28	Contact Points that Allow Dialog with Stakeholders	
		36	Environmental Communication	
		62–65	Contributing to Local Communities at Overseas Afforestation Areas	
		70, 73, 75, 77, 79	Responding to Customers	
		85, 89	Industrial Relations, Fair Evaluation and Compensation	
		94–99	Community Responsibility	
4.17		2	Editorial Policy	
		36	Environmental Communication	
		47	Blakiston's Fish Owl Protection Activities	
5 Management Approach and Performance Indicators				
Economic Performance Indicator				
DMA*	6.2 / 6.8	4–5 22–23	Message from the President CSR Management	
EC1. Core	6.8 / 6.8.3 / 6.8.7 / 6.8.9	16	Outline of the Nippon Paper Group	
		6	Reconstruction following the Great East Japan Earthquake	
		27	Profit Distribution to Shareholders	
		37	Environmental Accounting	
EC2. Core	6.5.5	37	Environmental Accounting	
		12–15	Building a Sustainable Future	
EC3. Core		—	—	
EC4. Core		Not Applicable	—	
EC5. Add	6.4.4 / 6.8	—	—	
EC6. Core	6.6.6 / 6.8 / 6.8.5 / 6.8.7	54	Philosophy and Basic Policies Concerning Raw Materials Procurement	
EC7. Core	6.8 / 6.8.5 / 6.8.7	—	—	
EC8. Core	6.3.9 / 6.8 / 6.8.3 / 6.8.4 / 6.8.5 / 6.8.6 / 6.8.7 / 6.8.9	6–11	Reconstruction following the Great East Japan Earthquake	
		44–47	Biodiversity Conservation	
		60–61	Protection and Cultivation of Domestic Company-owned Forests	
		62–65	Contributing to Local Communities in Overseas Afforestation Areas	
		94–99	Community Responsibility	
EC9. Add	6.3.9 / 6.6.6 / 6.6.7 / 6.7.8 / 6.8 / 6.8.5 / 6.8.6 / 6.8.7 / 6.8.9	6–11	Reconstruction following the Great East Japan Earthquake	
		62–65	Contributing to Local Communities at Overseas Afforestation Areas	
Environment Performance Indicator				
DMA*	6.2 / 6.5	32–39	Environment (Policy and Management, Material Balance, Environmental Accounting)	
		44	Biodiversity Conservation	
		54–55	Raw Materials Procurement (Policy and Management, Current Status of Raw Materials Procurement)	
EN1. Core	6.5 / 6.5.4	38–39 55	Material Balance Current Status of Raw Materials Procurement	
EN2. Core		52	Promotion of Recycled Paper Use	
EN3. Core		38–39	Material Balance	
		41	Mitigation of Climate Change	
EN4. Core		38–39	Material Balance	
EN5. Add		40–41	Mitigation of Climate Change	
		40–42	Mitigation of Climate Change	
EN6. Add		43	One of the largest corporate users of biomass energy in Japan	
EN7. Add		—	—	
EN8. Core		38–39	Material Balance	
EN9. Add		47	Source Water Protection Activities	
EN10. Add		—	—	
EN11. Core		6.5 / 6.5.6	61	Biodiversity Data for Company-owned Forests in Japan (IUCN)
EN12. Core			44–47	Biodiversity Conservation
			56–59	Sustainable Procurement of Raw Materials

Item	ISO 26000 clauses	Corresponding Page(s)	Contents
EN12. Core	6.5 / 6.5.6	60–61	Protection and Cultivation of Domestic Company-owned Forests
EN13. Add		45 60–61	Forest Management that Takes into Consideration Biodiversity Protection and Cultivation of Domestic Company-owned Forests
EN14. Add		44–47	Biodiversity Conservation
EN15. Add		—	—
EN16. Core	6.5 / 6.5.5	38–39	Material Balance
EN17. Core		40–43	Mitigation of Climate Change
EN18. Add		—	—
EN19. Core	6.5 / 6.5.3	40–43	Mitigation of Climate Change
EN20. Core		51	Substances Subject to the PRTR Law
EN21. Core		38–39	Material Balance
EN22. Core		49	Initiatives to Prevent Environmental Pollution
EN23. Core		38–39	Material Balance
EN24. Add		49	Initiatives to Prevent Environmental Pollution
EN25. Add		38–39	Material Balance
EN26. Core		48	Reducing Waste Generation and Final Disposal
EN27. Core		35	Breaches of Statutory Requirements and the Status of Accidents
EN28. Core		48	Promoting Proper Waste Management
EN29. Add	6.5 / 6.5.4 / 6.5.6	—	—
EN30. Add	6.5 / 6.5.4 / 6.6.6	80–82	Development of Environmentally Friendly Products
EN31. Core	6.5 / 6.5.4 / 6.7.5	52	Promotion of Recycled Paper Use
EN32. Core	6.5	35	Breaches of Statutory Requirements and the Status of Accidents
EN33. Add	6.5 / 6.5.4 / 6.6.6	42	Logistics-Related Initiatives
EN34. Add	6.5	37	Environmental Accounting
Product Responsibility Performance Indicator			
DMA*	6.2 / 6.6 / 6.7	68–69	Customers (Policy and Management)
		70–79	Customers (Group Company Activities)
PR1. Core	6.3.9 / 6.6.6 / 6.7 / 6.7.4 / 6.7.5	68–69	Customers (Product Safety Management System)
PR2. Add		70–79	Group Company Activities
PR3. Core	6.7 / 6.7.3 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.9	—	—
PR4. Add	6.7 / 6.7.3 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.9	68–79	Customer Responsibility
PR5. Add	6.7 / 6.7.3 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.8 / 6.7.9	69	Verification and Audit of Recycled Paper
PR6. Core	6.7 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.8 / 6.7.9	70–79	Customers (Group Company Activities)
PR7. Add	6.7 / 6.7.3 / 6.7.6 / 6.7.9	74–75	Activities of Nippon Paper Creia Co., Ltd.
PR8. Add	6.7 / 6.7.7	Not applicable	—
PR9. Core	6.7 / 6.7.6	—	—
Labor Practices and Decent Work Performance Indicator			
DMA*	6.2 / 6.4 / 6.3.10	84–85	Human Rights, Employment and Labor (Policy and Management, the Status of Employment, Industrial Relations)
		90	Occupational Safety and Health (Basic Policy, Promotion System)
LA1. Core	6.4 / 6.4.3	85	The Status of Employment
LA2. Core	6.4 / 6.4.3 / 6.4.4	85	The Status of Employment
LA3. Add	6.4 / 6.4.3 / 6.4.4	86–87	Creating Workplaces that Support Employee Diversity
LA15. Core	6.3 / 6.4 / 6.4.3 / 6.4.4 / 6.4.5	—	—
LA4. Core	6.3.10 / 6.4 / 6.4.3 / 6.4.4 / 6.4.5	—	—
LA5. Core	6.4 / 6.4.3 / 6.4.4 / 6.4.5	85	Notification regarding Major Work-related Changes
LA6. Add	6.4 / 6.4.6	—	—
LA7. Core	6.4 / 6.4.6	91	Status of Occupational Accidents

Item	ISO 26000 clauses	Corresponding Page(s)	Contents
LA8. Core	6.4 / 6.4.6 / 6.8 / 6.8.3 / 6.8.4 / 6.8.8	92	Efforts regarding Hygiene and Health
LA9. Add	6.4 / 6.4.6	—	—
LA10. Core	6.4 / 6.4.7	24	Compliance Training
		25	Respect for Intellectual Property
		36	Environmental Education and Training
		88–89	Cultivating Human Resources
LA11. Add	6.4 / 6.4.7 / 6.8.5	89	Development of Lifelong as well as Career Plans
LA12. Add	6.4 / 6.4.7	89	Fair Evaluation and Compensation
LA13. Core	6.3.7 / 6.3.10 / 6.4 / 6.4.3	16	Company Profile
		85	The Status of Employment
LA14. Core	6.3.7 / 6.3.10 / 6.4 / 6.4.3 / 6.4.4	—	—
Human Rights Performance Indicator			
DMA*	6.2 / 6.3	84	Human Rights, Employment and Labor (Policy and Management)
		54	Basic Policy concerning Raw Materials Procurement
HR1. Core	6.3 / 6.3.3 / 6.3.5 / 6.6.6	—	—
HR2. Core	6.3 / 6.3.3 / 6.3.5 / 6.4.3 / 6.6.6	56	Promoting Procurement that Takes into Consideration Environmental and Social Concerns
HR3. Core	6.3 / 6.3.5	—	—
HR4. Core	6.3 / 6.3.6 / 6.3.7 / 6.3.10 / 6.4.3	—	—
HR5. Core	6.3 / 6.3.3 / 6.3.4 / 6.3.5 / 6.3.8 / 6.3.10 / 6.4.3 / 6.4.5	—	—
HR6. Core	6.3 / 6.3.3 / 6.3.4 / 6.3.5 / 6.3.7 / 6.3.10	84	Philosophy and Basic Policy on Human Rights, Employment and Labor
		56	Promoting Procurement that Takes into Consideration Environmental and Social Concerns
		84	Philosophy and Basic Policy on Human Rights, Employment and Labor
HR7. Core	6.3 / 6.3.3 / 6.3.4 / 6.3.5 / 6.3.7 / 6.3.10	56	Promoting Procurement that Takes into Consideration Environmental and Social Concerns
		—	—
HR8. Add	6.3 / 6.3.5 / 6.4.3 / 6.6.6	—	—
HR9. Add	6.3 / 6.3.6 / 6.3.7 / 6.3.8 / 6.6.7	—	—
HR10. Core	—	—	—
HR11. Core	—	—	—
Society Performance Indicator			
DMA*	6.2 / 6.6 / 6.8	20–21	Group Governance
		24–25	Compliance
		54	Raw Materials Procurement (Policy and Management)
		94–95	Community (Policy and Management)
SO1. Core	6.3.9 / 6.6.7 / 6.8 / 6.8.5 / 6.8.7	—	—
SO9. Core	—	49	Initiatives to Prevent Environmental Pollution
SO10. Core	—	49	Initiatives to Prevent Environmental Pollution
SO2. Core	6.6 / 6.6.3	—	—
SO3. Core		24	Compliance Training
SO4. Core	—	—	—
SO5. Core	6.6 / 6.6.4 / 6.8.3	23	Participation in Industry and Trade Associations and Advisory Organizations in Japan and Overseas
SO6. Add		—	—
SO7. Add	6.6 / 6.6.5 / 6.6.7	Not applicable	—
SO8. Core	6.6 / 6.6.7 / 6.8.7	Not applicable	—

Guideline Comparison Table (Environmental Reporting Guidelines (2012))

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1. (4)	2, 3	Editorial Policy
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3. (1)	16-18, 32	Outline of the Nippon Paper Group, Policy and Management
3. (2)	33	Environmental Action Plan 2015 Fiscal 2011 Results
3. (3)	33	Environmental Action Plan 2015 Fiscal 2011 Results
4	38-39	Material Balance
The Status of Environmental Management (MPI)		
1. (1)	32-33	Policy and Management
1. (2)	12-15	Building a Sustainable Future
2. (1)	34	Environmental Management Promotion Structure
2. (2)	34-35	Policy and Management
2. (3)	35-36	Breaches of Statutory Requirements and the Status of Accidents, Environment-related Complaints
3. (1)	28-29, 36	Dialog with Stakeholders, Environmental Communication
3. (2)	94-99	Community Responsibility
4. (1)	32-33, 54-55	Policy and Management (Environment), Policy and Management (Raw Materials Procurement)
4. (2)	64-66	Materials Procurement and Forest Responsibility
4. (3)	80-82	Development of Environmentally Friendly Products
4. (4)	14-15	Building a Sustainable Future
4. (5)	42	Logistics-Related Initiatives
4. (6)	59	Promoting Overseas Afforestation
4. (7)	48, 52	Reducing Waste Generation and Final Disposal, Promotion of Recycled Paper Use

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1. (3)	38-39, 49	Material Balance, Preventing Water Pollution
2	43, 48	Climate Change (Black liquor), Reducing Waste Generation and Final Disposal
3. (1)	38-39	Material Balance
3. (2)	38-39, 40-43	Material Balance, Mitigation of Climate Change
3. (3)	38-39, 49	Material Balance, Preventing Water Pollution
3. (4)	38-39, 49	Material Balance, Preventing Air Pollution
3. (5)	38-39, 50-51	Material Balance, Controlling Chemical Substances
3. (6)	38-39, 48	Material Balance, Reducing Waste Generation and Final Disposal
3. (7)	50-51	Controlling Chemical Substances
4	44-47	Biodiversity Conservation
The Status of Environmental Management from Economic and Social Perspectives		
1. (1)	37	Environmental Accounting
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2	20-30, 68-82, 84-92, 94-99	Management, Customers, Human Rights, Employment and Labor, Community Responsibility
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2	103	Third-Party Comments

Comparison Table (the United Nations Global Compact)

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Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	54-56, 84-92	Raw Materials Procurement (Promoting Procurement that Takes into Consideration Environmental and Social Concerns), Human Rights, Employment and Labor Responsibility
Labor Standards			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	85	Human Rights, Employment and Labor Responsibility (Industrial Relations)
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	54-56, 84	Raw Materials Procurement (Promoting Procurement that Takes into Consideration Environmental and Social Concerns), Human Rights, Employment and Labor Responsibility
Principle 5	Businesses should uphold the effective abolition of child labor; and	54-56, 84	Raw Materials Procurement (Promoting Procurement that Takes into Consideration Environmental and Social Concerns), Human Rights, Employment and Labor Responsibility
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	84, 87	Human Rights, Employment and Labor Responsibility (Policy and Management, Creating Workplaces that Support Employee Diversity)
Environment			
Principle 7	Businesses should support a precautionary approach to environmental challenges.	32-39, 40-43, 44-47, 54, 56-59	Environment (Policy and Management, Mitigation of Climate Change, Biodiversity Conservation), Raw Materials Procurement (Policy and Management, Sustainable Procurement of Raw Materials)
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	4-5, 12-15, 32-52, 54-65	Message from the President, Building a Sustainable Future, Environmental Responsibility, Materials Procurement and Forest Responsibility
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	46, 80-82	Environment (Biodiversity Conservation, Utilizing Proprietary Technologies), Customers (Development of Environmentally Friendly Products)
Anti-Corruption			
Principle 10	Businesses should work against corruption in all its forms including extortion and bribery.	22-23, 24-25, 54	Management (CSR Management, Compliance), Raw Materials (Procurement and Management)
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Third-Party Comments / Action in Response to Third-Party Comments



Yoshinao Kozuma
Professor, Faculty of Economics,
Sophia University

[Profile]

After leaving the Sophia University Graduate School of Economics upon completion of the latter period of his doctoral course, Yoshinao Kozuma became a research assistant at the Nagoya Institute of Technology and attended the Limperg Instituut, the Inter-University Institute for Accounting and Auditing in the Netherlands, as a guest researcher funded by the Dutch government. He became an associate professor at the University of Shizuoka School of Administration and Informatics, and then took up his current position as professor in the Faculty of Economics at Sophia University. He has held successive positions as the chair or member of various CSR- or environment-related advisory panels, study groups, and research conferences for the Ministry of the Environment; the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure and Transport; the Cabinet Office; and the Japanese Institute of Certified Public Accountants.

Third-Party Comments

In its Fourth Medium-Term Business Plan, launched in April 2012, the Nippon Paper Group has further clarified the purpose and purport of its ongoing sustainability strategies. In this regard, Nippon Paper is to be highly commended for its shift toward a business model that places a premium on growth as a comprehensive player in biomass businesses. This shift reflects a significant evolution in the Group's traditional business structure that emphasized the cultivation and then use of forests within a resource-dependent industry to a sound material-cycle model that conforms to the critical need to secure a sustainable society. Information on the current status and potential of those new business fields, including industrial materials and biomass energy, that form the nucleus of the Nippon Paper Group's aforementioned strategy remains limited. The level of medium-term growth that can be expected in each market is therefore unclear. Despite this uncertainty, the success of this strategy will undoubtedly play a major role in solving such global environmental issues as climate change, constraints of resources, and biodiversity.

In conjunction with the release of its Green Action Plan 2015, the Nippon Paper Group updated its Environmental Action Plan by newly introducing and focusing on the value chain and traceability. Efforts to enhance traceability with respect to the procurement of forest resources are in particular an effective countermeasure against the issue of illegal logging, which is currently a major driving force behind moves to bolster regulations in Europe, and a useful tool in developing CSR management through the value chain. As to solid waste, however, which has been controlled so far through the quantity of final disposal steps are now being taken to commence the use of a recycling rate and the setting of reduction targets. In this context, the need may arise to disclose performance.

Compared with the previous fiscal year, the Nippon Paper Group has further clarified the position and role of the Highlight Edition of its Sustainability Report. In addition to upgrading and expanding the social aspects and information contained in the 2012 report, the Group's social activities are presented in an easier-to-understand manner. In similar fashion, the value chain map in the 2011 report, which was limited to some examples of the Group's environmental activities, has been improved to set out all performance on material CSR issues in general including social aspects. At the same time, the extent and nature of information has been significantly developed this year*. Since these are actually regarded as improvements in response to my comments of the previous year, one can easily understand how the PDCA activities of the Group work effectively.

At the other extreme, little progress has been made with respect to the quality of disclosure on overseas facilities. Important overseas factories are excluded from the reporting boundary and information on labor practices is limited to that of Group companies in Japan. This means that there exists room for further improvements in promoting value chain-based CSR management. It would be desirable if the Nippon Paper Group could disclose much better information on labor practices including its workforce at overseas facilities with less information regarding domestic Group companies.

* Value Chain Map <http://www.nipponpapergroup.com/e/csr/SustainabilityReport.html>

Action in Response to Third-Party Comments

The Nippon Paper Group is endeavoring to promote sustainable growth and enhance its corporate value while transforming its business structure as a comprehensive player of biomass businesses. Drawing out the inherent qualities of trees as a renewable natural resource, we are working to develop and expand new businesses in addition to our traditional paper and related activities. We are convinced that these efforts will help establish a sustainable society. It is a source of considerable confidence to receive the praise of Professor Kozuma for our material-cycle model that conforms to the critical need to secure a sustainable society.

In contrast, we will work to address the points raised and further expand the disclosure of overseas information in the next business term. In order to promote CSR management across the entire value chain, we will endeavor to disclose information that includes overseas Group companies and enhance dialog with stakeholders. Through these and other means, we will strive to address social issues around the world.

Turning to the Ishinomaki Mill owned and operated by Nippon Paper Industries Co., Ltd., where damage from the Great East Japan Earthquake was particularly severe, operations were resumed in full in August 2012. I would like to express my appreciation to all stakeholders whose support has been vital in bringing about this recovery. As a member of the local community, we will continue to pursue the reconstruction and restoration of the Tohoku region.

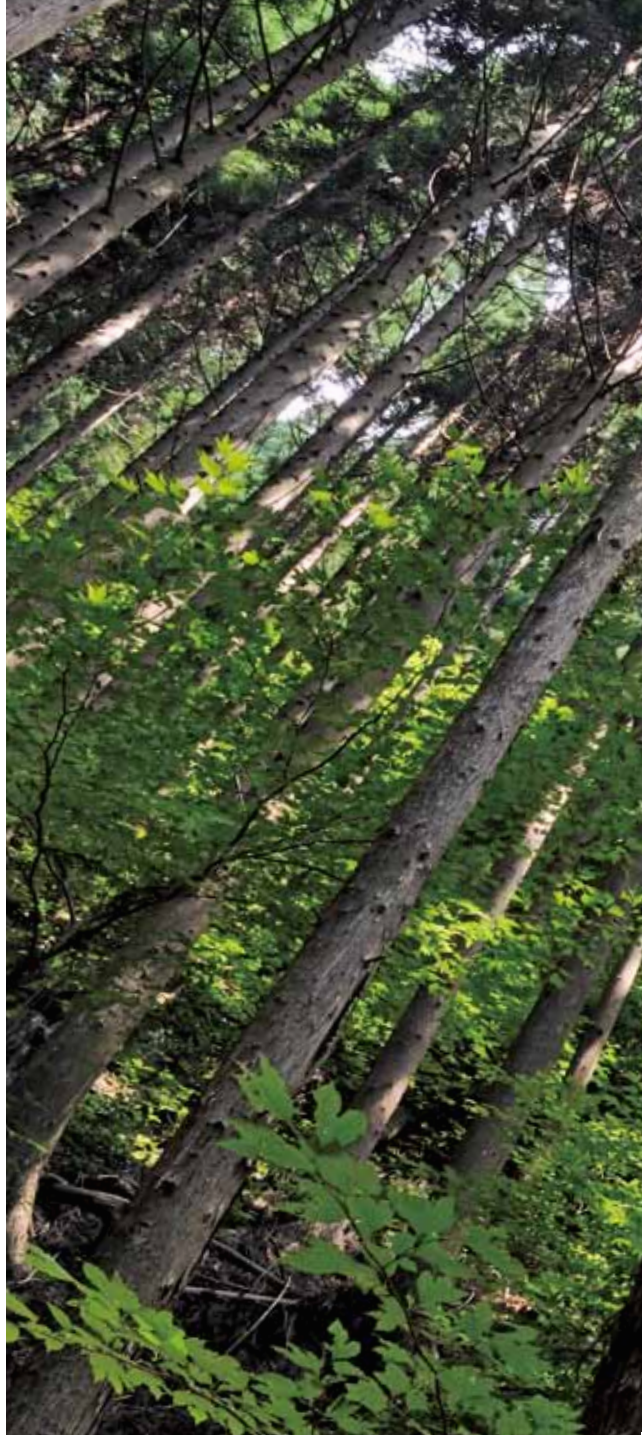


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Cover Photograph



Mino Forest owned
by Nippon Paper
Industries

Photographer:
Yuhji Itsumi



Morino Chonai-Kai

The cost of the paper used in this report includes a portion of expenses for the use of timber discarded in forests following tree thinning.

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