The Nippon Paper Group, as a comprehensive biomass enterprise pursuing business endeavors that are founded on sustainable forest management and promote sustainable growth by using, and later recycling, every bit of the renewable wood resources it harvests, contributes to better living and cultural progress.

As such, we have a social responsibility to contribute to the sustainable development of society by making effective use of wood resources, which are renewable.

With proper forest management, forests can be used as a sustainable resource, and forest ecosystems and biodiversity can be protected. Because forests act to sequester CO₂, using wood resources actually helps to prevent global warming.

### Materiality

- **Sustainable Procurement of Raw Materials**

### Indicators

- Forest certifications for company-owned forests inside and outside Japan: 100%
- Forest certifications for imported hardwood chips: 100%
- Overseas chip suppliers questionnaires: 100% (27 questionnaires)
Woodchips and wastepaper, as recycled material, are the main raw materials for pulp and paper. Procurement of these materials 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 relationships with 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.

The Nippon Paper Group established its Philosophy and Basic Policy 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 considered all of the close to 2,000 comments received, and incorporated several suggestions into revisions made to the draft.

Forestry management considers not only economic, but also environmental and social sustainability. The Nippon Paper Group defines sustainable forest management as:

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.

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 important to consider factors including the areas allocated to afforestation and harvesting, the rate of growth, the surrounding environment and the impact on society. Landscape concerns related to efforts to protect waterside forests and address other such needs must also be examined. Taking full advantage of its expertise in forest management, the Group is promoting proper planning and management.

Pursuing sustainable and stable wood resources procurement

- Basic Stance
- Sustainable Forest Management

Philosophy and basic policy reflecting the opinions of stakeholders

The Nippon Paper Group established its Philosophy and Basic Policy 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 considered all of the close to 2,000 comments received, and incorporated several suggestions into revisions made to the draft.

- Framework for Promoting Raw Materials Procurement Management

Overseeing raw material procurement for the entire Group

The Nippon Paper Group established the Raw Materials Committee, chaired by the general manager of the Raw Materials and Purchasing Division at Nippon Paper Industries. This subcommittee deliberates on a wide variety of important 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 friendly raw materials procurement
   (1) We procure woodchips, lumber and pulp from forests under sustainable forest management.
   (2) We use and deal in no 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.
Current Status of Raw Materials Procurement

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

Current Status of Paper Raw Materials Procurement

Using waste paper and wood resources as raw materials

The Nippon Paper Group is engaged primarily in the manufacture of paper products. Fifty-six percent of the raw materials are composed of recycled paper and the remaining 44% consists of such wood resources as woodchips. Both types of raw materials are used to produce pulp.

Breakdown of main raw materials for paper manufacturing*1 (Fiscal 2014)

- Recycled paper: 56.0%
- Other pulp (Wood resources): 44.0%

Breakdown of wood raw materials procurement (Fiscal 2014) (Nippon Paper Industries Co., Ltd.)

- Overseas: 62.6% (2,701,000 tonnes)
  - Hardwood: 56.2% (2,426,000 tonnes)
  - Softwood: 10.2%
- Japan: 37.4% (1,614,000 tonnes)
  - Hardwood: 14.9% (276,000 tonnes)
  - Softwood: 22.5% (372,000 tonnes)

Breakdown of wood raw materials procured from overseas

- Softwood: 10.2%
  - Sawmill residues, other: 2.2%
  - Native forests without FM certifications: 0.7%
  - Plantations with FM certifications: 7.8%
  - Plantations without FM certifications: 0.3%

Breakdown of wood raw materials procured from Japan

- Softwood: 60.2%
  - Sawmill residues, other: 33.9%
  - Native forests with FM certifications: 0.1%
  - Native forests without FM certifications: 0.4%
  - Plantations without FM certifications: 22.7%
  - Plantations with FM certifications: 0.1%

Tree species Nippon Paper Industries Co., Ltd. procured from overseas, and their countries of origin (Fiscal 2014)

<table>
<thead>
<tr>
<th>Country</th>
<th>1,000 tonnes</th>
<th>Percentage</th>
<th>Species</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>855</td>
<td>35.2%</td>
<td>Eucalyptus</td>
</tr>
<tr>
<td>South Africa</td>
<td>540</td>
<td>22.3%</td>
<td>Acacia</td>
</tr>
<tr>
<td>Brazil</td>
<td>510</td>
<td>21.0%</td>
<td>Eucalyptus, Acacia</td>
</tr>
<tr>
<td>Vietnam</td>
<td>280</td>
<td>11.5%</td>
<td>Acacia</td>
</tr>
<tr>
<td>Chile</td>
<td>241</td>
<td>9.9%</td>
<td>Eucalyptus</td>
</tr>
<tr>
<td>Total</td>
<td>2,426</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Softwood

<table>
<thead>
<tr>
<th>Country</th>
<th>1,000 tonnes</th>
<th>Percentage</th>
<th>Species</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>136</td>
<td>71.2%</td>
<td>Radiata pine</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>65</td>
<td>23.7%</td>
<td>Douglas fir</td>
</tr>
<tr>
<td>Russia</td>
<td>14</td>
<td>5.0%</td>
<td>Yezo spruce</td>
</tr>
<tr>
<td>Total</td>
<td>276</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Initiatives aimed at stable waste paper procurement

The collection of wastepaper 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. Waste 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 maintained a stable system for procuring waste paper. This system, the product of many years of collaboration with the waste paper industry, promotes the recycling of waste paper.

Initiatives aimed at stable wood resource procurement

Nippon Paper Industries is responsible for procuring wood raw materials for the Group. Slightly more than 60% of the wood resources are procured from overseas and a little under 40% sourced from Japan. Australia is the main source for overseas hardwood and softwood, accounting for 35% and 71% of these materials, respectively.

1. Japanese subsidiaries
2. Wastepaper / (Wastepaper + other types of pulp)
Sustainable Procurement of Raw Materials
Practicing sustainable forest management emphasizing legal compliance and using certifications as benchmarks

● 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 the environmental and social concerns. Our procurement of wood resources rests on the principles of legality and emphasize sustainability, clear identification of the origin of wood resources, and full accountability. When purchasing from external suppliers, we make every effort to enhance our supply chain management capabilities, taking into consideration the environment and society’s needs. 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 procurement from company-owned forests, we pursue overseas afforestation projects to increase our plantation timber procurement. Moreover, we practice sustainable forest management by acquiring forest certifications for company-owned forests both in Japan and overseas.

Key points of sustainable wood resources procurement

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

● Action Plan for Wood-Based Raw Material Procurement

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

The Nippon Paper Group has put in place its 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, and consideration for human rights, labor, local communities, and the protection of biodiversity, 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.

Nippon Paper Industries, in connection with annual forest certification audits and monitoring performed by the Japan Paper Association’s illegal logging monitoring project, has third parties perform objective assessments to determine whether it is conducting wood resource procurement in accordance with its basic policies. Suggestions from these assessments are then used to make improvements where necessary.

View Action Plan for Wood-Based Raw Material Procurement

http://www.nipponpapergroup.com/csr/forest/procurement/actionplan/index.html (Japanese only)

Overview of major forest certification programs

<table>
<thead>
<tr>
<th>Certification program name</th>
<th>Details and features</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSC®—Forest Stewardship Council®</td>
<td>A global forest certification program. FSC® is a non-profit international member-based organization that certifies that forests are being managed in compliance with its 10 principles and 56 standards. FSC® has adopted the FM and CoC certification system.</td>
</tr>
<tr>
<td>PEFC—Programme for the Endorsement of Forest Certification</td>
<td>PEFC bases its sustainability benchmark on a broad consensus expressed in intergovernmental processes and guidelines. It provides a mutual recognition system that endorses compatibility and comparability of the responsible forest management systems of individual countries. Launched across countries in Europe, the program encompasses the forest certification programs of 39 countries around the world. In similar fashion to FSC®, PEFC has adopted the CoC certification system.</td>
</tr>
<tr>
<td>SGEC—Sustainable Green Ecosystem Council</td>
<td>SGEC certifies forest management combining an abundant natural environment with continuous lumber production. SGEC engages in an evaluation based on seven criteria while taking into consideration Japan’s natural environment as well as its social customs and culture. SGEC has also adopted the CoC certification system. It joined the PEFC in November 2014 and submitted an application for mutual recognition in March 2015.</td>
</tr>
</tbody>
</table>

Examples of certifications mutually recognized by PEFC (for forests owned by Nippon Paper Industries Co., Ltd.)
- Australian Forestry Standard (AFS)
- CERTFORCHILE: Chile
- CERFLOR: Brazil

Action Plan for Wood-Based Raw Material Procurement

2015 Examples of certifications mutually recognized by PEFC (for forests owned by Nippon Paper Industries Co., Ltd.)

Forest Management and Raw Material Procurement Responsibility

The forest certification system is composed of two components—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 processing and distribution of timber materials. In addition to tracking products (certified woodchips) from certified forests in each process including 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.
Sustainable Wood Resource Procurement Scheme

All of Nippon Paper Industries company-owned forests in Japan and overseas have received forest certifications. All imported hardwood chips have been certified by the PEFC or FSC® (All procured chips have been produced with wood from forests with an FM certification or have undergone a risk assessment for the CoC certification.)

### Status of forest certification acquisition for overseas afforestation project

<table>
<thead>
<tr>
<th>Overseas plantation project by operating company</th>
<th>Certification system name (License no.)</th>
<th>Date of acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTP (Australia)</td>
<td>AFS</td>
<td>June 2006</td>
</tr>
<tr>
<td>BTP (Australia)</td>
<td>AFS</td>
<td>April 2006</td>
</tr>
<tr>
<td>SEFE (Australia)</td>
<td>AFS</td>
<td>October 2006</td>
</tr>
<tr>
<td>Volterra (Chile)</td>
<td>FSC® (FSC®C120260), CERTFORCHILE</td>
<td>January 2014, December 2007</td>
</tr>
<tr>
<td>Forestco (South Africa)</td>
<td>FSC® (FSC®C012171)</td>
<td>April 2003</td>
</tr>
<tr>
<td>AMCEL (Brazil)</td>
<td>FSC® (FSC®C023383), CERFLOR</td>
<td>December 2008, September 2014</td>
</tr>
</tbody>
</table>
Protecting and Nurturing Japan’s Wood Resources

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

- **Sustainable Management of Company-Owned Forests in Japan**

Practicing sustainable forest management at company-owned forests over an area extending to 90,000 hectares

Nippon Paper Industries owns approximately 90,000 hectares of forest in 375 locations in Japan, the second largest private-sector holdings of forest in the country. SGEC Forest Certifications have been obtained for all of the forest.

For the Nippon Paper Group, forests are not only an important business resource—as a corporate group whose existence is closely tied to the health and conservation of forests, we recognize and work to manage the integrity of the multifaceted functions forests play within society.

- **Maintaining company-owned forests in Japan**

Nippon Paper Industries allocates approximately ¥0.7 billion each year to the maintenance and management of company-owned forests in Japan, which entails the clearing of undergrowth and thinning. As a company which has continued to benefit from and grow through forests and forest products, we are committed to balanced, sustainable forest management that allows forests to fulfill their multifaceted functions—including ones that benefit ecosystem protection and watershed conservation—despite the fact that forests within Japan are not currently economically viable because of the stagnant price of domestic timber.

- **Environmental forest designations, biodiversity-conscious forest management**

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 ecosystems, watershed conservation, etc.) are conserved.

- **Invigorating Japan’s Forest Industry**

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

In recent years, deterioration of artificially planted Japanese cypress and Japanese cedar forests throughout Japan has become a concern. The reason for this deterioration is low lumber prices that have squeezed forest industry profitability and made it impossible to perform thinning and other necessary maintenance. To invigorate the industry and prevent further forest deterioration, the Japanese government announced its Forest and Forestry Revitalization Plan in 2009. Under this plan the government has committed itself to promoting the use of domestically produced wood, and lifting the nation’s wood self-sufficiency rate from 24%, as of 2008, to 50% by 2020.

The Nippon Paper Group is working to increase the percentage of domestically produced wood it uses to make paper. Having reached 30% in fiscal 2008, this figure rose by over 7 percentage points, to 37.4%, in fiscal 2014. Moving forward, the Nippon Paper Group will continue to actively use domestically produced wood, and thereby contribute to the revitalization of Japan’s forest industry.

Distribution of company-owned forests in Japan and composition by species (Nippon Paper Industries Co., Ltd.)
Organizing private-sector forest owners in Kyushu

Increasing the competitiveness of Japan’s forest industry requires that forest owners work together to maintain an efficient road network and systematic thinning operations. The signing of a memorandum of understanding on the advancement of forest management in Kyushu by Nippon Paper Industries Co., Ltd., the Kyushu Regional Forest Office; Oji Paper Co., Ltd.; Sumitomo Forestry Co., Ltd.; and others in 2009 set the stage for later developments.

In March 2015, for example, an area covered by an agreement concerning the promotion of forest maintenance in the Itsuki region of Kyushu was designated as the site for a consolidation test project with the participation of the Japan Project-Industry Council’s Forestry Regeneration Committee.

In a separate development, a forest management and lumber production agreement was concluded for the Yatsushiro region in March 2014. This groundbreaking wide-area model agreement calls for private-sector forest owners to manage forests in Kyushu collaboratively.

Participants in the agreement include Kumamoto Prefecture, Yatsushiro City, the Yatsushiro Shinrin Forest Cooperative, and Nippon Paper Co. Ltd.

Creation of the “Japan wood mark” and participation in promotion activities

Based on the concept that greater use of domestically produced wood by Japan’s people and industries will rejuvenate the country’s forests, the JAPIC Forestry Regeneration Committee created the Japan wood mark, and a committee dedicated to the promotion of its use, in August 2013.

Nippon Paper Industries contributed to the creation of the Japan wood mark and is one of the original participants on the Japan Wood Mark Committee. As it engages in activities that help to advance use of the Japan wood mark, Nippon Paper Industries intends to apply it as a sales promotion tool for wood from the forest it owns in Japan.

Active promoting the use of domestic timber

With its network for domestic timber collection in Japan, and its ability to handle a comprehensive lineup of products, Nippon Paper Lumber is actively developing its domestic timber business. In fiscal 2014, the company handled approximately 740,000 m³ of domestically produced materials, and ranked second in its field in Japan. The company aims to lift this figure to 1,000,000 m³, and, to this end, is continuing to develop new applications while working to further boost exports.

Selling copier paper made with thinned wood from Kyushu

Nippon Paper Industries sells “Kininaru Kami” copier paper made with wood from forest thinning operations in Kyushu.

Since 2009, the “Kininaru Kami” product series has been promoted by the Kyushu Regional Forest Office, eight prefectural governments (seven in Kyushu, plus Okinawa), paper companies, paper distributors, and others participating on a committee for the advancement of a movement aimed at generating popular support for the invigoration of Japan’s forest industry. This movement seeks to return a portion of the revenue from sales of products using wood from forest thinning operations to forest owners to promote forest management, invigorate the forest industry and mountain villages, and help stop global warming.

Nippon Paper Industries’ “Kininaru Kami copy paper,” which was introduced in July 2013, is made by the company’s Yatsushiro Mill, in Kyushu, with wood from forest thinning operations in Kyushu. The product package carries the “Kininaru Kami” series name in prominent characters, together with a map of Kyushu and a likeness of Kumamon, Kumamoto Prefecture’s PR mascot, all to emphasize the product’s “made in Kyushu” origins.

Packaging emphasizing that products were “made in Kyushu”
Promoting Overseas Afforestation
Planting trees as a renewable resource, and coexisting with local communities

Basic Stance

Developing an afforestation business that contributes to the local community

Recognizing the importance of mutual development the Nippon Paper Group strives to build positive ties with the local communities in and around its forests. 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. Considerable effort is also placed on promoting educational activities, and creating employment opportunities, within local economies.

Afforestation projects that help the local ecology

The Nippon Paper Group performs afforestation work on grasslands, former farms and pastures and on harvested plantation land. We select species, focusing mainly on fast-growing Eucalyptus, according to individual climatic conditions and materials available for making paper. In order to maintain a balance between areas planted with Eucalyptus and the biodiversity needs of each region, we implement appropriate measures and keep vegetation 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 local biodiversity.

Tree Farm Initiative

Nurturing renewable wood resources

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

Under its Environmental Action Plan (Green Action Plan 2015) (see page 31), the Nippon Paper Group has identified the target of increasing overseas afforestation areas to 200,000 hectares.

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 cycle-based forest management.

Overview of Overseas Forests under Nippon Paper Group Management

Total forest area: 114,000 ha

<table>
<thead>
<tr>
<th>Country</th>
<th>Afforested area:</th>
<th>Company Name</th>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>36,000ha</td>
<td>Nippon Paper Resources Australia Pty. Ltd. (NPR)</td>
<td>Wholly owned subsidiary of Nippon Paper Industries Co., Ltd.</td>
</tr>
<tr>
<td>Brazil</td>
<td>54,000ha</td>
<td>Amapá Florestal e Celulose S.A. (AMCEL)</td>
<td>Wholly owned subsidiary of Nippon Paper Industries Co., Ltd.</td>
</tr>
<tr>
<td>Chile</td>
<td>13,000ha</td>
<td>Vottori S.A.</td>
<td>Joint-venture company established by Nippon Paper Industries Co., Ltd., Sumitomo Corporation and Mitsui O.S.K. Lines, Ltd.</td>
</tr>
</tbody>
</table>

Example of a harvesting cycle

Tree planting that preserves riparian forests. (Right) The blue area indicates riparian forests.

Coexisting with local communities in forested areas

Overview of Overseas Forests under Nippon Paper Group Management

Australia

Company Name: Nippon Paper Resources Australia Pty. Ltd. (NPR)
Background: Wholly owned subsidiary of Nippon Paper Industries Co., Ltd.

South East FibreExports Pty. Ltd. (SEFE)
Background: Joint-venture company established by Nippon Paper Industries Co., Ltd., and ITOCHU Corporation

Brazil

Company Name: Amapá Florestal e Celulose S.A. (AMCEL)
Background: Wholly owned subsidiary of Nippon Paper Industries Co., Ltd.

Chile

Company Name: Vottori S.A.