## Major Operating Companies and Production Sites  
(As of March 31, 2015)

### Group Companies

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>North America</th>
<th>Australia</th>
<th>Asia</th>
<th>Europe</th>
<th>South America</th>
<th>Africa</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated subsidiaries</td>
<td>30</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>44</td>
</tr>
<tr>
<td>Non-consolidated subsidiaries</td>
<td>74</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>84</td>
</tr>
<tr>
<td>Affiliates</td>
<td>34</td>
<td>1</td>
<td>0</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>43</td>
</tr>
<tr>
<td>Equity-method affiliates</td>
<td>7</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>11</td>
</tr>
</tbody>
</table>

### Production Sites

#### Pulp and Paper Business
- **Nippon Paper Industries Co., Ltd.**
  - Kushiro Mill
  - Hokkaido Mill (Asahikawa)
  - Hokkaido Mill (Yufutsu)
  - Hokkaido Mill (Shiraoi)
  - Akita Mill
  - Ishinomaki Mill
  - Iwunuma Mill
  - Nakoso Mill
  - Ashikaga Mill
  - Soka Mill
  - Yoshinaga Mill
  - Fuji Mill
  - Otake Mill
  - Iwakuni Mill
  - Yatsushiro Mill
- **Nippon Paper Crecia Co., Ltd.**
  - Tokyo Mill
  - Kaisei Mill
  - Kyoto Mill
  - Koyo Mill
- **Nippon Paper Papylia Co., Ltd.**
  - Harada Mill
  - Suita Mill
  - Kochi Mill
- **Kitakami Paper Co., Ltd.**
  - Ichinoseki Mill
- **Nippon Paper Industries USA Co., Ltd.**
  - Port Angeles Mill
- **Paper Australia Pty Ltd.**
  - Maryvale Mill
  - Shoalhaven Mill
  - Jujo Thermal Oy
  - Kauttua Mill

#### Paper-Related Business
- **Nippon Paper Industries Co., Ltd.**
  - (Paper-Pak Division)
  - 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 Industries Co., Ltd.**
  - (Chemical Division)
  - Gotsu Mill
  - Iwakuni Mill
  - Higashimatsuyama Mill
  - Yufutsu Mill
- **Nippon Seitai Corporation**
  - Asahikawa Mill
  - Maebashi Mill
  - Saitama Mill
  - Niigata Mill
  - Kyoto Mill
  - Kyushu Mill
- **Akita Jujo Chemicals Co., Ltd.**
  - Head Office Plant

#### Wood Products and Construction Related Business
- **Nippon Paper Lumber Co., Ltd.**
  - Iwaki Mill
  - N&E Co., Ltd.
- **Daishowa Unibord Co., Ltd.**
  - Miyagi Mill

#### Other Businesses
- **SHIKOKU COCA-COLA BOTTLING CO., LTD.***
  - Komatsu Plant

* Transferred all issued common shares to Coca-Cola West Co., Ltd. in April 2015.

### Location of Production Sites
Editorial Policy

The Nippon Paper Group publishes its sustainability report to provide stakeholders with a broad overview of what we are doing to meet our corporate social responsibilities (CSR). The Group also publishes an annual report to provide information on its financial aspects and results of operations.

Period Covered
April 1, 2014–March 31, 2015
Includes information from before April 1, 2014 and after March 31, 2015. Dates are indicated in such cases.

Scope of Organizations Covered
The reporting entity is Nippon Paper Industries Co., Ltd. Data, however, were compiled as of March 31, 2015 for Nippon Paper Industries Co., Ltd. and all 44 of its consolidated subsidiaries.

Environmental Coverage
The scope of the report covers the basic environmental policies, systems, environmental accounting and environment performance and other data for the 18 companies, including 4 non-consolidated subsidiaries with production facilities, named below. All major production locations are included.

(The contribution to total consolidated sales of the companies listed here was 91%.)
(Sales data for trading companies that are members of the Nippon Paper Group and sell products made by the Group to outside buyers are included.)

Non-consolidated: SOKA PAPERPAK CO., LTD.; EGAWA PAPERPAK CO., LTD.; MIKI PAPERPAK CO., LTD.; Akita Jujo Chemicals Co., Ltd.

Referenced Guidelines
- Environmental Reporting Guidelines (2012) of the Ministry of the Environment
- Sustainability Reporting Guidelines (Version 4) issued by the Global Reporting Initiative (GRI)
- United Nations Global Compact
- ISO 26000, etc.

Disclaimer
This report includes not only statements of fact and historical data but also plans, forecasts and estimates (forward-looking statements) based on the business plans 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. It should be noted that forward-looking statements may differ significantly from actual results due to the impacts of a number of important factors.
As a comprehensive biomass enterprise shaping the future with trees, we are advancing in a sustainable business model.

The identity of the Nippon Paper Group rests on trees. Over periods of many years, we nurture the trees that become the raw material for paper. And by providing myriad products and services applying forest resources, we help to improve lives and promote cultural progress. The practice of sound forest management and the pursuit of a wide array of businesses that apply every bit of the lumber produced from forests under our stewardship help to address serious social issues, such as climate change and resource depletion, and contribute to the development of a sustainable society.

Including both company-owned forests in Japan and overseas afforestation areas, the Nippon Paper Group manages forests totaling 204,000 hectares. As expansive as the entirety of Tokyo Prefecture, these are areas in which we are preserving ecosystems and biodiversity through sustainable forest management. Trees absorb and sequester CO₂, which remains held even after the trees are processed into lumber. This is how using wood resources helps to fight climate change. In addition, the use of black liquor (a byproduct of the pulp manufacturing process), woody biomass, and construction waste as fuel; the recycling of paper products; and the use or recycling of all the other resources that result from forests we manage help to reduce resource depletion.

The Nippon Paper Group’s business model, as that of a comprehensive biomass enterprise, is sustainable and contributes to the development of society while making effective use of sustainable assets and resources. Maximizing the value of renewable forest resources will remain a fundamental objective as we move forward.

We are applying the diversity of wood as a material to make the most of opportunities in new and growth fields.

Wood, the raw material for paper, is characterized by a high degree of diversity in application. A key advantage enjoyed by the Nippon Paper Group is that it maintains a diverse, yet balanced, structure as a comprehensive biomass enterprise making use of renewable forest resources. It has been said that paper is the barometer of a culture, and contributing to cultural progress through the manufacture of paper is the very foundation of the Nippon Paper Group. Underpinned by that foundation, we apply advanced technologies to turn wood materials into energy, healthcare products, biochemicals, packaging, and other goods that contribute to better living. We are now ramping up our efforts to develop applications for cellulose nanofiber and expect to launch the first product using this promising next-generation material – an incontinence product with odor-control properties – in the fall of 2015.

Incorporating the development of these applications, the Nippon Paper Group formulated its Fifth Medium-Term Business Plan, covering fiscal 2015 to 2017, as a roadmap for its ongoing growth and development as a comprehensive biomass enterprise. Working from a base of earning power enhancement in our domestic and overseas paper and paperboard divisions, we are committed to transforming our business structure to develop and successfully implement approaches for making the most of opportunities in new and growth areas.

Through ongoing dialogue with stakeholders, we will expand our perspective and serve to build a sustainable society.

The Nippon Paper Group, through its management of vast tracts of forest and operation of large-scale production sites, has the potential to significantly impact local areas and their residents. Coexistence with local communities, therefore, is critical for our own continued existence. We, therefore, view stakeholder opinions as opportunities to take notice of matters important for coexistence with local communities, and for sustainable growth. We appreciate, for example, that environmental consciousness is indispensable toward those ends. Communicating with communities and customers, we reflect stakeholder expectations and demands in our daily operations, product development, and medium-term environmental action plan, and take highly effective environmental measures in procurement, production, distribution, product development, recycling, and other aspects of the value chain. This is none other than implementation of the Nippon Paper Group Environmental Charter, which lays out environmental management principles for Group companies, and we are committed to its steadfast implementation. Investors, of course, are also stakeholders and we treat their opinions as valuable inputs for increasing our shareholder value over the medium-to-long term.

There are various social challenges that have serious global implications and must be overcome through broad
social cooperation based on expanded perspectives and close attention to their evolution. The participation of Nippon Paper Industries Co., Ltd. in the United Nations Global Compact, which sets out ten principles with respect to human rights, labor standards, the environment, and the prevention of corruption, is based on this understanding.

Regarding employees, the Nippon Paper Group wants every individual to fully exercise their capabilities, based on our Values - including the spirit of Challenge, Fairness, and Teamwork - and with strict attention paid to health, safety, and compliance. We are striving to create new value as we change our business structure. Fairness is the foundation of our organizational vigor and the trust we earn from customers and society. With shared objectives and a clear understanding of organizational and individual roles, teamwork on a daily basis to rise to large and small challenges will ultimately result in sustained growth.

This report focuses on describing how our business model, as that of a comprehensive biomass enterprise, is intimately connected to problem resolution and ongoing development for society, and how we will continue to pursue our business in coexistence with local communities. The Nippon Paper Group will keep working in ways that promote the building of a sustainable society, based on the needs of stakeholders. We would be very pleased to have this report read as widely as possible and to receive candid feedback on its contents.

Fumio Manoshiro
President
Nippon Paper Industries, Co., Ltd.
The Sustainable Business Model of a Comprehensive Biomass Enterprise

In addition to preventing global warming and protecting watersheds, forests perform a wide variety of functions such as providing shelter for diverse living creatures. As a comprehensive biomass enterprise, the Nippon Paper Group practices sustainable forest management, while also making full use of and recycling the precious resources forests represent.

Helping to fight global warming, protect biodiversity, and prevent resource depletion

1 **Sustainable Forest Management**

- **Preserving biodiversity**
  Nippon Paper Industries has designated approximately 20% of its Japanese forest as “environmental forest areas.” In these areas, logging for commercial purposes is prohibited and forest biodiversity and water resources are protected. These environmental forest areas include national park lands in Akan, Nikko, and other places as well.

- **Environmental forest areas:** 18,000 hectares
  About 20% of forests owned in Japan

- **204,000** hectares of company-owned forests worldwide—roughly equivalent to the entire area of Tokyo Prefecture

After harvesting, steps are taken to regenerate forests. Every effort is being made to ensure that forests under our stewardship thrive indefinitely.

2 **Carbon Neutrality (Preventing Global Warming through the Carbon Cycle)**

- **CO₂ sequestered in company-owned forests worldwide:** 34 million tons

Trees, the principal raw material used by the Nippon Paper Group, absorb and hold CO₂ from the atmosphere as they grow. When wood resources are burned, this CO₂ is released, so there is no net increase in atmospheric CO₂. The ongoing effective use of wood resources from properly managed, sustainable forests constitutes a carbon-neutral cycle that adds no carbon to the atmosphere.

Three Cycles Contributing to Sustainable Development

- Photosynthesis
- Sustainable Forest Management
- Planting
- CO₂ absorption and sequestration
- Harvesting and use
- CO₂ sequestered in wood
Making full use of and recycling trees as a biomass resource

Cascade use of trees

The Nippon Paper Group uses trees in a cascade of applications that contributes to greater resource usage efficiency by employing every bit of every tree.

Prevention of resource depletion

Of the energy used by the Nippon Paper Group, 47% is comprised of black liquor from the pulp-making process, wood construction waste and other biomass fuels, and fuels derived from discarded tires, RPF, and other waste materials. As well as using biomass fuel, the Group is making advances in the development of biomass materials that can be used in place of petrochemical products.

Non-fossil energy* as a percent of total energy usage: 47%

* Non-fossil energy = biomass energy + waste energy

Cascade use of wood

Unprocessed wood

Use as a material
Paper and construction materials and various other products

Use as a fuel
Black liquor, construction waste, logging residue, and other forms of biomass fuel

Use

Production of recycled paper

Separation and collection

Pulp production from wastepaper

Recycling of Paper Products

3

Recycled paper utilization rate

Paper 38%  Paperboard 92%

The Nippon Paper Group is working diligently to increase the waste paper collection rate 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.
Business Strategy and CSR Activities

Nippon Paper Group Business Overview

The Nippon Paper Group uses renewable wood resources to pursue a diversity of businesses. From paper and paperboard, and household paper, to paper containers, chemicals, and housing construction materials, we provide a wide range of products indispensable for daily life.

Pulp and Paper Business

Business Description
Various paper, paperboard and household paper products in this core segment lead the domestic industry in production, sales volumes and quality. We are working to reorganize our production structure. At the same time, we are proactively developing overseas markets for paper and paperboard, especially in Asia and the Pacific Rim. Significant attention is also being devoted to the application of in-house power generation know-how to produce and sell electricity.

Principal Customers
Newspaper, publishing, printing, and stationery companies; public offices, paper manufacturers, electric utilities, and general consumers

Wood Products and Construction Related Business
5.6%
(59.2 billion yen)

Paper-Related Business
8.6%
(91.0 billion yen)

Pulp and Paper Business
79.5%
(835.5 billion yen)

Fiscal 2014
Net sales share
(1,052.5 billion yen)

Paper Media
Product Examples

Packaging
Product Examples

Healthcare
Product Example

Special Function Papers
Product Example

Energy
Business Example
Paper-Related Business

**Business Description**
Comprising this business are three segments, including paper-processing operations, which add various forms of value to paper as a raw material; the chemical products segment, which applies all wood components fully in the manufacture and sale of various types of products; and the functional film segment, which makes the most of its clean coating technology.

**Principal Customers**
Manufacturers of beverages, food, chemicals and other products, and various types of paper processing companies.

---

Wood Products and Construction Related Business

**Business Description**
The lumber segment of this business has the advantage of using Japanese timber obtained by the same expertise we use to procure wood resources for making paper. It also focuses on using construction materials made from Japanese wood resources. The civil-engineering-related segment makes use of the technologies we have amassed for maintaining facilities at our paper mills.

**Principal Customers**
Construction materials, housing and construction companies, general consumers, and public offices.

---

Other Businesses

**Business Description**
Included here are segments that put biotechnology expertise developed in afforestation R&D to work in agricultural pursuits; apply real estate and other Group assets in sports and leisure operations; and handle product and material logistics for Group companies.

**Principal Customers**
Businesses and general consumers.

---
The Nippon Paper Group has formulated its Fifth Medium-Term Business Plan, which covers the period April 1, 2015 to March 31, 2018. Working from a base of enhancing profitability in the domestic and overseas paper and paperboard businesses, this plan sets the course for expanding growth businesses by transforming the business structure, and creating new value as a comprehensive biomass enterprise shaping the future with trees.

### Key Themes of the Fifth Medium-Term Business Plan

- **Expansion of biomass power generation and other energy businesses**
- **Biomass fuels**
- **Expansion of high-value-added product sales**
- **Expansion of overseas sales**
- **Cellulose nanofiber**
- **Expansion of high-value-added product line (Packaging materials with barrier properties)**
- **Expansion of light incontinence product sales**
- **Expansion of overseas sales**

### New Businesses and Areas of Growth

- **Response to demand for stable energy supplies**
- **Application of wood resource collection network**
- **Application of power generation technology**
- **Packaging for aging society**
- **Response to safety and hygiene awareness**
- **Application of paper manufacturing and coating technologies**
- **Application of pulping technology**
- **Response to aging society and hygiene awareness**
- **Expansion of light incontinence product sales**
- **Expansion of overseas sales**
- **Expansion of high-value-added product line (Packaging materials with barrier properties)**
- **Expansion of overseas sales**

### Period Covered by the Fifth Medium-Term Business Plan

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Sales (billion yen)</th>
<th>Operating Income (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2014</td>
<td>(1,052.5)</td>
<td>23.7</td>
</tr>
<tr>
<td>Fiscal 2015</td>
<td>(1,110.0)</td>
<td>50.0</td>
</tr>
<tr>
<td>Fiscal 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal 2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Sources of Growth

- **The Nippon Paper Group’s Wood Science Technologies**
- **Nippon Paper Industries’ Global Biomass Resources**

204,000 hectares in total (Company-owned forests in Japan: 90,000 hectares Overseas afforestation areas: 114,000 hectares)
1 Energy

Nippon Paper Industries began operating a solar power plant in the city of Komatsushima in Tokushima Prefecture, in February 2015, and a biomass power plant at its Yatsushiro Mill in June 2015. It is also advancing a coal-biomass mixed fuel power generation project, a wind power project, and a new initiative for the commercialization of biomass fuel. Moving forward with the steady implementation of the Fifth Medium-Term Business Plan, work will focus on rapidly developing these energy projects into businesses with combined annual sales of around 50 billion yen.

2 Healthcare

The healthcare business is viewed as a promising growth area and is being treated as a high priority for management resources, which will be allocated with the goal of achieving a medium-term target of ¥20 billion in annual sales. Nippon Paper Crecia will complete capacity expansion work at its main Kyoto Mill and simultaneously strengthen its sales operations. In addition, through the release of products such as the Poise® and the Hada Care Acty® series of light incontinence products featuring outstanding odor control, Nippon Paper Crecia is offering new value that responds to the needs of an aging society.

3 Packaging

Having gotten into the business of paper containers for liquids 50 years ago, we are now at a turning point and it is now time to refocus our attention on the development of original products. We aim to enhance the added value of our products from various perspectives, including the 3Rs (Reduce, Reuse, Recycle) and portability. Over the medium term, we will move forward with attention focused on expanding into paper container applications beyond beverages and developing business on a global scale.

New Business

Cellulose Nanofiber (CNF) - Using a Proprietary Technology to Create a New Market

Cellulose nanofiber is wood fiber (pulp) that has been refined down to a nano*-order scale and is the world's most advanced biomass material.

In October 2013, Nippon Paper Industries established Japan’s first production demonstration facilities (with minimum production capacity of 30 tons per year) for CNF at the Iwakuni Mill. At present, we are distributing sample products to potential customers in a range of industries to support application development, while we work to establish the mass-production technology and reduce production costs.

Having developed healthcare products, such as the Hada Care Acty® series, which incorporates CNF in a functional sheet with outstanding odor-control properties, we are also developing new markets for products applying CNF.

Japan's Ministry of Economy, Trade and Industry has established the goal of developing the CNF materials market into one with annual sales of a trillion yen by 2030. Given the potential to greatly reduce weight - for example, in automobile parts – CNF could give rise to a major new market in composite materials. Nippon Paper Industries, therefore, aims to allocate more human resources to the task of accelerating the commercialization of CNF.

* "Nano" = one billionth.

Various types of paper containers and packaging

Komatsushima Solar Power Plant (Module capacity of 21,000 KW)

Poise® Pad Regular
20 pads

Hada Care Acty® Soft Fit
All-night absorbent pads
27 pads each with capacity for 6 urination episodes

1
1
1
20nm
20μm

Nippon Paper Group Sustainability Report 2015 11
Business Strategy and CSR Activities

Social Issues and the Nippon Paper Group’s Value Creation Flow

Raw Materials Procurement
- Forest certifications for company-owned forests inside and outside Japan: 100%
- Overseas afforestation areas: 114,000 hectares
- Company-owned forests in Japan: 90,000 hectares

Production and Shipping
- Production facilities of principal operating companies (Japan: 43 sites, Overseas: 4 sites)
- Nippon Paper Industries Co., Ltd.* modal shift adoption: 89%

Addressing Social Issues in Our Value Chain

<table>
<thead>
<tr>
<th>Social Issues</th>
<th>ISO 26000 Core Subjects</th>
<th>Pages in Sustainability Report 2015</th>
<th>Raw Material Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Responsibility</td>
<td>Organizational Governance, Fair Operating Practices</td>
<td>P15-20</td>
<td>Sustainable procurement of raw materials (Efforts to procure certified material, confirm legitimacy, pursue afforestation overseas, obtain certifications for company-owned forests, and use domestic materials) Protection and nurturing of company-owned forests in Japan (Preserving biodiversity and other efforts to maintain the diversity of roles played by forests)</td>
</tr>
<tr>
<td>Forest Management, Raw Material Procurement, and Environmental Responsibility</td>
<td>The Environment</td>
<td>P21-46</td>
<td></td>
</tr>
<tr>
<td>Responsibility to Customers</td>
<td>Consumer Issues</td>
<td>P47-52</td>
<td></td>
</tr>
<tr>
<td>Human Rights, Employment and Labor Responsibility</td>
<td>Human Rights, Labor Practices</td>
<td>P53-60</td>
<td>Confirmation of suppliers’ actions in respecting human rights (Conduct of an annual supplier survey) Respect for human rights in the company’s forest management (Respect for indigenous people, prohibitions against forced labor and child labor, etc.)</td>
</tr>
<tr>
<td>Responsibility to Communities</td>
<td>Community Involvement and Development</td>
<td>P61-65</td>
<td>Coexistence with communities adjacent to overseas afforestation areas (Job creation, education support, cultural preservation contributions to local environments Preserving biodiversity, promotion of safety and disaster preparedness, etc.) Contributions that make use of company-owned forests for the benefit of local areas and communities (Environmental education that makes use of company-owned forests, etc.)</td>
</tr>
</tbody>
</table>

* Pulp and paper operations
• Contributions that make use of company-owned forests for the benefit of local areas and communities
• Coexistence with communities adjacent to overseas afforestation areas
• Respect for human rights in the company’s forest management
• Confirmation of suppliers’ actions in respecting human rights
• Protection and nurturing of company-owned forests in Japan
• Sustainable raw material procurement

• Ensuring occupational safety and health,
• Human resource development
• Securing diversity in the workforce
• Hiring practices that respect human rights
• Respect for basic human rights
• Hiring practices that respect human rights
• Securing diversity in the workforce
• Human resource development
• Ensuring occupational safety and health, and disaster prevention

• The stable supply of products
• Ensuring quality and safety
• Climate change initiatives
  - Reduction of environmental impacts (Water and air pollutants, waste, noise, vibration, odor, chemical substances, etc.)
  - Development and manufacturing of environmentally and socially conscious products

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• Coexistence with areas surrounding mills
  - Job creation, education support, contributions to local environments, cultural preservation, promotion of safety and disaster prevention, etc.

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• Coexistence with areas surrounding mills
  - Job creation, education support, contributions to local environments, cultural preservation, promotion of safety and disaster prevention, etc.
The Nippon Paper Group, working from a foundation of sustainable forest management, contributes to better living and cultural progress as a comprehensive biomass enterprise making full use of, and recycling, renewable wood resources.

We have a social responsibility to use renewable resources to contribute to the development of a sustainable society.

Proper management can make forests into sustainable resources and enable the preservation of forest ecosystems and biodiversity. Sequestering CO2 in forests and using wood resources helps to fight global warming. And using, recycling, and regenerating wood resources prevent resource depletion.

Creating new products and expanding our activities as a comprehensive biomass enterprise, the Nippon Paper Group manages and operates expansive forests and large-scale production sites, and has a significant impact on the local areas and people who work there. Coexistence with these communities, as well as reducing environmental impacts and securing the safety and health of our local employees, therefore, are critical to our own continued existence.

Moreover, the opinions of our stakeholders serve as valuable opportunities to grasp issues that are important for coexisting and growing with society in a sustainable way.

Therefore, the materiality items given above are of particular importance among our initiatives addressing social issues in our value chain (see pages 12–13). Materiality items, which were identified based on impact on stakeholders and importance to our businesses, also reflect Nippon Paper Group employee survey results, and concerns frequently expressed by customers and local communities in inquiries submitted to the Nippon Paper Group.
The opinions of stakeholders are important for bringing attention to issues that could affect the Nippon Paper Group’s coexistence with society and efforts to grow sustainably.

**Materiality**
- Dialog with Stakeholders

**Indicators**
- Various types of shareholder briefings, individual meetings, etc. held: 252
- Whistleblower reports received: 26
- Risk communication meetings held: 38
- Supplier questionnaires conducted: 27

**Group Governance and Information Disclosure**
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- Internal Control System 16
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- IR Activities 17

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Group Governance and Information Disclosure
Increasing transparency and practicing fair management

Corporate Governance Structure
Working to enhance management efficiency and credibility

The company’s Board of Directors is comprised of seven internal directors and one outside director, for a total of eight directors, as of June 26, 2015. It is responsible for making decisions on the basic policies of the Group companies, on matters pertaining to laws or regulations, and Articles of Incorporation, and on other critical management issues, and also monitoring the executive aspects of Group companies.

The Management Execution Committee meets weekly to support the business execution activities of the president, and undertake discussions of important operational matters. The Management Strategy Committee meets as needed to discuss management strategies for particular business areas, and other matters of importance for the Group.

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

Corporate governance structure

General Meeting of Shareholders
Board of Corporate Auditors (4 members including 2 outside auditors) → Audit → Board of Directors (8 members including 1 outside director) → Audit → Representative Directors

Nippon Paper Group Corporate Auditor Liaison meeting
Monitor audit and supervise

Management Responsibility

Internal Control System
Complying with statutory and regulatory requirements

In accordance with the Companies Act and related regulations, effective internal control systems have been constructed and systems for ensuring compliance with laws and the Articles of Incorporation have been established and implemented.

To comply with the internal control reporting system requirements stipulated under the Financial Instruments and Exchange Act of Japan, the Management Audit Office assesses the status and operation of financial reporting internal controls. Covered by these assessments are Nippon Paper Industries Co., Ltd., and 25 consolidated subsidiaries and equity-method affiliates—at an overall company level. Assessments for two key companies among this group of companies are performed at a more detailed level with attention focusing on net sales, accounts receivable and inventory administration processes, which are of special importance to business objectives. These assessments helped confirm the efficacy of the Group’s internal control and financial reporting systems as of the end of fiscal 2014.

Comment
Monitoring management from the perspectives of compliance, CSR, and the interests of stakeholders
Yoshimitsu Aoyama, Outside Director, Nippon Paper Industries Co., Ltd.

As an outside director, I monitor decision-making in the Board of Directors from the perspectives of compliance, CSR, and stakeholder interests.

The purpose of corporate governance, I believe, is to increase corporate value, provide resulting benefits to shareholders and other stakeholders, and promote the creation and maintenance of comfortable working environments. In the course of doing these things, corporate governance also serves to enhance the dignity of the company as a member of society. I view my own role as a board member with experience as a legal scholar as contributing to the entire board’s observance of the Revised Companies Act and affirmative attitude toward the Corporate Governance Code.
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 18). To guide us in our endeavors, we formulated the Nippon Paper Group Disclosure Policy in October 2006.

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 financial instrument 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 timely disclosure rules, when deemed to be of interest to our stakeholders and other members of society.

### Company Name

**The Nippon Paper Information Disclosure Policy**

**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 Law, 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 exchanges.

(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.

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### Tours and other events

Every opportunity is taken to promote a deeper understanding of the Nippon Paper Group and its activities. Annual plant tours are one example. The tours of Nippon Paper Industries’ Ishinomaki Mill and seminars on cellulose nanofiber in fiscal 2014 attracted considerable praise from participants.

### Trends in dividends per share

(Units: Yen)

<table>
<thead>
<tr>
<th>Company name</th>
<th>Fiscal year end</th>
<th>Interim dividend</th>
<th>Period-end dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon Paper Group, Inc.</td>
<td>March 2012</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Nippon Paper Industries Co., Ltd.</td>
<td>March 2013</td>
<td>—</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>March 2014</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>March 2015</td>
<td>20</td>
<td>30</td>
</tr>
</tbody>
</table>

* Nippon Paper Industries Co. Ltd. and Nippon Paper Group, Inc. merged on April 1, 2013.
Management Responsibility

CSR Management

The CSR Division executes corporate social responsibility initiatives

Overseeing corporate social responsibility through a dedicated CSR Division

Nippon Paper Industries Co., Ltd. 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 CSR activities based on the shared values embodied in the Action Charter and works closely with the various divisions and departments.

Meeting social responsibilities through business activities

The Nippon Paper Group views its reason for existence as contributing to better living and cultural progress everywhere it does business. As a comprehensive biomass enterprise shaping the future with trees, we aim to contribute to the development of a sustainable society through our business activities. Toward that end, we are committed to grasping the expectations and demands of our stakeholders, and fulfilling our corporate social responsibilities from the perspectives of business management; forest management and the procurement of raw materials; the environment; customers; human rights, employment, and labor; and local communities.

Meeting social responsibilities through business activities

The Nippon Paper Group’s 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.

Supporting CSR activities by Group companies

Nippon Paper Industries Co., Ltd. ’s CSR Department hosts regular CSR liaison meetings with personnel in charge of CSR at principal Group companies. These meetings are held to communicate directions being taken with regard to CSR matters and to share information. They are also used as opportunities to hear discussions of CSR trends by invited consultants, and to hold “business and human rights” workshops moderated by a representative of Amnesty International Japan.

Collaborative Initiatives

Seeking to connect to and work with external parties

The Nippon Paper Group is striving to build relationships of genuine coexistence with its stakeholders. As part of that effort, we are working to share CSR-related information with other companies, international organizations, governmental institutions, labor organizations, and NGOs in countries around the world, and contribute to various activities together with these partners.

The United Nations Global Compact

Nippon Paper Industries Co., Ltd. announced its decision to support the 10 principles covering the four fields of human rights, labor, environment and anti-corruption and joined the United Nations Global Compact as a signatory in November 2004.

United Nations Global Compact

https://www.unglobalcompact.org/
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.

- **Compliance Structure**
  Promoting compliance throughout the Group
  
  The CSR Division of Nippon Paper Industries Co., Ltd., was established to serve as the core of the compliance system for the Nippon Paper Group. The division serves as a facilitator and driving force behind efforts to achieve and reinforce understanding of compliance throughout the Group.
  
  Each Group company appoints a person to be in charge of compliance within its organization, and Nippon Paper Industries’ Compliance Office actively hosts Group Compliance Liaison Meetings to provide all employees in charge of compliance with details of compliance policies and initiatives, opportunities to share information, as well as advice on education and training activities. Through these and other means, we are making every effort to promote Group-wide compliance.

- **Implementing compliance training**
  The Nippon Paper Group conducts training on an ongoing basis to further enhance compliance awareness and understanding. We, together with a consultant from outside the Group, conduct training that involves group discussions and is tailored to the specific needs of production sites and sales offices.
  
  Education on compliance is also provided through avenues such as e-learning, new-hire training, and training for newly appointed managers.

- **Personal Information Protection**
  Ensuring protection and appropriate handling of personal information through a systematic structure and rules
  
  Nippon Paper Industries has taken steps to ensure clear understanding of the structure and rules applicable to the handling of personal information. The personal information of customers, business partners and employees is controlled by clearly stated rules and a manual, and is tracked and managed in control ledgers by individual related departments as required by the Private Information Protection Law. These ledgers contain details of the dates when personal information was obtained and the purposes for holding it, and are reviewed annually to eliminate data for which the holding period has expired and take other actions, as well, to ensure that information is handled properly.

- **Respect for Intellectual Property**
  Heightening respect for intellectual property and ensuring compliance with all applicable laws through education programs
  
  The Nippon Paper Group’s emphasis on intellectual property is evident 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 intellectual property education programs for the benefit of Group company employees.
  
  A total of 342 employees attended the 11 programs implemented in fiscal 2014.

- **Group Internal Whistleblower System**
  Encouraging reporting via a help line on activity in conflict with compliance
  
  The Nippon Paper Group has established its help line system to allow any employee of the Group to provide direct notification of, or seek advice outside the chain-of-command 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 established 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.

Trends in the number of notifications received by the help line

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>13</td>
<td>21</td>
<td>26</td>
</tr>
</tbody>
</table>

Flow of the help line system

User

- Notification/consultation
- Response

External Point of Contact

- Company specializing in telephone counseling
- Notification/consultation
- Response

Internal Point of Contact

- CSR Department Compliance Office
- Notification/consultation
- Response

Consolidated Subsidiaries

- Employees in charge of compliance

Nippon Paper Group Sustainability Report 2015
Contact points for dialog with stakeholders

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Major point of contact</th>
<th>Means of communication</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees (executives, permanent employees, part-time employees, employees’ families)</strong></td>
<td>Human resource sections</td>
<td>Labor–management councils, labor–management committees, etc.</td>
</tr>
<tr>
<td>The 12,771 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 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.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customers (business enterprises, consumers, etc.)</strong></td>
<td>Sales sections</td>
<td>Individual interviews, inquiries to customer relations sections, etc.</td>
</tr>
<tr>
<td>Paper, the Nippon Paper Group’s principal product, is widely used by both companies and individuals. Paper products are for the most part delivered to corporate customers: wholesale trading companies, newspaper companies, printing companies and publishers in Japan. In addition, household paper and leisure services are provided for individual customers (consumers). We are putting in place the necessary structures and systems by product and service that best address the needs of customers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Society and local residents (local communities, NPOs/NGOs, municipalities, the media, students, etc.)</strong></td>
<td>Responsible sections within mills and branches</td>
<td>Environmental explanatory meeting, risk communication, environmental monitoring system, mill presentation meetings, etc.</td>
</tr>
<tr>
<td>The business activities of the Nippon Paper Group’s production bases have a major impact on surrounding communities. We, therefore, 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.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business partners (suppliers, subcontractors, etc.)</strong></td>
<td>Responsible sections within each business segment</td>
<td>Interviews, etc.</td>
</tr>
<tr>
<td>While the majority of business partners are companies domiciled in Japan, items such as woodchips and fuel are mainly procured from overseas suppliers. Moving forward, relationships with business partners are expected to increasingly take on a global nature. The Nippon Paper Group engages in open and fair trading transactions while promoting positive relations with its business partners. In addition, responding to the confidence customers place in us, we work closely with business partners to pursue CSR activities throughout the supply chain.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders (shareholders, investors, etc.)</strong></td>
<td>Procurement sections</td>
<td>Individual interviews, supplier surveys, etc.</td>
</tr>
<tr>
<td>Shares of Nippon Paper Industries Co., Ltd. are listed on the Tokyo Stock Exchange. Financial institutions and foreign investors held 43% and 20%, respectively, of the 116,250,000 shares issued by the company as of March 31, 2015. Nippon Paper Group Inc. strives to disclose information promptly in a transparent, fair and continuous manner.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stakeholders</strong></td>
<td>Human resource sections</td>
<td>General shareholders’ meetings, shareholder communications, explanatory meetings, annual reports, IRI site, IRI information mail, etc.</td>
</tr>
<tr>
<td><strong>Basic Stance</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Actively promoting dialog**

The Nippon Paper Group manages broad areas of forest and operates large-scale production sites. Coexistence with the places where we pursue business activities, and with society at large, therefore, is in our own vital interest, and dialogue with stakeholders is critical for understanding what coexistence demands.

In this context, we actively establish contact points and opportunities for direct dialog with all stakeholders while regularly providing information on our operations and promoting the exchange of opinions. Each of our business locations actively creates opportunities for regular communication on risks and other matters. And stakeholder opinions are received through channels such as our website and ShikiOriori, the CSR communication magazine we publish to provide plain and simple explanations of our CSR initiatives.

Stakeholder opinions are carefully considered and reflected in management decision making aimed at enabling the mutually beneficial ongoing development of society and the Nippon Paper Group.
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)

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**Policy and Management**

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**Protecting and Nurturing Japan’s Wood Resources**

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- Invigorating Japan’s Forest Industry 26

**Promoting Overseas Afforestation**

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- Tree Farm Initiative ................... 28
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.

Philosophy and Basic Policy

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.

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.
Forest Management and Raw Material Procurement

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%

1 Japanese subsidiaries
2 Wastepaper / (Wastepaper + other types of pulp)

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

<table>
<thead>
<tr>
<th></th>
<th>Overseas 62.6% (2,701,000 tonnes)</th>
<th>Japan 37.4% (1,814,000 tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Softwood</td>
<td>Hardwood</td>
</tr>
<tr>
<td></td>
<td>6.4%</td>
<td>14.9%</td>
</tr>
<tr>
<td></td>
<td>(276,000 tonnes)</td>
<td>(843,000 tonnes)</td>
</tr>
<tr>
<td></td>
<td>Hardwood</td>
<td>Softwood</td>
</tr>
<tr>
<td></td>
<td>56.2%</td>
<td>22.5%</td>
</tr>
<tr>
<td></td>
<td>(2,426,000 tonnes)</td>
<td>(971,000 tonnes)</td>
</tr>
</tbody>
</table>

Breakdown of wood raw materials procured from overseas

- Softwood: 10.2%
  - Sawmill residues, other: 2.2%
  - Native forests without FM certifications: 0.7%
  - Plantations without FM certifications: 2.8%
  - Plantations with FM certifications: 5.5%

Breakdown of wood raw materials procured from Japan

- Softwood: 60.2%
  - Sawmill residues, other: 33.9%
  - Native forests with FM certifications: 4.2%
  - Plantations without FM certifications: 11.7%
  - Plantations with FM certifications: 7.4%

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>

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.
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.

- **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.

**Overview of major forest certification programs**

<table>
<thead>
<tr>
<th>Certification program name</th>
<th>Details and features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FSC®—Forest Stewardship Council®</strong>&lt;sup&gt;*&lt;/sup&gt; A global forest certification program</td>
<td>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><strong>PEFC—Programme for the Endorsement of Forest Certification</strong> A program that promotes mutual recognition of the forest certification programs of individual countries</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><strong>SGEC—Sustainable Green Ecosystem Council</strong> A forest certification program established in Japan</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>

<sup>*</sup> FM and CoC Certification

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.

http://www.nipponpapergroup.com/csr/forest/procurement/actionplan/index.html (Japanese only)
### Status of Forest Certification Acquisition for Overseas Afforestation Project

<table>
<thead>
<tr>
<th>Overas 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>Voiterra (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.

Case

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.

Domestic timber sales results by product type

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.

Case

Selling copier paper made with thinned wood from Kyushu

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.

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.

**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.

**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.

**Coexisting with local communities in forested areas (p.63)**

Overview of Overseas Forests under Nippon Paper Group Management

- **Australia**
  - Afforested area: 36,000ha
  - Company Name: Nippon Paper Resources Australia Pty. Ltd. (NPR)
  - Background: Joint-venture company established by Nippon Paper Industries Co., Ltd., Sumitomo Corporation and ITOCHU Corporation

- **Brazil**
  - Afforested area: 54,000ha
  - Company Name: Amapá Florestal e Celulose S.A. (AMCEL)

- **Chile**
  - Afforested area: 13,000ha
  - Company Name: Volterra S.A.

- **South Africa**
  - Afforested area: 11,000ha
  - Company Name: Forest Resources Ltd. (Forestool)
  - Background: Joint-venture company established by Nippon Paper Industries Co., Ltd., Sumitomo Corporation and BayFibre
The Nippon Paper Group’s social responsibility is to effectively use sustainable resources to contribute to the development of a sustainable society.

With proper management, forests become sustainable resources, and forest ecosystems and biodiversity can be protected. The CO₂ sequestering function of forests and the use of wood resources contribute to the prevention of global warming. And the use, recycling, and regeneration of wood resources contributes to the prevention of resource depletion.

As a comprehensive biomass enterprise pursuing the development of new products and expansion of business activities, the Nippon Paper Group owns large-scale production sites, and procures raw materials and ships finished products in massive volumes. Coexistence with local communities and society at large, therefore, demands that we work to reduce our environmental impact at every stage of the value chain.

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### Materiality

- **Climate Change Initiatives**

- **Reduction of Environmental Impacts**

- **Wastepaper Collection and Use**

- **Preserving Biodiversity**

### Indicators

- CO₂ emissions from fossil energy: Reduced by 28.7% vs. Fiscal 1990 (Fiscal 2015 objective/Reduced by 25% vs. fiscal 1990)
- Use of fossil energy: Reduced by 38.4% vs. fiscal 1990 (Fiscal 2015 objective/Reduced by 30% vs. fiscal 1990)
- Waste recycling rate: 98.2% (Fiscal 2015 objective/at least 97%)
- Onsite recycling rate for waste generated within mills: 27.9% (Fiscal 2015 objective/at least 40%)
- Ratio of recycled paper to paper: 38.2% (Fiscal 2015 objective/at least 40%)
- Ratio of recycled paper to paperboard: 92.3% (Fiscal 2015 objective/at least 88%)
- Forest certifications for company-owned forests: 100% (Objective/100%)
Policy and Management
We are putting in place a Group-wide environmental management system based on our Environmental Charter and engaging in environmentally friendly corporate activities.

Endeavoring to reduce the environmental impact of our activities taking into consideration the unique characteristics of our business
Through the effective use of wood, a renewable resource, the Nippon Paper Group delivers a wide spectrum of products to 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.

The Nippon Paper Group is committed to increasing the efficiency of equipment and operations at every stage of the value chain. At the same time, we are promoting effective measures to address wider environmental issues including global warming, resource depletion, and air and water pollution.

Promoting corporate activities that take into consideration the environment
The Nippon Paper Group has established its Environmental Charter to provide a framework for pursuing eco-friendly business activities. Based on the philosophy and basic policies of this charter, the Group strives to reduce the environmental impact of its activities. Looking ahead, we will pursue corporate activities that respond to the heightened environmental awareness of stakeholders.

The Nippon Paper Group Environmental Charter
(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 of distinctive plant and animal communities.

Setting forth specific objectives and actions
The Nippon Paper Group has incorporated into its Environmental Action Plan actions and objectives with respect to each six basic policy in its Environmental Charter. Group companies have each established their own specific environmental action plans based on these actions and objectives. Their efforts to fulfill these plans is enhancing our ability to accomplish the Green Action Plan 2015.

Putting in place a Group-wide Structure
The Management Execution Committee bears management decision-making responsibility for environmental strategy and oversees environmental activities, for the entire Group. Chaired by the executive officer responsible for environmental management, the Nippon Paper Group Environmental Committee draws up the Environmental Action Plan. This Action Plan serves as the basis for practicing the philosophy and basic policies of the Environmental Charter, 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 Management Execution Committee. Deliberating and determining new initiatives, the Management Execution Committee leads the environmental activities of the entire Group and promotes ongoing improvement.

The Nippon Paper Group’s environmental management promotion structure (as of March 31, 2015)

Group companies in Japan

Group companies outside of Japan

<table>
<thead>
<tr>
<th>Green Action Plan 2015</th>
<th>Progress</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Anti-global warming action</td>
<td>Reduce CO2 emissions from fossil energy by 25% versus fiscal 1990.</td>
<td>35</td>
</tr>
<tr>
<td>1. Anti-global warming action</td>
<td>Reduce the use of fossil energy by 30% versus fiscal 1990.</td>
<td></td>
</tr>
<tr>
<td>1. Anti-global warming action</td>
<td>Reduce logistics-generated CO2 emissions.</td>
<td></td>
</tr>
<tr>
<td>2. Protection and development of forest resources</td>
<td>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.</td>
<td>28</td>
</tr>
<tr>
<td>2. Protection and development of forest resources</td>
<td>Maintain forest certification in all proprietary forests, both domestically and internationally.</td>
<td>25</td>
</tr>
<tr>
<td>2. Protection and development of forest resources</td>
<td>Ensure that all imported hardwood chips are PEFC- or FSC®-certified.</td>
<td>25</td>
</tr>
<tr>
<td>2. Protection and development of forest resources</td>
<td>Increase the ratio of recycled paper to paper to at least 40%.</td>
<td>43</td>
</tr>
<tr>
<td>2. Protection and development of forest resources</td>
<td>Increase the waste recycling rate to at least 97%.</td>
<td>41</td>
</tr>
<tr>
<td>2. Protection and development of forest resources</td>
<td>Reduce water use in the manufacturing process.</td>
<td>40</td>
</tr>
<tr>
<td>3. Recycling of resources</td>
<td>Use the environmental management system to strengthen environmental management.</td>
<td>30</td>
</tr>
<tr>
<td>3. Recycling of resources</td>
<td>Property control and reduce the use of chemical substances.</td>
<td>42</td>
</tr>
<tr>
<td>4. Observed environment-related laws and reduction of environmental load</td>
<td>Use the environmental management system to strengthen environmental management.</td>
<td></td>
</tr>
<tr>
<td>4. Observed environment-related laws and reduction of environmental load</td>
<td>Enhance the more sophisticated use of wood materials.</td>
<td>11</td>
</tr>
<tr>
<td>4. Observed environment-related laws and reduction of environmental load</td>
<td>Develop equipment technology for facilitating a departure from reliance on fossil energy.</td>
<td>36</td>
</tr>
<tr>
<td>5. Development of eco-friendly technologies and products</td>
<td>Reduce the environmental load through eco-friendly products and services.</td>
<td>11,52</td>
</tr>
<tr>
<td>5. Development of eco-friendly technologies and products</td>
<td>Disclose environment-related information to stakeholders wherever appropriate with the use of CSR reports, the website etc.</td>
<td>20</td>
</tr>
<tr>
<td>5. Development of eco-friendly technologies and products</td>
<td>Proactively facilitate environmental communication on a regional basis through, for example, dialogue with local people and governments.</td>
<td>33</td>
</tr>
<tr>
<td>5. Development of eco-friendly technologies and products</td>
<td>Proactively participate in and support environment conservation activities.</td>
<td>64</td>
</tr>
<tr>
<td>7. Biodiversity commitments</td>
<td>Remain aware of the impact of business activities on biodiversity, and facilitate companywide biodiversity commitments.</td>
<td>44-46</td>
</tr>
</tbody>
</table>

1. No deadline has been set at this point.
2. FSC® Logo License No.FSC®C120200, FSC®C022307, FSC®C023383
3. Aside from FM certification, CW certification is also included.
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 have a 98% ISO 14001 certification acquisition rate.

Acquisition of ISO 14001 certification (as of March 31, 2015)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Mills / Operating Divisions/ Manufacturing Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Paper-Pak Division)</td>
<td>Paper-Pak Division (Ochanomizu and Oj regions), SOKA PAPER-PACK CO., LTD., EQAWA PAPER-PACK CO., LTD., MKI PAPER-PACK CO., LTD., ISHIOKA KAKO CO., LTD.</td>
</tr>
<tr>
<td>(Chemical Division)</td>
<td>Gotoku Mill, Iwakuni Mill, Hijishimatsuyama Mill, Yufutsu Mill</td>
</tr>
<tr>
<td>Kitakami Paper Co., Ltd.</td>
<td>Headquarters/Ichinoseki Mill</td>
</tr>
<tr>
<td>NP Trading Co., Ltd.</td>
<td>Headquarters/Sapporo Branch Office/Chubu Branch Office/Kansai Branch Office/Chugoku Branch Office/Kyushu Branch Office/Shizuoka Sales Office</td>
</tr>
<tr>
<td>Dashowa Uniboard Co., Ltd.</td>
<td>Headquarters, Miyagi Mill</td>
</tr>
<tr>
<td>SHIKOKU COCA-COLA BOTTLING CO., LTD.</td>
<td>Headquarters, Komatsu Plant</td>
</tr>
<tr>
<td>SHIKOKUCANTEENCOCO., LTD.</td>
<td>Headquarters</td>
</tr>
<tr>
<td>DYNAFLOW CO., LTD.</td>
<td>Headquarters</td>
</tr>
<tr>
<td>N&amp;E Co., Ltd.</td>
<td>Headquarters, Landscape Department, Tokyo Department</td>
</tr>
<tr>
<td>Nippon Paper Development Co., Ltd.</td>
<td>Headquarters</td>
</tr>
<tr>
<td>Sakurai Co., Ltd.</td>
<td>Headquarters</td>
</tr>
<tr>
<td>Nippon Paper Ishinomaki Technology Co., Ltd.</td>
<td>Headquarters</td>
</tr>
<tr>
<td>Nippon Paper Industries USA Co., Ltd.</td>
<td>Port Angeles Mill</td>
</tr>
<tr>
<td>Australian Paper</td>
<td>Maryvale Mill, Shoalhaven Mill</td>
</tr>
<tr>
<td>South East Fiber Exports</td>
<td>Eden</td>
</tr>
<tr>
<td>Jujo Thermal Oy</td>
<td>Kautta Mill</td>
</tr>
</tbody>
</table>

The status of Eco-Action 21 acquisition (as of March 31, 2015)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Mill / Operating Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akita Jujo Chemicals Co., Ltd.</td>
<td>Head Office Plant</td>
</tr>
</tbody>
</table>

Strengthening Environmental Compliance

Two-pronged approach for environmental compliance

In order to better manage and reduce the environmental impact of its business activities, the Nippon Paper Group is strengthening environmental compliance by placing equal emphasis on preventing problems and on establishing a framework that ensures all problems come to light.

To bolster environmental compliance

1. Building systems to prevent problems
   - Building a workplace that emphasizes the importance of the environment (environmental compliance training)
   - Reinforcing systems to identify laws and regulations
   - Implementing measures from both the facility and technology perspectives

2. 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. Having also adopted resources such as a system for searching legal and regulatory matters, we are able to identify the particular laws and legal provisions to which we are subject.

Introducing equipment and facilities to prevent environmental accidents

While moving to strengthen its legal compliance systems, the Nippon Paper Group is also working to introduce equipment and facilities to prevent environmental accidents. Nippon Paper Industries identifies risks of environmental accidents in terms of both probability and potential impact, and introduces the equipment and facilities needed for prevention. Acting on the top priority of preventing chemical spills, the company took steps like installing liquid containment walls in fiscal 2014.

Strengthening environmental management systems

At the Nippon Paper Group, efforts are being made to strengthen the environmental management systems overseen by the headquarters of individual Group companies.

Nippon Paper Industries, for example, has adopted a system for centrally managing emissions from the boilers of individual mills and other business locations. This effort illustrates how the company’s headquarters and production facilities work together to ensure facilities are properly operated and managed.
Environmental audits that place particular emphasis on legal compliance and prevention

Based on the environmental management guidelines on pollution prevention issued by the Japanese Ministry of the Environment and Ministry of Economy, Trade and Industry, the Nippon Paper Group’s various business locations perform internal audits. Once these are completed, Nippon Paper Industry’s head office Environment & Safety Department conducts an environmental audit as an additional check to ensure legal compliance. As a further measure to prevent environmental accidents, audits are performed at the local level to look for chemical leaks and other risky conditions that could develop into more serious problems.

The Nippon Paper Group has put in place a system of mutual audits, under which environmental audits of any particular Group member are performed with the participation of persons responsible for the environment at other Group companies.

Status with regard to legal compliance

We were not subject to any form of adverse disposition from regulatory authorities (revocation of licenses, orders to suspend operation or the use of facilities, or fines) with respect to compliance with environmental regulations in fiscal 2014.

Environmental Communication

Reflecting feedback into our 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 of the communities adjacent to each of its mills and other business locations. 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 risk measures and to foster a greater sense of cooperation.

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

We established the Nippon Paper Group Risk Communication Guidelines in fiscal 2011, and, going beyond simply disclosing information, hold dialogues with stakeholders in annual communications on risks.

- Responses to opinions and complaints

In addition to receiving opinions and inquiries via its website, the Nippon Paper Group has established a complaint and inquiry contact 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.

In fiscal 2014, the Nippon Paper Group handled 14 environment-related complaints in Japan. With each complaint, the relevant mill took steps to determine the cause, and took swift countermeasures. In those instances where a permanent solution required an extended amount of time, all appropriate provisional measures were taken as quickly as possible, and 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.

<table>
<thead>
<tr>
<th>Complaints</th>
<th>No. of complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noise</td>
<td>8</td>
</tr>
<tr>
<td>Dust and mist dispersal</td>
<td>3</td>
</tr>
<tr>
<td>Odor</td>
<td>2</td>
</tr>
<tr>
<td>Vibration</td>
<td>0</td>
</tr>
<tr>
<td>Smoke</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
</tr>
</tbody>
</table>

Environmental Education and Training

Supporting employees to learn

The Nippon Paper Group provides environmental education in various forms. This education is aligned to the career status of each employee from basic knowledge to specialist education including wastewater treatment plant operation. In addition, the Group encourages employees to participate in external training and take advantage of other opportunities to further their qualifications and skills.

- Environmental e-learning

June is Environment Month and this time around in June 2015 we offered an online program, under the theme of “Biodiversity,” which many employees participated in.

- 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.
To advance environmental protection initiatives more efficiently and effectively, the Nippon Paper Group practices environmental accounting to track its environmental protection investments and expenses and quantify their impacts.

### Environmental Accounting

**Environmental conservation expenses amounted to ¥31.2 billion**

Environmental accounting at domestic consolidated subsidiaries*

<table>
<thead>
<tr>
<th>Categories</th>
<th>Principal Activities</th>
<th>Investment ( Millions of yen)</th>
<th>Cost ( Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Business area costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Pollution prevention costs</td>
<td>Maintaining, managing and improving air and water pollution prevention facilities, etc.</td>
<td>512</td>
<td>13,517</td>
</tr>
<tr>
<td>2. Global environmental conservation costs</td>
<td>Preventing global warming as well as maintaining and managing company-owned forests, etc.</td>
<td>3,250</td>
<td>736</td>
</tr>
<tr>
<td>3. Resources circulation costs</td>
<td>Effectively utilizing recycled paper as well as treating, reducing and recycling industrial waste, etc.</td>
<td>374</td>
<td>8,635</td>
</tr>
<tr>
<td>(2) Upstream / downstream costs</td>
<td>Recovering pallets, etc.</td>
<td>–</td>
<td>2,102</td>
</tr>
<tr>
<td>(3) Administration costs</td>
<td>ISO 14001 inspection, operation and management; environmental information disclosure; employee environmental education; and workplace cleaning initiatives, etc.</td>
<td>–</td>
<td>386</td>
</tr>
<tr>
<td>(4) R&amp;D costs</td>
<td>R&amp;D relating to environmentally friendly products as well as the reduction of environmental load imposed by paper manufacturing processes, etc.</td>
<td>–</td>
<td>1,027</td>
</tr>
<tr>
<td>(5) Social activity costs</td>
<td>Local community natural conservation, tree planting, cleaning and landscaping activities, as well as donations and support for environmental organizations, etc.</td>
<td>–</td>
<td>55</td>
</tr>
<tr>
<td>(6) Environmental remediation costs</td>
<td>Levy for pollution-related health damage compensation system (SOx), etc.</td>
<td>–</td>
<td>576</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>4,136</td>
<td>27,034</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>31,170</td>
<td></td>
</tr>
</tbody>
</table>

Environmental conservation impacts in 2014

<table>
<thead>
<tr>
<th>Categories</th>
<th>Environmental Impact Indicators</th>
<th>Results</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effects related to resources introduced to business activities</td>
<td>Afforestation projects overseas</td>
<td>114,000 hectares</td>
<td>Down 2,000 hectares</td>
</tr>
<tr>
<td></td>
<td>Energy-saving measures</td>
<td>Fuel use (Heavy oil equivalent)</td>
<td>–</td>
</tr>
<tr>
<td>Effects related to environmental impact and waste from business activities</td>
<td>Greenhouse gas emissions</td>
<td>CO2 emissions from fossil energy</td>
<td>6,490,000 tonnes</td>
</tr>
<tr>
<td></td>
<td>Hazardous air pollutant emissions</td>
<td>NOx emissions (NO equivalent)</td>
<td>7,185 tonnes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SOx emissions (SO2 equivalent)</td>
<td>2,483 tonnes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Soot and dust emissions</td>
<td>1,541 tonnes</td>
</tr>
<tr>
<td></td>
<td>Water contaminant emissions</td>
<td>Effluent</td>
<td>899,000,000 tonnes</td>
</tr>
<tr>
<td></td>
<td>COD/BOD emissions</td>
<td>54,083 tonnes</td>
<td>Down 1,764 tonnes</td>
</tr>
<tr>
<td></td>
<td>SS emissions</td>
<td>21,503 tonnes</td>
<td>Down 257 tonnes</td>
</tr>
<tr>
<td></td>
<td>Final waste disposal</td>
<td>13,600 tonnes</td>
<td>Down 16,000 tonnes</td>
</tr>
<tr>
<td>Effects related to goods and services produced from business activities</td>
<td>Product recycling</td>
<td>Recycled paper utilization rate (paper)</td>
<td>38.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Recycled paper utilization rate (paperboard)</td>
<td>92.3%</td>
</tr>
<tr>
<td></td>
<td>Shipping material recycling</td>
<td>Pallet recovery rate</td>
<td>44.6%</td>
</tr>
</tbody>
</table>

Economic benefits of environmental conservation

<table>
<thead>
<tr>
<th>Effect</th>
<th>Amount ( Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from company-owned forests in Japan</td>
<td>621</td>
</tr>
<tr>
<td>Reduced expenses from energy saved</td>
<td>2,280</td>
</tr>
<tr>
<td>Reduced disposal expenses through the effective use of waste</td>
<td>5,274</td>
</tr>
<tr>
<td>Gain on sales from the recycled waste</td>
<td>444</td>
</tr>
<tr>
<td>Reduced expenses through the recycling of shipping materials</td>
<td>77</td>
</tr>
<tr>
<td>Total</td>
<td>8,696</td>
</tr>
</tbody>
</table>

* Accounting standards are based on Environmental Accounting Guidelines 2005.
Climate Change Initiatives
Reducing CO₂ emissions at every stage of our business activities

- **Basic Stance**
  Working to achieve goals through three core initiatives
  As a part of our efforts to prevent global warming across every stage of our business activities, we are (1) converting to non-fossil energy by employing boilers that use biomass and waste fuels, (2) conserving energy in each of our production and transportation processes, and (3) managing proprietary forests properly to ensure CO₂ absorption/sequestration (see pages 35–37).

  Furthermore, in accordance with the first item in our Environmental Charter, which calls for the advancement of measures to fight global warming, we have established targets for fighting global warming in the Nippon Paper Group’s Green Action Plan 2015 (see page 31).

Nippon Paper Group Environmental Initiatives

- **Prevention of Global Warming**
  - Reduction of CO₂ emissions from operations
  - Absorption of CO₂ in proprietary forests

- **Fuel conversion**
- **Energy saving**
- **Carbon sequestration**

**Targets for Preventing Global Warming (Green Action Plan 2015)**
- Reduce CO₂ emissions from fossil energy by 25% versus fiscal 1990 levels
- Reduce the use of fossil energy by 30% versus fiscal 1990 levels
- Reduce logistics-generated CO₂ emissions (see pages 36–37)

**Progress under the Green Action Plan 2015**
With the impacts of worsening global economic difficulties since 2008 and the Great East Japan Earthquake in 2011, production volumes in the Nippon Paper Group’s core paper and pulp businesses have been on downward trends.

Though affected by slight declines in paper and paperboard production, compared to both fiscal 2013 and 2014, individual mills and other business locations undertook energy-saving construction and took steps for the continuation of activities for saving energy in operations. These efforts made it possible to not only meet but exceed Green Action Plan 2015 targets, with fiscal 2014 CO₂ emissions from fossil energy down about 29% and fossil energy usage down around 38%, compared to fiscal 1990 figures.

**Fuel Conversion Led by the Adoption of Biomass Boilers**
Activey using biomass and waste fuels to reduce fossil energy usage

In fiscal 2004, the Nippon Paper Group began installing two types of boilers—high-efficiency boilers and boilers capable of burning construction waste and other biomass fuels; used tires, RPF*; and other waste fuels. By fiscal 2009, 10 of these boilers were in operation in Japan.

As a result of energy saving activities, and the fuel conversion accomplished through the introduction of these boilers, the fossil energy usage ratio in Japan fell to 53% in fiscal 2014, compared to 66% in fiscal 1990.

**Change in fossil energy usage ratio (calories)**
(consolidated and non-consolidated Japanese subsidiaries subject to the Act on Rational Use of Energy)

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-fossil energy</th>
<th>Fossil energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2014</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Fiscal 1990</td>
<td>34%</td>
<td>66%</td>
</tr>
</tbody>
</table>

* RPF (Refuse paper and plastic fuel): Fuel derived from paper that is unusable as recycled paper and waste plastic.
Nippon Paper Group Sustainability Report 2015

The Nippon Paper Group focuses mainly on the two core initiatives of improving its loading efficiency and shortening transportation distances to reduce CO2 emissions.

- **Development of a New Biomass Solid Fuel Effective for Reducing CO2 Emissions**

  The idling of nuclear power plants after the Great East Japan Earthquake has resulted in increased reliance on coal-fired power generation and concerns about ways to reduce global warming gas (CO2) emissions.

  Electric utilities and others have been moving forward with the coal firing of woody biomass fuel in pulverized coal boilers, as a way to reduce CO2 emissions. Woodchips and wood pellets, however, cannot be efficiently crushed and there are other issues, for example, with water repellency when stored outdoors.

  To address these challenges, Nippon Paper Industries has applied torrefaction technology to carbonize woody biomass at a relatively low temperature to develop a new biomass solid fuel that has pulverization properties similar to those of coal and retains most of its energy value.

- **Advancing Energy Efficiency in Logistics**

  Working to promote green logistics

  The Nippon Paper Group focuses mainly on the two core initiatives of improving its loading efficiency and shortening transportation distances to reduce CO2 emissions.

  **Logistics-related initiatives**

  - Improving loading efficiency
  - Shortening transportation distances
  - Pursuing direct delivery and joint delivery

- **Promoting a modal shift in transportation to secure high loading efficiency**

  Nippon Paper Industries achieved a modal shift rate\(^*\) of 89% in its paper operations in fiscal 2014. This far surpassed the domestic and industry averages.

  \(^*\) Modal shift rate:
  The percentage of rail or marine (including coastal shipping and ferries) transport in general cargo transported over 500 kilometers.

- **Working with logistics service providers to shorten transportation distances**

  The Nippon Paper Group is working with logistics service providers to bypass warehouses and deliver products directly to customers. This effort is intended to reduce CO2 emissions by shortening overall transportation distances.

### Comparison of modal shift rates

<table>
<thead>
<tr>
<th></th>
<th>Japan average (Fiscal 2005: Data released by Japan's Ministry of Land, Infrastructure, Transport and Tourism)</th>
<th>38%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper manufacturing industry average (Fiscal 2013: Data released by the Japan Paper Association)</td>
<td></td>
<td>79%</td>
</tr>
<tr>
<td>NiPPON Paper Industries Co., Ltd. (Fiscal 2014 paper operations)</td>
<td></td>
<td>89%</td>
</tr>
</tbody>
</table>

- **One of the largest corporate users of biomass energy in Japan**

  The Nippon Paper Group actively applies biomass energy from sources such as black liquor, a byproduct of the pulp manufacturing process, and construction waste. The amount consumed accounts for up to 7%\(^1\) of non-fossil energy (excluding nuclear and hydroelectric power) used in Japan. The Nippon Paper Group is one of the largest corporate users of biomass energy in Japan.

  \(^1\) In-house data prepared using energy supply information (fiscal 2013 finalized information) published by the Natural Resources and Energy Agency.

### Biomass energy utilization at the Nippon Paper Group

- Photosynthesis
- Vegetation
- Wooden housing
- Pulp
- Woodchips
- Black liquor
- Recovery boiler
- Biomass and waste boiler
- Construction waste materials
- Biomass fuel

### The idling of nuclear power plants after the Great East Japan Earthquake

The idling of nuclear power plants has resulted in increased reliance on coal-fired power generation and concerns about ways to reduce global warming gas (CO2) emissions.

### Working to promote green logistics

- Improving loading efficiency
- Shortening transportation distances
- Pursuing direct delivery and joint delivery

Pursuing direct delivery and joint delivery
● Obtaining Green Management Certifications
Green Management Certifications are awarded and registered by the Foundation for Promoting Personal Mobility and Ecological Transportation. Companies that undertake at least a certain minimum level of initiatives based on the Green Management Promotion Manual are eligible for these certifications.

Within the Nippon Paper Group, 17 business locations of 9 Group companies—Nippon Paper Logistics, Kyokushin Transport, Nanko Logistics Support, Hotoku, NP Unyu Kanto, NP Unyu Fuji, NP Unyu Kansai, NP Unyu Iwakuni, and New Transport—have received Green Management Certifications (as of July 1, 2015). The Nippon Paper Group is actively implementing ecological driving, vehicle inspection and maintenance, reduction of vehicle disposal and waste generation, proper waste handling and recycling, and other practices consistent with green management.

● Absorbing and sequestering CO2 through Proper Management of Company-Owned Forests

Sequestering atmospheric CO2 in forests and wood products

● Sequestering CO2 with 204,000 hectares of forests in and outside Japan
As trees grow, they absorb and sequester CO2 from the atmosphere. As they are a major repository of carbon, it is widely recognized that the proper protection of forests helps prevent global warming.

Together with its 90,000 hectares held across 30 prefectures in Japan, the Nippon Paper Group manages 114,000 hectares of forests across four countries abroad for a total of 204,000 hectares. Through proper forest management, the Group retains its CO2 absorption and sequestration capabilities. These forests, both in and outside Japan, continuously sequester approximately 34 million tonnes of CO2, thereby helping to prevent global warming.

● Sequestering CO2 in various wood products
CO2 sequestered in trees as carbon remains sequestered even after trees have been processed into products like construction materials and paper. Products made from wood, therefore, work to prevent increases in atmospheric CO2 concentrations. Using wood products and actively recycling waste paper, in other words, by fixing CO2 for extended periods of time in products, helps to hold down increases in atmospheric CO2 concentrations.

Moreover, when wood products like construction materials reach the end of their useful lives they can be used as carbon-neutral biomass fuel, the burning of which does not increase atmospheric CO2.

Helping to prevent global warming through the cascade-use of trees

Containers on trains operated by Japan Freight Railway Company (JR Freight) are used to ship products to the Tokyo metropolitan area from Nippon Paper Industries’ Ishinomaki Mill. Until now, however, those containers were being sent back to northeastern Japan empty.

In restoring its Ishinomaki Mill, which suffered heavy damage from the Great East Japan Earthquake, Nippon Paper Industries changed the mill’s layout and helped to prepare the adjacent JR Ishinomakiko Freight Terminal in ways that now allow wastepaper collected in Tokyo to be sent to the Ishinomaki Mill on freight trains. Now, roughly 2,000 tonnes of waste paper is collected in metropolitan Tokyo, loaded into containers and shipped by rail back to the Ishinomaki Mill every month. Switching from trucks to rail transport has reduced CO2 emissions by approximately 1,750 tonnes per year.

That this joint undertaking by Nippon Paper Industries, Nanko Unyu, and JR Freight, has produced stable supplies of wastepaper and succeeded in reducing CO2 emissions was recognized by Japan’s Ministry of Land, Infrastructure, Transport and Tourism, and Ministry of Economy, Trade and Industry, which presented the trio with a Fiscal 2014 Green Logistics Partnership Conference Special Award.
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, which accounts for 79% of total net sales. Constituting most of the Group’s material balance in Japan, this division is responsible for approximately 92% of the Group’s water consumption and 95% of its CO2 emissions there.

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 paper products.

Balance of materials (principal materials) 1

<table>
<thead>
<tr>
<th>Input</th>
<th>Production and supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>Chemical pulp</td>
</tr>
<tr>
<td>Woodchips</td>
<td>Sodium hydroxide, sodium sulfide</td>
</tr>
<tr>
<td>Logs</td>
<td>Cooking (into fibers)</td>
</tr>
<tr>
<td>Pulp</td>
<td>Cleaning</td>
</tr>
<tr>
<td>Recycled paper (pulp)</td>
<td>Black liquor</td>
</tr>
<tr>
<td>Chemical substances subject to the PRTR Law</td>
<td>Amount consumed 3,255,000 tonnes</td>
</tr>
<tr>
<td>Amount handled</td>
<td>515 tonnes</td>
</tr>
<tr>
<td>Water consumption</td>
<td>827,000,000 tonnes</td>
</tr>
<tr>
<td>Energy input</td>
<td>Energy (electricity, steam)</td>
</tr>
<tr>
<td>Electricity</td>
<td>954 GWh</td>
</tr>
<tr>
<td>Oil</td>
<td>165,000 kℓ</td>
</tr>
<tr>
<td>Coal</td>
<td>2,059,000 tonnes</td>
</tr>
<tr>
<td>Gas</td>
<td>93,000 tonnes</td>
</tr>
<tr>
<td>Other non-fossil fuels</td>
<td>1,627,000 tonnes</td>
</tr>
<tr>
<td>Energy output</td>
<td>Private power generation facilities</td>
</tr>
<tr>
<td>CO2</td>
<td>796,000 BD tonnes</td>
</tr>
<tr>
<td>SOX</td>
<td>918,000 BD tonnes</td>
</tr>
<tr>
<td>NOX</td>
<td>740,000 BD tonnes</td>
</tr>
<tr>
<td>Non-fossil energy input</td>
<td>Mechanical pulp</td>
</tr>
<tr>
<td>Chemical substances subject to the PRTR Law</td>
<td>Energy (electricity)</td>
</tr>
<tr>
<td>Amount handled</td>
<td>9 tonnes</td>
</tr>
<tr>
<td>Water consumption</td>
<td>1,500 tonnes</td>
</tr>
<tr>
<td>Energy input</td>
<td>Grinding</td>
</tr>
<tr>
<td>Electricity</td>
<td>23,600 tonnes</td>
</tr>
<tr>
<td>Oil</td>
<td>63,700 tonnes</td>
</tr>
<tr>
<td>Coal</td>
<td>1,490 tonnes</td>
</tr>
<tr>
<td>Gas</td>
<td>2,300 tonnes</td>
</tr>
<tr>
<td>Other non-fossil fuels</td>
<td>4,300 tonnes</td>
</tr>
<tr>
<td>Energy output</td>
<td>Private power generation facilities</td>
</tr>
<tr>
<td>CO2</td>
<td>23,600 tonnes</td>
</tr>
<tr>
<td>SOX</td>
<td>250 tonnes</td>
</tr>
<tr>
<td>NOX</td>
<td>2,059,000 tonnes</td>
</tr>
<tr>
<td>Non-fossil energy input</td>
<td>Recycled paper pulp</td>
</tr>
<tr>
<td>Chemical substances subject to the PRTR Law</td>
<td>Energy (electricity)</td>
</tr>
<tr>
<td>Amount handled</td>
<td>99 tonnes</td>
</tr>
<tr>
<td>Water consumption</td>
<td>23,600 tonnes</td>
</tr>
<tr>
<td>Energy input</td>
<td>Economic value creation of papers</td>
</tr>
<tr>
<td>Electricity</td>
<td>999,000 tonnes</td>
</tr>
<tr>
<td>Oil</td>
<td>63,700 tonnes</td>
</tr>
<tr>
<td>Coal</td>
<td>1,170 tonnes</td>
</tr>
<tr>
<td>Gas</td>
<td>2,300 tonnes</td>
</tr>
<tr>
<td>Other non-fossil fuels</td>
<td>4,300 tonnes</td>
</tr>
<tr>
<td>Energy output</td>
<td>Private power generation facilities</td>
</tr>
<tr>
<td>CO2</td>
<td>999,000 tonnes</td>
</tr>
<tr>
<td>SOX</td>
<td>250 tonnes</td>
</tr>
<tr>
<td>NOX</td>
<td>2,059,000 tonnes</td>
</tr>
</tbody>
</table>

1 Jujo Thermal Oy and South East Fibre Exports were added to the data collection scope in fiscal 2014.
2 Biomass fuels except for black liquor and waste fuels.
3 Japan only.
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, and generators that create electricity with turbines driven by steam.

Unfortunate byproducts of the pulp and paper manufacturing process are effluents containing water contaminants as well as steam 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.

### Co₂ emissions from fossil energy
- 7,150,000 tonnes
- 918,000,000 tonnes

### Wastewater
- 918,000,000 tonnes
- Public water
- 908,000,000 tonnes
- Sewage
- 10,000,000 tonnes

### Chemical substances subject to the PRTR Law
- Amount released: 192 tonnes
- Amount transferred: 61 tonnes

### Recycling of waste
- 850,000 BD tonnes

### Products manufactured
- Paper, household paper
- Paperboard
- Pulp
- Chemical products
- Building materials
The Nippon Paper Group has installed boilers and turbines in an effort to generate power internally at its paper mills. Included in the steam 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.

In papermaking, pulp is highly diluted with water to make a pulp suspension and then formed as a wet thin sheet. Water is removed from the sheet by drying to make paper. Water, therefore, is an extremely important element in the paper manufacturing process, and wastewater contains minute pulp fibers, filler, and other materials that are derived from wood, but are not used to make paper.

Each of the Nippon Paper Group’s mills consistently measures pollutants with such indices as COD, BOD, SS, and pH, and treats wastewater before it is discharged. Working to reduce water pollution even further, we also ensure that contaminants are held below levels prescribed under the law.

The raw materials and chemicals used by Nippon Paper Group mills contain almost no heavy metals, trichloroethylene or other soil contaminants. There were no instances of contaminated soil generated at Group companies during fiscal 2014.

* The Group was unable to compile information for the Ishinomaki and Iwanuma mills, due to the Great East Japan Earthquake. Accordingly, fiscal 2009 data for each mill was used and modified to enable a year-on-year comparison.
Working to make effective use of waste, while reducing waste generation

The Group is working diligently to expand the effective use of waste, while reducing the amount of waste generated, to reduce final waste disposal.

Under its Green Action Plan 2015, the Group has the twin objectives of increasing the waste recycling rate to at least 97% and recycling at least 40% of waste generated within its facilities to promote the effective use of resources.

As a result of the introduction of granulation equipment to advance the effective use of ash produced from the burning of fuel, the waste recycling rate and the recycling rate of waste generated within facilities approximated 98.2% and 27.9%, respectively, in fiscal 2014.

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

Preventing noise and vibration

Pulp and paper mills produce large amounts of paper and use large machines to do so. As long as these machines have a lot of motors and pumps, they are a potential source of noise and vibration. In fiscal 2014, the Group received 8 complaints about noise and none regarding vibrations. Irrespective of the existence of complaints, each mill takes steps to minimize the level of noise generated, and installs sound insulation facilities or relocates machinery whenever an issue is determined to have arisen.

Preventing odors

When making kraft pulp, foul odors from substances such as hydrogen sulfide, methyl mercaptan, methyl sulfide, and methyl disulfide can be generated. The Nippon Paper Group received two complaints relating to odors during fiscal 2014. In addition to installing equipment that contains 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 of odors on surrounding areas.

Case

Project for making and selling the concrete admixture CfFA® (Carbon-free Fly Ash)

It has long been known that fly ash, a product of coal combustion, is extremely effective in increasing density, and enhancing strength and useful life, when used as an ingredient in concrete. The use of fly ash as a concrete admixture, however, has not taken hold because it often contains unburned carbon, which, in even small percentage, can have negative impacts on the properties of ready-mixed concrete and quality of hardened concrete.

To promote the use of fly ash as a concrete admixture, Nippon Paper Industries has adopted technology developed under the leadership of Oita University. Sales of CfFA®, a high-quality fly ash concrete admixture we will manufacture at the Ishinomaki Mill, are now scheduled to begin in January 2016. This technology, the first of its kind in the world, removes unburned carbon from fly ash through a firing process.

Reconstruction work is moving forward in the Ishinomaki area, which suffered severe damage in the Great East Japan Earthquake. CfFA®, as a product that makes effective use of ash from coal combustion – a waste product – to improve the quality of concrete, can make a valuable contribution to restoration of disaster area.
Controlling Chemical Substances

Properly managing chemical substances while pursuing efforts to limit use

Responding to the PRTR Law

The Pollutant Release and Transfer Register (PRTR) is a mechanism for businesses to use in tallying and reporting the wide variety of hazardous chemical substances that are either emitted from their facilities or transferred from their facilities in waste.

The Nippon Paper Group holds risk communication meetings at its mills. Steps are taken at each meeting to explain to local residents how chemical substances subject to the PRTR Law are being managed and used.

Amounts of substances subject to the PRTR Law released and transferred

<table>
<thead>
<tr>
<th>Cabinet Order No.</th>
<th>CAS No.</th>
<th>Chemical Substance</th>
<th>Unit</th>
<th>Amount Released</th>
<th>Amount Transferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>—</td>
<td>Water-soluble zinc compounds</td>
<td>t</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>79-06-1</td>
<td>Acrylamide</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>81-26-1</td>
<td>Acrylic acid and water-soluble salt</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>107-13-1</td>
<td>Acrylonitrile</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>16</td>
<td>78-67-1</td>
<td>2, 2’-azobisobutyronitrile</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>37</td>
<td>90-05-7</td>
<td>4,4’-isopropylidenediphenol</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>48</td>
<td>2104-64-5</td>
<td>O-ethyl-O-(4-nitrophenyl)phosphonothioate</td>
<td>t</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>53</td>
<td>100-41-4</td>
<td>Ethyl benzene</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>57</td>
<td>110-90-5</td>
<td>Ethylene glycol monoethyl ether</td>
<td>t</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>80</td>
<td>1330-20-7</td>
<td>Xylene</td>
<td>t</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>85</td>
<td>111-30-8</td>
<td>1,4-butanediol</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>98</td>
<td>79-11-6</td>
<td>Chlorodifluoromethane</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>127</td>
<td>106-93-3</td>
<td>Chloroform</td>
<td>t</td>
<td>72</td>
<td>11</td>
</tr>
<tr>
<td>134</td>
<td>108-91-8</td>
<td>Vinyl acetate</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>144</td>
<td>—</td>
<td>Inorganic cyanide compounds (except complex salts and cyanates)</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>149</td>
<td>56-23-5</td>
<td>Tetrachloromethane</td>
<td>t</td>
<td>0</td>
<td>33</td>
</tr>
<tr>
<td>154</td>
<td>108-91-8</td>
<td>Cyclohexylamine</td>
<td>t</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>213</td>
<td>121-19-5</td>
<td>N,N-dimethylacetamide</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>232</td>
<td>69-12-2</td>
<td>N,N-dimethylmethanamide</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>243</td>
<td>—</td>
<td>Dioxins</td>
<td>t</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>272</td>
<td>—</td>
<td>Copper salts (water-soluble, except complex salts)</td>
<td>t</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>290</td>
<td>95-63-6</td>
<td>1,2,4-trimethylbenzene</td>
<td>t</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>300</td>
<td>108-88-3</td>
<td>Toluene</td>
<td>t</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>302</td>
<td>91-20-3</td>
<td>Naphthalene</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>318</td>
<td>75-15-0</td>
<td>Carbon disulfide</td>
<td>t</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>333</td>
<td>302-01-2</td>
<td>Hydrazine</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>374</td>
<td>—</td>
<td>Hydrogen fluoride and its water-soluble salts</td>
<td>t</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>392</td>
<td>110-54-3</td>
<td>N-hexane</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>495</td>
<td>—</td>
<td>Water-soluble salts of peroxysulfuric acid</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>405</td>
<td>—</td>
<td>Boron compounds</td>
<td>t</td>
<td>26</td>
<td>0</td>
</tr>
<tr>
<td>420</td>
<td>—</td>
<td>Poly (oxyethylene) alkyl ether (alkyl C=12-15)</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>410</td>
<td>9016-45-9</td>
<td>Polyoxyethylene norylphenyl ether</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>411</td>
<td>50-00-0</td>
<td>Formaldehyde</td>
<td>t</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>412</td>
<td>—</td>
<td>Manganese and its compounds</td>
<td>t</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>414</td>
<td>108-31-6</td>
<td>Malic anhydride</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>415</td>
<td>79-41-4</td>
<td>Methacrylic acid</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>416</td>
<td>2867-47-2</td>
<td>2-(dimethylamino) ethyl methacrylate</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>419</td>
<td>97-88-1</td>
<td>N-butyl methacrylate</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>420</td>
<td>80-62-6</td>
<td>Methyl methacrylate</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>429</td>
<td>121-75-4</td>
<td>Methyl methacrylate</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>448</td>
<td>101-68-8</td>
<td>Methylenebis (4,1-phenylene) disocyanate</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>455</td>
<td>110-91-8</td>
<td>Morpholine</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total*</td>
<td></td>
<td></td>
<td></td>
<td>17,766</td>
<td>17,000</td>
</tr>
</tbody>
</table>

1 A summary of the amounts of substances, excluding dioxins, released or transferred in quantities of at least 1 tonne by each Group company. Dioxins and formaldehyde are designated type 1 chemical substances.

2 Includes unintentionally generated chloroform and dioxins.

3 Dioxins are not included in total data.
Wastepaper Collection and Use

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

● Basic Stance

Actively promoting paper recycling

To promote effective use of resources, the Nippon Paper Group, together with customers, has built systems for collecting and using wastepaper and is working with citizens’ and industry groups to promote awareness and understanding of wastepaper collection. In addition to bolstering its wastepaper processing capabilities, the Group is striving to improve the quality of pulp made from waste paper and to increase the number of applications of pulp.

● Progress under the Green Action Plan 2015

Striving to achieve challenging goals

Under its Green Action Plan 2015 (see page 31), the Nippon Paper Group raised the objectives of increasing the ratio of recycled paper to paper and to paperboard to at least 40% and 88%, respectively.

In fiscal 2014 the Group reported recycled paper utilization rates for paper and paperboard of 38.2% and 92.3%, respectively. Despite difficulties in procuring recycled paper in Japan due to the rise in demand in China in recent years, we will continue to maintain and improve recycled paper utilization rates going forward.

Recycled paper utilization rate in domestic subsidiaries with mills and works

<table>
<thead>
<tr>
<th>(%)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td>89.1</td>
<td>88.5</td>
<td>88.9</td>
<td>89.4</td>
<td>89.5</td>
<td>92.3</td>
</tr>
<tr>
<td>Paperboard</td>
<td>42.5</td>
<td>39.0</td>
<td>39.9</td>
<td>41.3</td>
<td>39.1</td>
<td>38.2</td>
</tr>
</tbody>
</table>

Case

Promoting wastepaper recycling activities

(Nippon Paper Industries Co., Ltd., Kitakami Paper Co., Ltd.)

Aiming to be an urban resource recycling facility, Nippon Paper Industries’ Yoshinaga Mill has established large-scale wastepaper recycling stations at two off-site locations to promote the saving of resources. The ability to take wastepaper to the Yoshinaga Mill’s off-site facilities at any time of day has won praise from residents who like that they no longer have to deal with the trouble of having to keep wastepaper at their homes until collection day. Looking to the future, the mill plans to encourage greater use of its facilities by local residents as part of a 24-hour wastepaper collection project.

Kitakami Paper Co., Ltd., meanwhile, has established its wastepaper collection facility on the grounds of its mill. The residents and small and medium-sized enterprises of the city of Ichinoseki are allowed to freely bring their wastepaper to this facility, which accepts paper items including container board and used magazines. Money from the sale of this wastepaper is contributed to a fund benefitting the city.

Initiatives for Expanding the Use of Recycled Paper

Expanding the production of products made with recycled paper in Australia

At the Maryvale Mill of Australian Paper, in the Australian state of Victoria, we are planning to increase the production of eco-friendly products that respond to the country’s heightened environmental awareness. Facilities capable of producing 50,000 tonnes of wastepaper pulp annually have been installed at the Maryvale Mill with technical support from Nippon Paper Industries and assistance from the Australian government.

To date, Australian Paper has been the only company in Australia to produce recycled copier paper—an eco-friendly product.

As a result of the startup of new wastepaper-pulp facilities in 2015, Australian Paper will vigorously expand its line of products with recycled paper content and ramp up production.

Initiatives aimed at recovering milk cartons

(The Nippon Paper Industries)

Nippon Paper Industries Co., Ltd., 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 and placement of milk carton collection boxes at schools and public facilities, we achieved a paper beverage carton collection rate of 44.6% in fiscal 2013.

Beverage carton collection rate

<table>
<thead>
<tr>
<th>(%)</th>
<th>1994</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td>19.9</td>
<td>43.5</td>
<td>43.6</td>
<td>42.9</td>
<td>44.2</td>
<td>44.6</td>
</tr>
</tbody>
</table>

Environmental Responsibility

Reduction of Environmental Impacts / Wastepaper Collection and Use

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

Pursuing activities that protect the ecosystems of company-owned forests and leverage proprietary resources and technologies

Engaging in two core initiatives

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. The basic philosophy of the Nippon Paper Group Environmental Charter (see page 30) 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.

The Nippon Paper Group is preserving biodiversity and sustainably using its components (see page 22, Sustainable Forest Management). In our efforts to preserve biodiversity, we are advancing various activities in accordance with two core principles—one, to implement initiatives through our core business activities, and the other, to leverage the Group’s resources and technologies.

Nippon Paper Group Initiatives

Preserving biodiversity

Initiatives implemented in the Conduct of Our Core Business Activities

- Protection of forest biodiversity
- Reduction of environmental impacts of production activities

Initiatives leveraging our Resources and Technologies

- Use of company-owned forests
- Use of proprietary technologies

Initiatives in Our Core Business Activities

Pass thriving forests on to future generations

Forest biodiversity protection scheme

The Nippon Paper Group, working from a foundation of sustainable forest management, cooperates with stakeholders to conduct biodiversity surveys and take collaborative action to protect forest biodiversity.

Breakdown of company-owned forests in Japan

(As of March 31, 2015) (1,000 hectares)

<table>
<thead>
<tr>
<th>IUCN Categories</th>
<th>Commercial Forest Area</th>
<th>Environmental Forest Area</th>
<th>Total</th>
<th>% Share</th>
<th>Environmental Forest Area %</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>—</td>
</tr>
<tr>
<td>II</td>
<td>National park</td>
<td>0.6</td>
<td>4.5</td>
<td>5.1</td>
<td>6%</td>
</tr>
<tr>
<td>III</td>
<td>Natural monument</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>—</td>
</tr>
<tr>
<td>IV</td>
<td>Habitat/species management area</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>—</td>
</tr>
<tr>
<td>V</td>
<td>Protected landscape/ seascape</td>
<td>2.5</td>
<td>0.7</td>
<td>3.2</td>
<td>4%</td>
</tr>
<tr>
<td>VI</td>
<td>Protected area with sustainable use of natural resources</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>—</td>
</tr>
<tr>
<td>Not applicable</td>
<td>68.6</td>
<td>13.1</td>
<td>81.7</td>
<td>91%</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>71.7</td>
<td>18.3</td>
<td>90.0</td>
<td>100%</td>
<td>20%</td>
</tr>
</tbody>
</table>

- Defined by the International Union for Conservation of Nature as areas set aside for the long-term protection of nature and ecosystem services, and cultural value.

- Reducing the environmental impacts of production activities

For the benefit of biodiversity, the Nippon Paper Group strives to reduce the environmental impacts 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.

Forest Biodiversity Protection Scheme

Philosophy and Basic Policy Concerning Raw Materials Procurement (see page 22)

Action Plan for Wood-Based Raw Material Procurement (see pages 24, 25)

Biodiversity Survey

Topography confirmation, fixed-point surveys of forest ecosystems, etc. (Ex.) Regular surveys in afforested areas (see pages 45, 46), surveys of Blakiston’s fish owls conducted in Hokkaido with the Wild Bird Society of Japan, ornithological surveys in the company-owned Kitayama Forest in the city of Fujinomiya, Shizuoka Prefecture, flora surveys conducted in the company-owned Kitayama Forest with the Fuji Society of Nature Observation

Confirmation and Adjustment in Forest Operation

- Adjustment of Location and Timing for Logging (Preserving Blakiston’s Fish Owl Habitat while Pursuing Forest Operation (see page 45))
- Preparation and carrying of area-by-area information based on prefectoral Red List* and checklist confirmation before and after performance of work

Environmental forest areas – 18,000 ha in Japan (see page 26)

- Logging for the purpose of lumber production is prohibited for ecosystems, watersheds, etc.
- Protecting areas – 170,000 ha in Brazil

Particularly sensitive areas

Clear identification of the areas to be protected

Other

- Establishment of protected forests, protection of riparian forests, etc.

- List of threatened animal and plant species in Japan.

Third-Party Sustainable Forest Management Validations

Forest certification programs (see pages 24, 25)

Forest management certifications have been awarded to Nippon Paper Industries in recognition of its practice of biodiversity-friendly forest management in all of its company-owned forests in Japan and overseas.
Preserving Blakiston’s fish owl habitat while pursuing business activities – Collaborating with the Wild Bird Society of Japan

In October 2010, Nippon Paper Industries entered into an agreement with the Wild Bird Society of Japan where 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 is home to three confirmed braces of this endangered species.

In May 2015, we signed a memorandum of understanding for the pursuit of business activities while preserving Blakiston’s fish owl habitat in company-owned forests located in the Kushiro region of Hokkaido. Blakiston’s fish owl reproduction was first confirmed in thinned areas of the same forests in 2011 and a survey to identify the areas where these birds are active during their breeding season was conducted with the Wild Bird Society of Japan in 2014. Collaboration with the same organization in the Nemuro region led to mutual understanding of the importance of protecting endangered species, and the positions of both parties in the relationship. It also produced a degree of trust that enabled agreement on timing standards and work approaches that protect Blakiston’s fish owl habitat and breeding activity, allowing us to conduct normal logging and forest operation activities without establishing a wild bird sanctuary. As we enhance our efforts for the benefit of sustainable forest management, we will continue to rely on the knowledge of the Wild Bird Society of Japan.

Building a baseline of data on species is vital to protecting ecosystems with rare plants and animals. In fiscal 2013, therefore, we conducted a survey of mammals in the Nemuro region’s wildlife sanctuary. The presence of seven species and eight types of bats are confirmed. In general, large to small species, including brown bears, Ezo red foxes, and Hokkaido squirrels were confirmed to be living in the sanctuary.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Survey Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Large trees suitable as Blakiston’s fish owl habitat</td>
</tr>
<tr>
<td>2011</td>
<td>Bird species habitat</td>
</tr>
<tr>
<td>2012</td>
<td>Nesting survey focusing on white-tailed eagles and Stellar’s sea eagles, and an audio survey of nocturnal bird species</td>
</tr>
<tr>
<td>2013</td>
<td>Mammals and Blakiston’s fish owl habitat (Nemuro region of Hokkaido)</td>
</tr>
<tr>
<td>2014</td>
<td>Geographic activity scope of the Blakiston’s fish owl (Kushiro region of Hokkaido)</td>
</tr>
</tbody>
</table>

Conducting biodiversity research (AMCEL S.A, Brazil)

AMCEL S.A., located in the Brazilian state of Amapa, owns approximately 310,000 hectares of land, and has set aside 55% of it, about 170,000 hectares, as a conservation area. To preserve the ecosystem, the company is pursuing the following initiatives:

- **Installation of equipment for monitoring the quality and level of water in the afforestation area, and performance of regular water inspections**
- **Annual provision of the conservation area for use in a wildlife release program being conducted by the Brazilian Institute for the Environment and Renewable Natural Resources**
- **Collaboration with the Department of Biological Sciences at the Federal University of Para (2010 - )**
  Ongoing monitoring by AMCEL following a joint 2010 mammalian habitat survey in afforested and other areas. In 2013, began a survey of animals to serve as indicators for sanctuaries for scarce species.
- **Collaboration with the Universidade Federal Rural da Amazonia (2011-2012)**
  Conduct of a pre-afforestation tropical savanna survey to gather basic vegetation information. Plants from 25 orders and 14 families were catalogued.
- **Conduct of a survey of medium- and large-size mammals in the conservation area (2011-2013)**
  In fiscal 2012, a survey covering eight communities located within the conservation area adjacent to AMCEL’s afforested land was conducted. Focusing on medium- and large-size mammals, it employed a questionnaire to gather sighting and other information from residents, and incorporated observations of evidence such as animal trails, fecal matter, and footprints. It was determined that jaguars, which are a “near-threatened” species, live within the conservation area.
  In fiscal 2013, a habitat survey was initiated in AMCEL’s sanctuary-designated land for the protection of the yellow-spotted river turtle, which has been designated a vulnerable species.
- **Collaboration with the local environmental research institution in Amapa state (2014- )**
  A vegetation survey was initiated on company-owned sanctuary-designated land to determine the distribution and status of plant life. Additionally, AMCEL maintains a database of wild animal sightings by employees in afforested sanctuary-designated areas to use as an index of biodiversity.
Contributing to the protection of a variety of plant species

Protecting trees of historical value

Nippon Paper Industries contributes to the protection of endangered plant species through its proprietary technology for cultivating cuttings in containers.

The technology for cultivating cuttings in containers encourages plants to root and does so through the use of a cultivating room characterized by an environment that promotes photosynthesis. Because this technology enables the propagation of even trees that failed to root via traditional cutting technology or are too old to root, it is one option for preserving endangered species and trees of historical value.

Even plant species that normally fail to root by cutting are able to root

An example of the latter is the Tatekawa cherry tree at Reishozan Shinsho Gokuraku-ji (also known as Shinnyo-do), a temple located Kyoto. This tree is said to have been planted to mark the death of Kuransuke Saito, the father of Kasuga-no-Tsubone, who was the wet nurse of Iemitsu Tokugawa, the third shogun of the Tokugawa dynasty. Planted over 300 years ago, it was already quite old when it was toppled by a typhoon in 1959. It was also quite large, with a trunk diameter of about one meter. Efforts to save it began several years later, when a shoot emerged from the broken trunk, and they succeeded in bringing the tree back to the point of being able to blossom again. With its advanced age, however, it inevitably weakened, and attention turned to the possibility of growing a new tree from a cutting.

Confident in its technique for cultivating cuttings in containers, Nippon Paper Industries took up the challenge and, in November 2013, successfully presenting Shinnyo-do with one-meter saplings that began as cuttings from the Tatekawa cherry tree.

Restoring tidal flat environments

One of the byproducts of the papermaking process is paper sludge. Comprised of material such as tiny fibers that could not be used to make paper, paper sludge is used as a fuel. The use of this byproduct, however, does not have to end there; firing results in paper sludge ash and work is proceeding to develop effective uses for this material.

Nippon Paper Industries’ Yatsushiro Mill has partnered with Kumamoto University and Fukuoka Construction K.K. to develop a new offshore engineering material for revitalizing coastal environments. Made from sediment dredged from seaways, paper sludge ash, and other waste, this new material is currently being used in a test aimed at restoring a portion of tidal flat at the Port of Yatsushiro. With the test started in February 2013, it became clear in six months that around 30 species, including crabs and clams, had taken hold in the newly created tidal flat.
Stakeholder opinions are critical for bringing to our attention issues that are important for coexisting with society and growing sustainably. We now receive large numbers of customer questions regarding environmentally and socially conscious raw material procurement and product development. The Nippon Paper Group is committed to providing products that respond to customer concerns and desires.

**Key Objective (Materiality)**

- Providing environmentally and socially conscious products

**Indicators**

- Forest certification coverage (For the provision of products with forest certifications)
  - Company-owned forests with forest certifications: 100%
  - Forest certifications for imported hardwood chip: 100%
- Wastepaper content
  - Paper: 38.2%
  - Paperboard: 92.3%

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Policy and Management

In addition to the stable supply of various products that are indispensable to everyday life, we continue to pursue quality and safety which meet the expectations of customers.

Providing products that society trusts

The Nippon Paper Group’s business activities are grounded in the supply of paper and paper products indispensable to everyday life. In this manner, we have continued to develop and grow in tune with society. We also engage in a broad spectrum of activities including the manufacture and sale of films, healthcare products, chemical products, lumber, and construction materials. Our customer base is equally wide-ranging, encompassing both the corporate sector and individuals.

Providing stable supplies of these products that are indispensable to everyday life is how we fulfill our basic responsibility to play a useful role for society. By also assuring quality and safety, we will continue to live up to the trust society places in our products and services.

Philosophy and Basic Policy on Product Safety

(established on October 1, 2004, revised on August 1, 2014)

Philosophy

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

Basic Policy

1. To provide safe products and services in response to the continued trust of our customers.
2. To respect related laws and standards in order to guarantee the safety of our products and services. We pursue safety not only as expected under Japanese laws but also from a global perspective.
3. To provide customers with precise information on the safety, features, and correct usage of our products.
4. To set up a product and service safety management structure and ensure that all group employees have a thorough awareness of the importance of product safety.

Approach toward Product Safety

Strictly complying with laws and regulations

Nippon Paper Industries’ mills and research laboratory have assembled ISO 14001 systems that guide their control of chemical substances used. At the same time, steps are taken on all statutory and regulatory compliance including the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture and the PRTR Law.

To ensure food safety and confidence, regarding products used as food containers, Japan’s Food Sanitation Act and all other laws, regulations, and standards applying to paper containers for food and beverages are followed. Nippon Paper Industries’ Paper-Pak Division also incorporates HACCP1 concepts in the hygiene management of its production processes, monitors products with devices for detecting defects, and has introduced special clothing to prevent product contamination by hair. The division is constantly working to equip and enhance its production facilities in ways that promote stable quality and even better health.

In our food and beverage related businesses, we are moving to obtain the international FSSC 220002 certification on food safety, which includes enhancing food defense.

1. HACCP An acronym for “Hazard Analysis and Critical Control Point”
2. FSSC 22000 FSSC 22000 is a food safety management system certification scheme that integrates ISO 22000 and other standards.

Acquisition of FSSC 22000 Certifications Obtained

(as of March 31, 2015)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Mills, Operating Division, Production Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon Paper Industries Co., Ltd.</td>
<td>(Chemical Division)</td>
</tr>
<tr>
<td>Nippon Paper Industries Co., Ltd.</td>
<td>(Paper-Pak Division)</td>
</tr>
<tr>
<td>Akita Jujo Chemicals Co., Ltd.</td>
<td>Gotsu Mill</td>
</tr>
<tr>
<td>SOKA PAPER-PAK CO., LTD.</td>
<td>ESSAWA PAPER-PAK CO., LTD.</td>
</tr>
</tbody>
</table>

* CMC, cellulose powder, and stevia and licorice sweeteners (all for use in food
Initiatives for Quality Stabilization

Working to stabilize quality, so customers can use our products with confidence

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

Acquisition of ISO 9001 certification (As of March 31, 2015)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Mills/Operations/Divisions/Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Chemical Division)</td>
<td>MIKIPAPER-PAK CO., LTD., ISHIHOKA KAKO CO., LTD.</td>
</tr>
<tr>
<td>Nippon Paper Crecia Co., Ltd.</td>
<td>Tokyo Mill</td>
</tr>
<tr>
<td>SHIKOKU COCA-COLA BOTTLING CO., LTD.</td>
<td>Kornatsu Plant</td>
</tr>
<tr>
<td>SHIKOKU CUSTOMER SERVICE CO., LTD.</td>
<td>Headquarters</td>
</tr>
<tr>
<td>Nippon Seitai Corporation</td>
<td>Hokkaido Office, Maebashi Mill, Saitama Mill</td>
</tr>
<tr>
<td>NIPPON PAPER UNITEC CO., LTD.</td>
<td>Four business sites at headquarters (construction/electricity/control systems/plant engineering)</td>
</tr>
<tr>
<td>Kokusaku Kiko Co., Ltd.</td>
<td>Headquarters/Equipment &amp; Facilities Department/Yufutsu Department/Shirai Department/Ashihikawa Department</td>
</tr>
<tr>
<td>NANKO UNYU CO., LTD.</td>
<td>Headquarters/Ishinomaki Office/Shipping Management Center/Iwanuma Office/Nakoso Office/Akita Sales Office Service Department/Maintenance Shop/Tokyo Branch</td>
</tr>
<tr>
<td>Nippon Paper Ishinomaki Technology Co., Ltd.</td>
<td>Headquarters</td>
</tr>
<tr>
<td>GAC Co., Ltd.</td>
<td>Headquarters/Mill, Marketing Division</td>
</tr>
<tr>
<td>FLOWRIC CO., LTD.</td>
<td>Headquarters, Concrete Research Center, Nagoya Mill</td>
</tr>
<tr>
<td>N&amp;E Co., Ltd.</td>
<td></td>
</tr>
<tr>
<td>Australian Paper</td>
<td>Maryvale Mill, Shoalhaven Mill, Preston Facility</td>
</tr>
<tr>
<td>Jujo Thermal Oy</td>
<td>Kauttua Mill</td>
</tr>
</tbody>
</table>

Certifications obtained for CMC and cellulose powder production.

Quality assurance systems in the paper and paperboard divisions

Nippon Paper Industries has adopted a Service Engineer system to shorten the distance between customers and production facilities. Under this system, Service Engineer-technical staff members - listen directly to customers’ voices. They do this, for instance, by visiting customers and conducting quality patrols in which they observe printing and processing lines where paper is used. Furthermore, to create even closer relationships with customers, Nippon Paper Industries revamped its quality assurance systems in 2013, assigning employees expert in technical matters to sales divisions. Having not only sales personnel but also technical experts and SEs meet with customers, we rapidly address customer needs across a wide range areas.

In addition, to handle contacts about product defects, we have established a system in which we record the information received in an internal database, and then implement a collaborative response to the problem by swiftly communicating the information to the relevant division. Moreover, aggregating and analyzing the database content helps to prevent problems from recurring and improves quality.

Quality Assurance Systems in the Paper and Paperboard Divisions

- Quality audits at companies making containers for liquids
  - The five production subsidiaries of Nippon Paper Industries’ Paper-Pak Division undergo annual quality audits by a team which includes the division head, and pursue continuous quality improvement based on identified actual conditions (including the “SSs”) in their production facilities. In addition to the quality audits, production companies also undergo food sanitation investigation focusing in particular on measures for dealing with critical microorganisms, foreign matters, and pest control.
  - The SSs are romanized abbreviation of five Japanese words—seri, seito, seisaku, seiitetsu, and shitsuke—which mean sorting, setting-in-order, shining, standardizing, and sustaining, respectively. The SSs are used to maintain or improve workplace environments.

- Verification and audit of waste paper pulp blending ratio
  - Nippon Paper Industries has established a system for managing the percentage of waste paper pulp content in its products and guarantees these percentages to customers. 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. The proper operation of content management systems is confirmed in internal and external audits, and customers come to our mills to verify that products are being manufactured to content specifications.
Responsibility to Customers

Policy and Management

● Responding to instances of defective products
In instances where a problem with one of the Group’s products has come to light, the department in charge of quality assurance (e.g., Customer Service Office) at the relevant Group companies 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 to be particularly significant or in need of urgent attention, each Group company takes the appropriate action in accordance with its Product Safety Crisis Management Manual.

At Nippon Paper Crecia Co., Ltd., which sells consumer products, contact information for the Customer Service Office is provided on all products and the Customer Service Office itself is placed directly under the president to ensure that the president is informed of all customer complaints. Furthermore, the company’s website is 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.

● Stable supply systems optimized by product
To provide customers with the amounts of products they need at the times they need them, we devote considerable effort to maintaining stable production by securing reliable procurement of raw materials, and systematically maintaining and upgrading our production facilities. The sales departments and production units coordinate their activities to provide customers with reliable supplies of products by developing flexible production plans that avoid waste, and managing inventories appropriately.

● Stable supply of newsprint
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.

● Addressing natural disaster risks
The Nippon Paper Group, having learned much in the wake of the Great East Japan Earthquake, has developed practical guidelines for addressing earthquake, tsunami, and other natural disaster risks. Working from these guidelines, each mill and plant has examined the natural disaster response measures it has used to date and revised its disaster response manual.

For its part, Nippon Paper Industries, in preparation for a major disaster that could either disable its headquarters or damage infrastructure so severely that its headquarters is unable to function, has established a backup facility that could immediately take over headquarters functions. The company also conducts training in the transfer of functions from its headquarters to the backup facility.

● Business continuity management system
To help ensure that beverages and other products reach consumers regardless of external circumstances, Nippon Paper Industries’ Paper-Pak Division has developed its own business continuity guidelines and established its own business continuity management system, so that it can maintain production even in times of emergency. In particular, the division is moving ahead with procurement of key raw materials from multiple manufacturers. It has also dispersed its paper container production facilities across four production companies to lower its disaster risk exposure.

● Identifying Customer Needs

Proactive communication

The Nippon Paper Group engages in proactive communication—in everything from routine sales activities to quality patrols by technical staff—to identify customer needs across a wide range of areas. We now receive numerous questions from customers wanting information on the species of trees, countries of origin, and legality of our raw materials. In response, we explain that we are meeting customer demands through our own initiatives and through third-party evaluations (see page 25).

Nippon Paper Industries’ Paper-Pak Division conducts technical lectures for customers (dairy and beverage companies) providing them with information on how to properly use filling machines. At the same time, the division continuously strives to improve its products based on valuable feedback from customers.

Nippon Paper Crecia and other Group members, meanwhile, use customer surveys to gather data on customer satisfaction and needs by product, and then use what they learn to create measures of their success in serving customers.

● Mill tours for customers
The Nippon Paper Group actively welcomes customers for inspections and tours of mills and plants to give them a first-hand view of production facilities and, thereby, gain their understanding of production activities.
**Providing Environmentally and Socially Conscious Products**

We provide products that meet customer demands including forest certified products.

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### Environmentally Friendly Raw Materials Procurement

**Case**

**Providing certified paper by starting with properly managed forests**

(Nippon Paper Group)

The forest certification system is composed of two components—the Forest Management (FM) component, which certifies that forests are responsibly managed from environmental, social, and economic perspectives, and the Chain-of-Custody (CoC) component, which certifies that products from certified forests have been properly processed and distributed. The Nippon Paper Group has obtained international CoC certifications at its principle mills, and provides certified paper products.

**Status of CoC certification acquisition**

(as of March 31, 2015)

<table>
<thead>
<tr>
<th>PEFC</th>
<th>Company Name</th>
<th>Mill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon Paper Industries Co., Ltd.</td>
<td>Hokkaido (Shiraoi), Akita, Ishinomaki, Yoshinaga, Fuji, Otake, Iwakuni, Yatsushiro</td>
<td></td>
</tr>
<tr>
<td>Nippon Paper Papylia Co., Ltd.</td>
<td>Harada, Kochi</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FSC®</th>
<th>Company Name</th>
<th>Mill (License no.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon Paper Industries Co., Ltd.</td>
<td>Hokkaido (Yufutsu, Shiraoi) (FSC®C009360)</td>
<td></td>
</tr>
<tr>
<td>Nippon Paper Industries Co., Ltd.</td>
<td>Nakoso, Iwakuni (FSC®C114363)</td>
<td></td>
</tr>
<tr>
<td>Nippon Paper Papylia Co., Ltd.</td>
<td>Harada, Kochi (FSC®C005984)</td>
<td></td>
</tr>
<tr>
<td>Nippon Paper Crecia Co., Ltd.</td>
<td>Koyo (FSC®C085114)</td>
<td></td>
</tr>
</tbody>
</table>

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### Environmentally Friendly Production

**Case**

**Low-basis-weight coated cardboard**

(Nippon Paper Industries Co., Ltd.)

Nippon Paper Industries sells a lightweight coated cardboard product (Floche White Card) that is suitable for use in children’s books and as packaging material. While using almost 10% less raw material than previous products, this new product, even with its lower density, maintains the same level of print gloss as earlier products. Made without the use of fluorescent dyes, it also offers greater safety.

Reducing the basis-weight of products will continue to be a focus as the company expands its offerings of environmentally conscious products.

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### Environmentally Friendly Utilization

**Case**

**Offering the lightest printing paper in Japan**

(Nippon Paper Papylia Co., Ltd.)

Nippon Paper Papylia has developed, and now sells, the lightest (18 g/m²) printing paper available in Japan (based on company research). Even with less than a third the thickness of ordinary copy paper, this paper retains suitability for use as a printing paper.

Putting the same amount of information on paper that is lighter and less voluminous results in smaller loads to ship and lower space requirements for storage.
Environmentally Friendly Handling after Use

**Case** Non-aluminum paper containers
(Nippon Paper Industries, Paper-Pak Division)

Non-Aluminum FUJIPAK, a product of Nippon Paper Industries’ Paper-Pak Division, was adopted by ITO EN, LTD. for its Jujitsu Yasai (vegetables galore) series of vegetable juice products launched in March 2014. Non-Aluminum FUJIPAK containers include no aluminum foil, so they can be collected through the same channels used for milk cartons. These containers for liquid products leverage the characteristics of paper as a recyclable biomass material and were named a winner of the Chairperson’s Award at the 11th Eco-Products Awards for their desire to lower environmental impact.

The Paper-Pak Division, in its effort to realize the full potential of the FUJIPAK system, offers a wide range of container choices to meet the needs of product manufacturers and society.

Environmentally Friendly Disposal

**Case** KC FLOCK® powdered cellulose made from wood pulp
(Nippon Paper Industries, Chemical Division)

Nippon Paper Industries’ Chemical Division markets KC FLOCK®, the brand name for the company’s powdered cellulose made from wood. 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 to reuse after incineration of the KC FLOCK®.

Providing Products that Help to Overcome Challenges for Society

Responding to changing quality demands

**Case** Super Jet Fiber insulation material
(Nippon Paper Lumber Co., Ltd.)

Nippon Paper Lumber manufactures Super Jet Fiber, a 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 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 for one household.

**Case** A product line for a wide range of needs
(Nippon Paper Crecia Co., Ltd.)

Nippon Paper Crecia goes to great lengths to develop products that respond to customer needs. It pays meticulous attention to feedback received directly from customers through its Customer Service Office and sales channels, and works to develop products that meet newly emerging needs and performance demands.

**Case** Sunrose® and other nursing care foods
(Nippon Paper Industries Co., Ltd. Chemical Division)

The Chemical Division of Nippon Paper Industries Co., Ltd. is devoting substantial attention to applications for foods for the elderly and people requiring nursing care. At the Medi-Care Foods Expo, for example, it featured Sunrose®, a water-soluble polymer (CMC); KC FLOCK®, dietary fiber in the form of cellulose powder; and SK SWEET®, a form of stevia, a natural high-intensity sweetener.

Responsibility to Customers

Providing Environmentally and Socially Conscious Products
The Nippon Paper Group manages broad expanses of forest and owns large-scale production sites. Securing the safety and health of the people working at each of its business locations, therefore, is its top priority.

**Materiality**
- Occupational Safety and Health

**Indicators**
- Occupational accident frequency rate: 0.31
- Occupational accident severity rate: 0.03
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**

**Focusing on the optimal application of diverse human resources while ensuring 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. In utilizing a diverse workforce, a partner to secure mutual growth, the 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.

While the Group’s production sites use heavy machinery and engage in inherently dangerous operations, every effort is made to maintain and enhance safe working environments and to take all appropriate measures for safety and anti-disasters.

- **Philosophy and Basic Policy**

**Respecting fundamental human rights and working to be a company where employees can look to a better future**

In order for the Nippon Paper Group to gain the trust of society and to fulfill its responsibilities, every employee must act with a high moral sense and strong motivation. The Group, therefore, bears important responsibilities for promoting employee awareness and behavior consistent with that principle, helping individual employees improve their capabilities, and rewarding them for their performance.

Taking all this into consideration, the Group established its Philosophy and Basic Policy on Human Rights, Employment and Labor. And employees who believe a problem may exist in any of these areas can report it via the Group’s Help Line System (see page 19).

- **Initiatives in Respect of Human Rights**

**Confirming, verifying, and educating with the help of a third-party perspective**

**Concern for human rights across the supply chain**

Concern for human rights and labor across the entire supply chain is clearly defined in the Nippon Paper Group’s Philosophy and Basic Policy Concerning Raw Materials Procurement (see page 22). At the same time, the Group conducts supplier surveys and interviews to confirm that these concerns are properly addressed (see page 25).

In addition, Group forest management considers the culture and traditions of residents in each region of its overseas afforestation operations (see page 28).

**Exchanging opinions with Amnesty International Japan**

In 2014, the Nippon Paper Group held a meeting with Amnesty International Japan to share opinions and enlist a third-party perspective in uncovering human rights issues.

Representatives of that organization were asked to meet separately with Nippon Paper Industries’ Forestry and Personnel departments. The meetings helped us to deepen our understanding of global trends in human rights issues and gave us an opportunity to explain and discuss conditions at the Group. Furthermore, given the understanding that human rights issues can exist despite legal compliance, we considered items to be treated as the highest priorities in confirming current conditions. In fiscal 2015, we have begun to consider the future confirmation of the status of human rights at subcontractors in Japan.

**Education and training**

The Nippon Paper Group, in its efforts to exercise appropriate personnel management cognizant of human rights, pursues initiatives such as having the employees responsible for personnel matters participate in training courses hosted by government agencies. The Group has also conducted human rights education for personnel in charge of CSR at each of the Group companies. Human rights education will also be conducted for new hires and newly appointed managers.

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**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.
Occupational Safety and Health

By working daily to uncover inherent risks, maintaining a workplace environment in which employees can go about their duties without undue anxiety

Basic Stance

Securing safety and health, and preventing disasters

In providing a safe work environment, the Nippon Paper Group advances initiatives emphasizing safety and health. Maintaining an unwavering daily commitment to uncovering and minimizing risks is key to that effort. Consistently engaging in sound management while responding to the trust of employees is also important for building a pleasant and comfortable workplace that helps to maintain and improve employees’ health.

Having formulated the Philosophy and Basic Policy on Safety and Health Measures in 2004, the Group has created labor safety and health systems and continuously strives to prevent accidents and provide safe, pleasant working environments.

System to Promote Occupational Safety and Health

To build a safe workplace environment

The Nippon Paper Group has established the Safety and Disaster Prevention Committee, which coordinates Group-wide occupational safety and health, disaster prevention and security measures.

At Nippon Paper Industries, labor and management occupational safety and health meetings are held once each year. The persons responsible for occupational safety and health from the head office, mills, and labor union 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 office. 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 and then execute the determined activities.

Occupational safety and health management system

In 2009, the Nippon Paper Group implemented its own system for continuously pursuing occupational safety and health management activities at the organization level. Under this system, a three-tiered approach is used for the performance of risk assessments by employees and at the management level, and information on risks and risk abatement measures is shared through measures such as the performance of mutual risk assessments among the organizational units of a business location. Events are held to promote the sharing of expertise on the performance of risk assessments to raise safety standards across the Group.

Mill safety audit system

The Nippon Paper Group conducts mill safety audits to raise the level of safety management. In addition, mutual safety audits among the Group companies were introduced in 2010. Audits are being improved from the bottom up by promoting closer communications within the Group.

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, and to strive 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 and clearly define 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.
Occupational Safety and Health

Eliminating occupational accidents

The Nippon Paper Group\(^1\) had an occupational accident frequency rate of 0.31 and severity rate of 0.03 for 2014. The Group is working to eliminate occupational accidents by promoting the use of risk assessments, and conducting risk prediction, patrol, and education activities.

### Occupational accident frequency rate
Indicates how often occupational accidents occur, in terms of the number of accidents causing injuries or deaths per million work hours.

<table>
<thead>
<tr>
<th>Year</th>
<th>Nippon Paper Group</th>
<th>Pulp, paper and processed paper product manufacturing industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1.55</td>
<td>1.49</td>
</tr>
<tr>
<td>2011</td>
<td>0.98</td>
<td>1.05</td>
</tr>
<tr>
<td>2012</td>
<td>1.46</td>
<td>1.00</td>
</tr>
<tr>
<td>2013</td>
<td>0.94</td>
<td>0.94</td>
</tr>
<tr>
<td>2014</td>
<td>1.30</td>
<td>0.16</td>
</tr>
</tbody>
</table>

### Occupational accident severity rate
Indicates the seriousness of occupational accidents, in terms of the number of workdays lost per 1,000 work hours.

<table>
<thead>
<tr>
<th>Year</th>
<th>Nippon Paper Group</th>
<th>Pulp, paper and processed paper product manufacturing industry</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.75</td>
<td>0.39</td>
</tr>
<tr>
<td>2011</td>
<td>0.77</td>
<td>0.77</td>
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<td>2012</td>
<td>0.30</td>
<td>0.30</td>
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<tr>
<td>2013</td>
<td>0.31</td>
<td>0.31</td>
</tr>
<tr>
<td>2014</td>
<td>1.06</td>
<td>0.55</td>
</tr>
</tbody>
</table>

\(^1\) The manufacturing facilities of Nippon Paper Industries Co., Ltd., Nippon Paper Crecia Co., Ltd., and Nippon Paper Pappyla Co., Ltd.

Natural disaster and fire countermeasures

In preparation for earthquakes, tsunamis, floods, and other types of natural disasters, the various business locations of the Nippon Paper Group have created disaster preparedness manuals reflecting local hazard map information and the characteristics of their particular operations and geographic location. They also cooperate with local fire departments and other public safety authorities to conduct regular disaster preparedness training. At Nippon Paper Industries, individual business locations undergo regular disaster prevention surveys by a company specializing in risk assessment.

Traffic safety initiatives

Traffic safety education is offered to raise employee awareness of commuting safety. In addition, the Nippon Paper 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.

Efforts regarding Hygiene and Health

Taking into consideration the importance of mental and physical 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, at Group companies that are members of the Nippon Paper Industries Health Insurance Union, examinations focusing on lifestyle diseases are performed together with regular physical examinations. In addition, industrial physicians regularly visit workplaces and the Group uses the results of these visits in efforts to improve working environments. The Group also provides medical examinations for the spouses of employees.

Tackling mental health

Nippon Paper Industries has organized Internet-based mental health care and counselling services for all employees. Under this system, employees are asked to complete an annual survey designed to detect needs for mental health care services.

Status of Occupational Accidents

Working from various angles

Safety Education

The Nippon Paper Group places considerable weight on employee safety education and training. These efforts are designed to achieve employee thorough awareness toward occupational safety and health.

Nippon Paper Industries puts in place an annual Occupational Safety and Health Management System plan at each of its mills and offices, which then implements various occupational safety and health education programs covering every stage of an employee’s career from initial hiring through to supervisor training. Constantly renewing safety awareness, the company is endeavoring to achieve incident- and accident-free workplaces.

In-plant safety measures

Nippon Paper Industries has always endeavored to ensure workplace safety with the intention of eliminating 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 and 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 mill safety with measures that cover even secondary subcontractors by clarifying the responsibilities of primary subcontractors.
Creating Workplaces that Support Diverse Human Resources

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 helping each other deepen their knowledge serve to invigorate the workplace. Amid forecasts of a drop in Japan’s working-age population, diversification of workforces is becoming increasingly vital to ensuring ongoing growth. Our aim is to be a vigorous organization emphasizing the spirit of Challenge, Fairness, and Teamwork - the values included in the Group Mission we definitively stated in 2015.

### Recruitment and Employment

**Advancing discrimination-free hiring**

The Nippon Paper Group employs over 12,000 employees in and outside of Japan. In its efforts to fulfill its responsibilities to communities, the Group strives to ensure stable employment while continuously recruiting new employees.

Furthermore, based on its Philosophy and Basic Policy on Human Rights, Employment and Labor, the Group promotes discrimination-free recruitment and employment. The Group employs a selection process that bases decisions on test and interview results. Factors including nationality, place of birth, gender and level of school completed have no place in selection decisions.

**Hiring of People with Disabilities**

The statutory employment rate for people with disabilities was increased to 2.0% in April 2013. The Nippon Paper Group as a whole is continuing with efforts to lift its rate for the employment of people with disabilities.

The rate of employment of people with disabilities (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
<th>*</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1.84</td>
<td>1.82</td>
<td>1.91</td>
<td>1.78</td>
<td>1.99</td>
</tr>
<tr>
<td>2010</td>
<td>1.84</td>
<td>1.82</td>
<td>1.91</td>
<td>1.78</td>
<td>1.99</td>
</tr>
<tr>
<td>2011</td>
<td>1.84</td>
<td>1.82</td>
<td>1.91</td>
<td>1.78</td>
<td>1.99</td>
</tr>
<tr>
<td>2012</td>
<td>1.84</td>
<td>1.82</td>
<td>1.91</td>
<td>1.78</td>
<td>1.99</td>
</tr>
<tr>
<td>2013</td>
<td>1.84</td>
<td>1.82</td>
<td>1.91</td>
<td>1.78</td>
<td>1.99</td>
</tr>
<tr>
<td>2014</td>
<td>1.84</td>
<td>1.82</td>
<td>1.91</td>
<td>1.78</td>
<td>1.99</td>
</tr>
</tbody>
</table>

**Promoting the Employment of Elderly Persons**

The Nippon Paper Group has implemented its 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 employees to work up to the age of 65. Now, it is preparing new rules that will allow employees of retirement age to continue working based on their desire and skills, at least until they begin to receive pensions.

### Performance in reemploying workers who reach the mandatory retirement age

(Regular employees of Nippon Paper Industries and consolidated subsidiaries in Japan)

<table>
<thead>
<tr>
<th>Year</th>
<th>Nippon Paper Ind.</th>
<th>Employees seeking reemployment</th>
<th>People reemployed</th>
<th>Consolidated subsidiaries in Japan</th>
<th>People reemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td>55</td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>62</td>
<td>59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>44</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>57</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>51</td>
<td>67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>112</td>
<td>53</td>
<td></td>
<td>309</td>
</tr>
</tbody>
</table>

2. Depending on staffing conditions and other factors, the company may request employees to continue working beyond the retirement age, and some employees have agreed to do this. This is why the number of people reemployed sometimes exceeds the number of retirees requesting to be reemployed.
Creating Workplaces that Support Diverse Human Resources

Using the Trial Employment system for recruitment (Yoshinaga Mill, Nippon Paper Industries)

The Ministry of Health, Labour and Welfare is promoting “Trial Employment” system under which people are hired in principle for three months with the presumption that they will be transitioned to full-time employment afterwards. This system is intended for the benefit of people who are uncertain about taking on a full-time job.

The Yoshinaga Mill used this system when it first began to hire people with disabilities, and used the three-month trial period for on-the-job training. Hands-on job experience over this period gave participants and the company a chance to develop clearer understandings of each other and resulted in participants joining the company as full-time employees.

Women in the Workplace

Creating greater opportunities for women

Organizational invigoration is an additional consideration in emphasizing the importance of applying and giving women opportunities to succeed in the workforce, and the Nippon Paper Group, with the establishment of a new Human Resources Planning Office, is creating conditions that promote their participation here.

Nippon Paper Industries, for example, has moved to help employees with children meet both work and home responsibilities through measures like extending its childcare support policies to allow the use of accumulated leave (expired annual paid leave) to care for children up through the time they begin to attend elementary school.

Female management participation and recruiting

At Nippon Paper Industries a large proportion of jobs is in mill settings and so low recruitment of women in the past is a major reason for their low participation in our management ranks now. To remedy this situation, we are actively assigning women to mills with the goal of doubling their participation in management by fiscal 2020.

Women in management (consolidated entity in Japan)

<table>
<thead>
<tr>
<th>Year</th>
<th>New graduates</th>
<th>Women</th>
<th>Men</th>
<th>Percent women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>33</td>
<td>6</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>2010</td>
<td>16</td>
<td>3</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>2011</td>
<td>37</td>
<td>3</td>
<td>34</td>
<td>8</td>
</tr>
<tr>
<td>2012</td>
<td>43</td>
<td>6</td>
<td>37</td>
<td>14</td>
</tr>
<tr>
<td>2013</td>
<td>56</td>
<td>8</td>
<td>48</td>
<td>14</td>
</tr>
<tr>
<td>2014</td>
<td>34</td>
<td>7</td>
<td>27</td>
<td>21</td>
</tr>
</tbody>
</table>

Promoting Work-Life Balance

Realizing a balanced workplace environment

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.

Nippon Paper Industries, for example, has introduced flextime work hours for its head office, research facilities, branches, and the administrative sections of its mills.

Complying with the 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 Japan’s Act on Advancement of Measures to Support Raising Next Generation Children.

As one example, Nippon Paper Industries revised its systems at the timing of revisions to Japan’s Child Care and Family Care Leave Act. Since fiscal 2010, the company has continued to implement systems that exceed the provisions stipulated under the revised legislation. This includes extensions to the exemption period for overtime working hours, the application period for child care and paid leave for child rearing.

Action Plan in Response to the Act on Advancement of Measures to Support Raising Next Generation Children (Nippon Paper Industries: revised in April 2013)

1. Improve the actual taking of child care leave
   One or more male employees taking child care leave during the period of the plan (April 2013–March 2015), 80% or more of female employees taking child care leave

2. Reduce total hours worked and promote the taking of annual paid leave

3. Strengthen support for the development of the young people who will lead the future. Do this by providing workplace tours, hands-on vocational education opportunities, etc.
Support for self-development and voluntary skill acquisition

The Nippon Paper Group supports employee self-development and voluntary skill acquisition through means such as group training and rewards for acquiring professional qualifications. In addition, traditional job-level-based training is conducted jointly by Group members to promote the development of employees throughout the Group. And training is pursued from a broad perspective; job-level-based training at mills, for example, is conducted not just for a single mill but together with neighboring mills. Furthermore, Group employees can meet self-determined skill needs by taking any of approximately 150 correspondence courses and joint training. Every employee is offered not only the ability to choose courses they personally want to take but also precious, mutually stimulating opportunities for joint training with colleagues from other Group companies.

Assigning the right people to the right positions

Nippon Paper Industries periodically surveys 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 has implemented an internal recruitment system. Under this system, individual employees can consider their skills and how they want to develop their career, and then apply for a position posted by a Nippon Paper Group member.

Initiatives Aimed at Developing Human Resources

Support for the improvement and exercise of professional skills

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) assignment of the right people to the right positions; (3) development of human resources capable of acting on a global stage; (4) reinforcement of production frontline capabilities; and (5) support for the development of lifelong as well as career plans. Complementing these endeavors, the Group is also building a Global Human Resources Bank and conducting joint training among group companies.

Outline of the education and career development support system for career-track employees

(Information on Nippon Paper Industries for fiscal 2014)

<table>
<thead>
<tr>
<th>Newly hired</th>
<th>30</th>
<th>40</th>
<th>45</th>
<th>50</th>
<th>55</th>
<th>60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Manager</td>
<td>(Manager Level)</td>
<td>(General Manager Level)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Education and training for new recruits
- Education and training for employees in their second year
- Assessment of potential for assignment to fourth-grade manager positions
- Education and training for newly appointed managers
- Assessment of potential for assignment to first-grade manager positions

- Selective education and training

- In-house job posting system
- Career challenge program
- Career education and training for employees at age 50
- Early preferential retirement program

Data on Balancing Work and Personal Lives

<table>
<thead>
<tr>
<th>Employees taking child-care leave</th>
<th>Persons 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>Persons 4</td>
</tr>
<tr>
<td>Women</td>
<td>Persons 21</td>
</tr>
<tr>
<td>recently giving birth % 91</td>
<td></td>
</tr>
<tr>
<td>who returned to work % 100</td>
<td></td>
</tr>
<tr>
<td>Employees taking maternity/paternity leave</td>
<td>Persons 164</td>
</tr>
<tr>
<td>Men</td>
<td>Persons 141</td>
</tr>
<tr>
<td>Women</td>
<td>Persons 23</td>
</tr>
<tr>
<td>Average number of days taken for maternity/paternity leave</td>
<td>Men Days 3</td>
</tr>
<tr>
<td>Women</td>
<td>Days 86</td>
</tr>
<tr>
<td>Employees taking nursing-care leave</td>
<td>Persons 2</td>
</tr>
<tr>
<td>Total number of working hours</td>
<td>Hours 1,885</td>
</tr>
</tbody>
</table>
| The rate of annual paid leave taken by employees % 69.2

1 Data scope: Consolidated subsidiaries in Japan
2 Data scope: Non-management employees of Nippon Paper Industries
Creating Workplaces that Support Diverse Human Resources

- Development of employees capable of acting on a global stage

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 education institutions and by overseas assignments to the various offices of Nippon Paper Group.

Nippon Paper Industries is building 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 efficiently build a corps of human resources capable of working in a global setting. Currently, 500 personnel are registered with the bank.

- Reinforcement of production frontline capabilities

Human resource capabilities at the production frontline represent the heart of the manufacturing process. The Nippon Paper Group passes on to each generation the technologies and skills nurtured over a lengthy period to maintain and improve the capabilities of its human resources.

Nippon Paper Industries organized the “Committee to Study the Strengthening of Mill-Level Production Frontline Capabilities” in fiscal 2006, and all mills began implementing its recommendations in fiscal 2008. Nippon Paper Industries has organized and is operating systems under which technologies and skills that should be carried forward at individual production sites are identified, and training is prioritized based on analyses of the strengths and weaknesses of, and skills needed by, individuals. In fiscal 2015, the company is introducing these education and training activities at the paperboard business absorbed in a 2012 merger.

- Support for the planning of life and career

Given the hike in the public pension eligibility age and increasing diversification of lifestyles, employees must consider a number of factors when planning their careers and life after retirement. Therefore, core 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.

- Fair Evaluation and Compensation

Evaluation based on skills and performance

As part of its efforts to practice fair and transparent personnel evaluations, Nippon Paper Industries lays out clear evaluation criteria and conducts review sessions, in which managers provide feedback on performance evaluations, for all non-management employees. Review sessions are an opportunity to ensure that employees understand and accept evaluation results and for setting the skill development direction for individual employees. For decisions on promotions to management and other positions, the assistance of outside companies specializing in human resource assessment is called upon to enhance objectivity.

- Industrial Relations

Improving the workplace environment through labor and management consensus

The Nippon Paper Group strives to maintain a sound relationship with its employees. Labor unions have been formed at Nippon Paper Industries and the majority of its consolidated subsidiaries. Irrespective of the existence of a labor union, however, every effort is made to promote smooth industrial relations at all Group companies.

For example, under the common objective of building a better company, Nippon Paper Industries has established a variety of committees that cover such fields as the operations of labor and management agreements, and staffing adjustments. Discussions with mutual respect and agreements between the two provide the basis for a variety of initiatives, as well as efforts to improve the workplace environment. On the top of these endeavors, regular central meetings of both sides’ leaders provide a forum to discuss diverse issues including corporate management and working conditions.

- Discussions of working conditions

Major changes to working conditions, such as alterations to personnel systems and personnel downsizing, are in principle implemented on the basis of prior discussions between labor and management. Nippon Paper Group companies do not unilaterally impose changes on employees.

Routine communication is critical for gaining employee understanding of company actions. The Group strives to engage in dialog with employees and labor union to provide such information as financial results.
As a comprehensive biomass enterprise developing new products and growing its businesses, the Nippon Paper Group manages broad expanses of forests and owns large-scale production sites, so it has significant impacts on local communities and the people who live and work in them. Coexistence with these communities is critical to our own continued existence.

Materiality

- Coexistence with Local Communities and Society at Large

Indicators

- Company-owned forests with forest certifications: 100% (Assessment criteria include factors such as biodiversity and protection of human rights)
- Mill tour participants: 21,446 (including 7,575 students and teachers)
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.

**Basic Stance**

Coexisting with Local Communities, Contributing to the Advancement of Society as a Whole

As one of its members, the Nippon Paper Group aims to contribute to society as a whole. While continuing to provide needed products, we would like to play a useful role in protection of the global environment and in the advancement of culture and local communities. We are confident that building a consistent track record along those lines will earn the trust of society and allow us to continue our business activities in coexistence with local communities.

The initiatives we engage in, both inside and outside Japan, include cleanups of the areas around our mills and plants, support for vocational training in afforestation areas, and other locally focused activities; and operation of the School of Friendship for Forests and Paper, mill tours, and other activities making use of forests and other Group resources.

**Philosophy and Principles for Social Contribution Activities**

(established 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.

**Specific activity themes**

- Increase the community involvement of Group company mills and overseas affiliations
- Promote activities that effectively utilize the resources and specialist expertise of each Group company
- Promote corporate citizenship activities in which our employees play an active role
- Effectively use the company-owned forests in Japan (about 90,000 hectares)
- Employ effective PR inside and outside the Group

**Structure for promoting social contribution activities**

The CSR Division takes the lead in promoting Group-wide social contribution activities. Each Group company appoints a person responsible for overseeing social contribution activities. Each responsible person develops a thorough understanding of social contribution activities undertaken to date, and works to upgrade and expand their content and details.

**The Nippon Paper Group’s principal social contribution activities**

<table>
<thead>
<tr>
<th>Principal activities</th>
<th>Specific examples</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local community activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaning activities</td>
<td>Activities in areas surrounding the Group’s sites</td>
<td></td>
</tr>
<tr>
<td>Local community safety and disaster prevention</td>
<td>Activities focusing on the safety of children</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Traffic safety initiatives</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Participation in fire brigades</td>
<td></td>
</tr>
<tr>
<td>Local development</td>
<td>Fostering of local specialty products</td>
<td></td>
</tr>
<tr>
<td>Preserving local community cultures</td>
<td>To preserve Japan’s precious cherry blossoms</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Supporting Asukayama Takigi Noh plays</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Protecting cultural assets</td>
<td>63</td>
</tr>
<tr>
<td>Respect for indigenous people</td>
<td>Making wild herb habitat available to indigenous people</td>
<td>63</td>
</tr>
<tr>
<td>Holding and participating in local events</td>
<td>Participating in and sponsoring local events</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Opening of recreational facilities to the public</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Holding summer festivals and other events</td>
<td></td>
</tr>
<tr>
<td>Social welfare activities</td>
<td>Participating in and cosponsoring social welfare events</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchasing products made by social welfare groups</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provision of a venue for a charity horse race</td>
<td></td>
</tr>
<tr>
<td>Community education</td>
<td>Holding of CSR lectures (public seminars)</td>
<td></td>
</tr>
<tr>
<td>Advancing science and technology</td>
<td>Supporting the Fujihara Foundation of Science</td>
<td>63</td>
</tr>
<tr>
<td>Disaster relief activities</td>
<td>Participating in volunteer activities</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tree planting activities</td>
<td>Marunuma Highland Tree-Planting</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>Utilizing the Group’s cultivating cuttings in container tech</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Establishing a sanctuary for Blakiston’s fish owl</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Supporting the activities of the Shirane-aoi Preservation Group</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Promoting Moreno Chonai-kai activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Activities to protect Japanese crane</td>
<td>64</td>
</tr>
<tr>
<td>Promoting recycling activities</td>
<td>Operating the Recycle Plaza Shiyukan</td>
<td></td>
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<tr>
<td></td>
<td>Supporting the recycling activities of organizations</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Recycling waste paper</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Recycling milk cartons</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Recycling wood waste</td>
<td>64</td>
</tr>
<tr>
<td><strong>Educational activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Providing opportunities to tour group companies and their mills</td>
<td>Mill tours and paper making</td>
<td>64</td>
</tr>
<tr>
<td>Utilizing company-owned forests</td>
<td>Holding the School of Friendship for Forests and Paper</td>
<td>65</td>
</tr>
<tr>
<td>Employment support</td>
<td>Promoting internship programs</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>Sponsoring workshops</td>
<td>63</td>
</tr>
<tr>
<td>Providing classes taught by employees</td>
<td>Cooperation in teaching school classes</td>
<td>64</td>
</tr>
<tr>
<td>Music appreciation</td>
<td>Inviting students to concerts</td>
<td></td>
</tr>
<tr>
<td>Providing educational opportunities through sports</td>
<td>Baseball clinics by the Ishinomaki Baseball Club</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>Ice hockey classes and championships</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cosponsoring soccer tournaments</td>
<td></td>
</tr>
<tr>
<td>Providing products to classrooms</td>
<td>Provision of paper products, printed materials and publications</td>
<td>64</td>
</tr>
</tbody>
</table>
Coexistence with Local Communities and Society at Large
Continuing to pursue business activities in coexistence with local communities

• Employment Support

**Case**

Sponsoring workshops in line with local desires
(Brazil, AMCEL S.A.)

AMCEL, which holds expansive land, strives to maintain harmonious relationships and further dialogue with local residents.

As part of that effort, it asked local communities what topics they would like to learn about, and in 2014 began to sponsor workshops based on the responses received.

In fiscal 2014, AMCEL organized four workshops for four different communities. Led by invited experts, these workshops addressed recycling, sewing, corporation, and fish farming. Each lasted five days, was attended by 20-40 participants, and earned positive reviews.

Recycling workshop

Sewing workshop

• Respect for Indigenous People

**Case**

Making wild herb habitat available to indigenous people
(Chile, Volterra S.A.)

The Mapuche are indigenous people who have inhabited southern Chile since well before the arrival of Europeans and maintained their own distinct traditions and culture. One aspect of their cultural heritage is the use of certain wild herbs for medicinal purposes. Availability of these herbs, however, has declined with the development of land for agriculture, housing, and other purposes.

Volterra, as part of its preservation activities on company-owned land, is protecting habitat for the scarce herbs the Mapuche value and has made it available for their use.

Nanco, a wild herb used by the Mapuche

• Advancing Science and Technology

**Case**

Supporting the Fujihara Foundation of Science
(Nippon Paper Industries Co., Ltd.)

Considered the “Nobel Prize of Japan,” the Fujihara Award, presented by the Fujihara Foundation of Science, a public interest incorporated association, recognizes outstanding contributions to science and technology by Japanese scientists. Nippon Paper Industries lends financial support to the Foundation to promote science and technology.

At the 56th Fujihara Awards presentation ceremony, held in June 2015, Dr. Masataka Nakazawa a professor at Tohoku University’s Research Institute of Electrical Communication and Dr. Shigeyuki Yokoyama a Distinguished Senior Scientist at RIKEN were each presented with a certificate and gold medal, together with ten million yen.

A commemorative photograph taken after the presentation ceremony

• Preserving Local Community Cultures

**Case**

Protecting cultural assets
(Nippon Paper Industries USA Co., Ltd.)

Port Angeles, Washington, the home of Nippon Paper Industries USA, is also the home of the Lower Elwha Klallam Tribe (LEKT) of Native Americans. When it came time to install a new boiler at its Port Angeles Mill, Nippon Paper Industries USA, together with representatives of the US government and other parties, talked with the LEKT to determine what had to be paid attention to in performing the necessary civil engineering construction work. As a result of discussions, the company learned what it should do if buried objects were discovered and agreed to have an archaeologist with knowledge of LEKT cultural treasures, or, alternatively, an LEKT member, on hand to monitor excavation work.

Strictly abiding by the terms agreed upon with the LEKT, Nippon Paper Industries USA built a good relationship with the tribe and completed the construction work for its new boiler.

Port Angeles Mill

A commemorative photograph taken after the presentation ceremony
Promoting Recycling Activities

Case: Promoting the recycling of wood waste
(Nanei Co., Ltd., a Nippon Paper Lumber Co., Ltd. Subsidiary)

Nanei, a company that performs sylviculture and logging services in Nippon Paper Industries’ and other forests, also makes woodchips used for manufacturing paper and generating electricity, and specializes in the intermediate processing of wood materials from waste. Operating in the Kumamoto Prefecture city of Yatsushiro, Nanei uses a tub grinder to turn tree waste from garden shrubs, wooden pallets and other wooden materials into fine particles that can be used as boiler fuel, or raw material for particle board. Some of this material is also mixed with sawdust and used as bedding for livestock. Recently, Nanei has begun to use tree waste that would otherwise have gone to the city waste incinerator, significantly reducing the city’s waste processing burden.

Preserving Biodiversity

Case: Activities to protect Japanese crane
(Nippon Paper Cranes ice hockey team)

The Nippon Paper Cranes help to protect the environment of the Kushiro-shitsugen (Kushiro marsh) and contribute to the local community by participating in an annual event the Wild Bird Society of Japan holds to create a feeding ground for Japanese cranes. Once threatened with extinction, Japanese cranes are now increasing their number year by year with the help of protection activities. Under present circumstances, however, they find it impossible to get through the winter without food provided by humans. To help them find food on their own, therefore, efforts are made to clear underbrush along riverbanks to allow the birds easier access to the rivers, where they feed. Monitors installed in places where underbrush has been cleared make it possible to see the cranes feeding in the rivers and give participants a real sense of what they have accomplished.

Seeing the benefit of their efforts, the Nippon Paper Cranes intend to continue helping to protect the birds for whom they are named.

Providing Opportunities to Tour Group Companies and Their Mills

Case: Mill tours and papermaking
(Hokkaido Mill (Yufutsu), Nippon Paper Industries)

The Yufutsu works of the Hokkaido Mill enthusiastically welcomes students from schools in and around Tomakomai City for tours of its facilities. In addition to these tours, the Yufutsu works also offers a program in which it teaches the making of paper postcards by hand. The numerous letters and notes of thanks received from students afterward reassure employees that their efforts are worthwhile. As a company that takes a strong interest in local communities where it operates, Nippon Paper Industries is committed to continuing its contributions in support of local education and culture.

Providing Educational Opportunities through Sports

Case: Baseball clinics by the Ishinomaki Mill’s baseball club
(Ishinomaki Mill, Nippon Paper Industries)

The baseball club at Nippon Paper Industries’ Ishinomaki Mill holds baseball clinics mainly during the winter. Joint practice sessions are regularly held with local youth teams and high school teams, and trainers are sent to work with these teams and explain training methods to players and coaches. When it received a request for assistance by the High School Baseball Federation in Fukushima Prefecture, the club responded by holding two days of clinics for about 140 players on each day. The clinics welcomed four players from every high school team in the prefecture and were widely seen as a success.

The mill’s baseball club actively contributes to local community outside of baseball, as well. For the Ishinomaki Kawabiraki Festival, for example, it lent a hand by making lanterns that were released onto the Kitakami River to mourn victims of the Great East Japan Earthquake.
Corporate Identity Sharing

Conducting activities that enable employees and local residents to physically experience the essence of the Nippon Paper Group

Utilizing Company-Owned Forests

Case

Conducting the annual School of Friendship for Forests and Paper
(Nippon Paper Industries Co., Ltd., Nippon Paper Development Co., Ltd.)

The School of Friendship for Forests and Paper is a hands-on course on the natural environment utilizing 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 forests and paper, an essential item for everyday life. This initiative was first launched in the Sugenuma forest of Gunma Prefecture, one of the company's typical 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 walking through the forest and making paper from twigs they pick up. Participants are gathered from general public with the cooperation of the Japan Philanthropic Association. Since its inception at the Sugenuma company-owned forest, through June 2015, the school has been conducted 18 times, for a total of 606 participants, including parents and children, and students from local schools.

Since 2007, the Toyono School of Friendship for Forests and Paper has been held 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 and is one example of how activities are modified to accommodate the needs of each region.

Marunuma Highland Tree-Planting 2015 held
(Nippon Paper Industries Co., Ltd.)

Nippon Paper Industries is advancing initiatives aimed at leaving a thriving forest to future generations. As part of that effort, tree-planting activities were begun in the company’s Sugenuma Forest in Gunma Prefecture in May 2010. The fourth iteration of this activity—the Marunuma Highland Tree Planting 2015—took place in May. The number of participants—both Nippon Paper Group people and others, mainly from Tokyo—came to about 100 in all.

Under the guidance of staff, participants used transplanting trowels to efficiently plant 1,000 seedlings of five types of trees, including Japanese beeches and Japanese Judas trees, in around 30 minutes. Going forward, Nippon Paper Industries plans to continue holding tree-plantings.

Walk in a forest owned by Nippon Paper Industries

A ceremonial photograph of all involved parties

Comments from elementary school children (June 2015)
I never thought paper could be made from twigs, so I was surprised to see that a pretty postcard could be made from them.

It was interesting to see that the material for making paper looks like miso.

Shaping the Future with Trees
Outline of the Nippon Paper Group

Company Profile (As of March 31, 2015)
Trade Name  Nippon Paper Industries Co., Ltd.
Address  4-6 Kandasurugadai, Chiyoda-ku, Tokyo, Japan
Capital  ¥104.873 billion
Incorporation  August 1, 1949
Listing  Tokyo Stock Exchange (Securities code 3863)
Telephone  +81-3-6665-1111

Major Financial Indicators Trends

Consolidated net sales

<table>
<thead>
<tr>
<th>( Millions of yen )</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Pulp and Paper Business</td>
<td>1,099,817</td>
<td>1,042,436</td>
<td>1,025,078</td>
<td>1,081,277</td>
<td>1,052,491</td>
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<tr>
<td>Paper-Related Business</td>
<td>31,599</td>
<td>23,204</td>
<td>23,204</td>
<td>28,536</td>
<td>27,374</td>
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<tr>
<td>Other Businesses</td>
<td>1,560,592</td>
<td>1,527,635</td>
<td>1,497,729</td>
<td>1,480,894</td>
<td>1,495,622</td>
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</table>

Consolidated operating income

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<thead>
<tr>
<th>( Millions of yen )</th>
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<th>2011</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>Paper-Related Business</td>
<td>2,426</td>
<td>2,223</td>
<td>2,249</td>
<td>2,718</td>
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Employees (consolidated)

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<tr>
<th>( Millions of yen )</th>
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<tr>
<td>Pulp and Paper Business</td>
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<td>Paper-Related Business</td>
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</table>

Consolidated net income or loss

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</table>

Total assets (consolidated)

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<th>2013</th>
<th>2014</th>
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<tr>
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<td>1,480,894</td>
<td>1,495,622</td>
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</table>

Interest-bearing debt (consolidated)

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<th>( Millions of yen )</th>
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<tr>
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<td>830,220</td>
<td>775,597</td>
<td>731,834</td>
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<tr>
<td>Paper-Related Business</td>
<td>832,347</td>
<td>838,285</td>
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<td>775,597</td>
<td>731,834</td>
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</tbody>
</table>

Outline of the Nippon Paper Group

1 Fiscal year-end data
2 Employees responsible for multiple divisions
Selected once again for inclusion in Ethibel Investment Register* in June 2014

A universe of companies selected by Forum Ethibel, a Belgian organization that promotes socially responsible investment, for their outstanding performance in terms of social responsibility. In making its selections, Forum Ethibel assesses companies on criteria including human rights, human resources, environment, business behavior, corporate governance, and community impact.

Included in the Euronext Vigeo World 120 Index in December 2014

The Euronext Vigeo World 120 is an equity index managed by NYSE Euronext, which operates securities exchanges in Europe and the U.S., and by Vigeo, an enterprise that assesses companies. The Euronext Vigeo World 120 is comprised of the 120 companies judged to be the most advanced in environmental, social, and governance matters in Europe, North America, and the Asia-Pacific region.

**Major Socially Responsible Investment (SRI) Indices Incorporating the Nippon Paper Group**

**Wood Products and Construction Related Business**


**Other Businesses**


**Major Environmental Performance Data**

<table>
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<tr>
<th></th>
<th>Unit FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
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<tr>
<td>Energy</td>
<td></td>
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<tr>
<td>Fossil energy input</td>
<td>Million GJ</td>
<td>97</td>
<td>88</td>
<td>91</td>
<td>97</td>
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<tr>
<td>Non-fossil energy input</td>
<td>Million GJ</td>
<td>76</td>
<td>69</td>
<td>77</td>
<td>68</td>
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<tr>
<td>CO2 emissions from fossil energy</td>
<td>Million tonnes of CO2</td>
<td>7.23</td>
<td>6.55</td>
<td>6.63</td>
<td>7.29</td>
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<tr>
<td>Water consumption</td>
<td>Million tonnes</td>
<td>958^3</td>
<td>870</td>
<td>953</td>
<td>883</td>
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<tr>
<td>Wastewater</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount discharged</td>
<td>Million tonnes</td>
<td>942^3</td>
<td>843</td>
<td>905</td>
<td>907</td>
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<tr>
<td>COD/BOD</td>
<td>Thousand tonnes</td>
<td>55.5^3</td>
<td>46.9</td>
<td>54.0</td>
<td>56.0</td>
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<tr>
<td>SS</td>
<td>Thousand tonnes</td>
<td>20.3^3</td>
<td>16.8</td>
<td>21.3</td>
<td>22.0</td>
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<tr>
<td>Gas emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOx</td>
<td>Thousand tonnes</td>
<td>3.96^3</td>
<td>3.37</td>
<td>3.50</td>
<td>3.34</td>
</tr>
<tr>
<td>NOx</td>
<td>Thousand tonnes</td>
<td>7.73^3</td>
<td>7.05</td>
<td>7.95</td>
<td>9.03</td>
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<tr>
<td>Soot and dust</td>
<td>Thousand tonnes</td>
<td>1.23^3</td>
<td>1.25</td>
<td>1.04</td>
<td>1.52</td>
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<tr>
<td>Waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount generated</td>
<td>Thousand tonnes</td>
<td>699^3</td>
<td>688</td>
<td>737</td>
<td>769</td>
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<tr>
<td>Final waste disposal</td>
<td>Thousand tonnes</td>
<td>31^1</td>
<td>44</td>
<td>49</td>
<td>79</td>
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</tbody>
</table>

1 Australian Paper was added to the data collection scope in fiscal 2013. Jujo Thermal Oy and South East Fibre Exports Pty. Ltd. were added in fiscal 2014.
2 Energy from biomass and waste
3 The Group was unable to compile information for the Ishinomaki and Iwanuma mills, 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.

**External Awards for Environmental Conservation Activities FY2014**

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Award</th>
<th>Award Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon Paper Industries Co., Ltd., Head office</td>
<td>Excellent Waste Manager Award</td>
<td>Chiyoda City, Tokyo</td>
</tr>
<tr>
<td>Nippon Paper Crecia Co., Ltd., Kaisel Mill</td>
<td>Fiscal 2014 Environmental Conservation Award (Chairman’s Award) Western Prefecture Region</td>
<td>Kanagawa Environmental Conservation Association</td>
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<tr>
<td>Kitakami Paper Co., Ltd.</td>
<td>Iwate Prefecture Southern Wide-Area Development Bureau Environmental Grand Prize</td>
<td>Iwate Prefecture Southern Wide-Area Development Bureau</td>
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^ Named a co-recipient, together with Japan Freight Railway Company
### Guideline Comparison Table

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<th>Item</th>
<th>Corresponding Page(s)</th>
<th>Contents</th>
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<td>Message from the President, The Sustainable Business Model of a Comprehensive Biomass Enterprise, Fifth Medium-Term Business Plan</td>
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<tr>
<td><strong>Organizational Profile</strong></td>
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<td>Outline of the Nippon Paper Group</td>
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<td>Nippon Paper Group Business Overview</td>
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<td>Outline of the Nippon Paper Group</td>
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<td>2, 8-9, 20</td>
<td>Major Operating Companies and Production Sites, Nippon Paper Group Business Overview, Dialog with Stakeholders</td>
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<td>G4-10</td>
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<td>60</td>
<td>Industrial Relations</td>
</tr>
<tr>
<td>G4-13</td>
<td>2</td>
<td>Major Operating Companies and Production Sites</td>
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<tr>
<td><strong>Commitments to External Initiatives</strong></td>
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<td>G4-14</td>
<td>19, 22, 24-25, 30-33, 48-50, 54-56</td>
<td>Compliance, Sustainable Forest Management, Action Plan for Wood-Based Raw Material Procurement, Environment, Customers, Human Rights and Labor, Policy and Management, Occupational Safety and Health</td>
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<tr>
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<td>The United Nations Global Compact</td>
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<td>Collaborative Initiatives</td>
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<td><strong>Identified Material Aspects and Boundaries</strong></td>
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<td>Scope of Organizations Covered, Outline of the Nippon Paper Group</td>
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<td>3, 14, 20</td>
<td>Editorial Policy, CSR Materiality at the Nippon Paper Group, Dialog with Stakeholders</td>
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<td>CSR Materiality at the Nippon Paper Group</td>
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<td>2-3</td>
<td>Major Operating Companies and Production Sites, Scope of Organizations Covered</td>
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<td>Scope of Organizations Covered, Material Balance, Performance in Re-employing Workers Who Reach the Mandatory Retirement Age, Major Environmental Performance Data</td>
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<td><strong>Stakeholder Engagement</strong></td>
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<td>G4-24</td>
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<td><strong>IR Activities</strong></td>
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<td><strong>Report Profile</strong></td>
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<td>G4-28</td>
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<td>Period Covered</td>
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<td>Issued Year, Month</td>
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<td>G4-30</td>
<td>Back cover</td>
<td>Issued Year, Month</td>
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<td><strong>GRI Content Index</strong></td>
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<td>G4-32</td>
<td>68-70</td>
<td>Guideline Comparison Table</td>
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<tr>
<td><strong>Governance Structure and Composition</strong></td>
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<td>G4-36</td>
<td>17, 20, 24-25, 33, 48-50, 55, 60</td>
<td>IR activities, Dialog with Stakeholders, Sustainable Procurement of Raw Materials, Environmental Communication, (Customers) Policy and Management, Occupational Safety and Health, Industrial Relations</td>
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<td>Group Governance</td>
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<tr>
<td><strong>Highest Governance Body's Role in Setting Purpose, Values, and Strategy</strong></td>
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<td>G4-38</td>
<td>18, 24-25, 30</td>
<td>CSR Management, Sustainable Procurement of Raw Materials, Environmental Management Promotion Structure</td>
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<td><strong>Highest Governance Body's Role in Risk Management</strong></td>
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*Only items mentioned in the report are shown.*
## Guideline Comparison Table

**Guideline Comparison Table (Environmental Reporting Guidelines, Ministry of the Environment)**

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### Status of Environmental Management (MPI):

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### Comparison Table (the United Nations Global Compact)

#### Principles

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#### Human Rights

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#### Labor

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#### Environment

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#### Anti-Corruption

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Third-Party Comments

The Nippon Paper Group has been pursuing a strategy for accelerating the transformation of its business structure and achieving growth as a comprehensive biomass enterprise. This was a key point of the Fourth Medium-Term Business Plan and is addressed in more concrete terms in the Fifth Medium-Term Business Plan. The basic concept of this strategy is to apply the Group’s trove of knowledge in wood science and technologies, and its own biomass resources inside and outside Japan, to capitalize on opportunities in growth fields and develop new businesses into key contributors to the Group’s success. Accelerating the transformation of the Group’s business structure is to be achieved by concentrating on expanding investments in growth fields and reallocating management resources based on a reassessment of Group assets, while enhancing the competitiveness of existing businesses to provide earnings to underpin these initiatives.

Something I believe the Group deserves special credit for is the development of a clear statement of its corporate mission in conjunction with its Fifth Medium-Term Business Plan. That plan stresses the Group’s corporate mission – “…to contribute to better living and cultural progress everywhere it does business” – which is to be achieved through a corporate vision, one element of which is to “Drive social sustainability through our business.” This is a clear statement of commitment to achieving business results that support a transition to a sustainable society. Pursuing a renewable energy business to help lower CO2 emissions, and elevating the 3R - Reduce, Reuse, Recycle - performance of products in its packaging business, are two ways in which the Group proposes to achieve its objectives, and much is expected of their endeavors. The ability to clearly express the stance described above serves as a reminder of why Nippon Paper Industries has been selected for inclusion in the Ethibel Investment Register and Euronext Vigeo World 120 index.

Turning to environmental performance, attention focuses on progress in achieving the Group’s Green Action Plan 2015. Included therein are quantitative targets to be achieved on various fronts by fiscal 2015. Most of these have been achieved or are very close to being achieved. Two areas where performance is falling behind and stronger measures are called for going forward are total hectares of afforested land outside of Japan and the percent of waste recycled in-house.

In terms of social performance, the Group has gradually increased its female management participation percentage over the years. Still, however, one would like to see greater efforts here and in the hiring of people with disabilities, an area in which the Group has nearly but not quite achieved the legally mandated workforce participation rate.

As for the sustainability report itself, it is clear that several improvements in disclosure have been made. Materiality standards, for example, have been partially revised and the related indicators disclosed. Showing relevant indicators at the beginning of each report section covering a key issue greatly facilitates understanding of the results of particular endeavors. The Group has also included a table providing nearly comprehensive coverage of employment data at the consolidated level. This information was previously available only online, and I see its addition to the printed report as a significant improvement. As well, credit should be given for the addition of data on dispatched workers as this change in the Group’s disclosure standard for workforce data brings it very close to the workforce reporting requirement in the GRI G4 Sustainability Reporting Guidelines.

Action in Response to Third-Party Comments

In fiscal 2015, the Nippon Paper Group – in order to have all employees work toward a common purpose and objectives - set forth in clear terms a social mission, a vision for achieving that mission, and values that must be upheld for mission achievement. Based on the mission we defined, we then formulated our Fifth Medium-Term Business Plan, for creating new value as a comprehensive biomass enterprise shaping the future with trees. In our Sustainability Report 2015, we have done our best to explain how our mission and Fifth Medium-Term Business Plan are tied to CSR activities and will contribute to the building of a sustainable society. As Dr. Kozuma recognizes, we have also taken steps – such as using text that is more clearly written and including indicators or illustrations for particularly important matters – to facilitate understanding of report contents. Furthermore, we have adopted a uniform reporting boundary wherever possible as a direct response to Dr. Kozuma’s comment regarding multiple reporting boundaries depending on data type in our Sustainability Report 2014. As for Dr. Kozuma’s input regarding our CSR activities, we will carry on with efforts to step up our performance. Looking to the future, we aim to continue pursuing business activities that emphasize coexistence with society and welcome candid opinions and critiques regarding our performance.
Waterless printing with vegetable oil ink.

The Four Seasons in Nippon Paper Industries’ Company-owned Forests
1. Sugenuma Forest
2. Akan Forest *
3. Sugenuma Forest *
4. Sugenuma Forest *
5. Blakiston’s fish owl in a Nippon Paper Industries company-owned forest
   (Photo courtesy of the Wild Bird Society of Japan)
6. Houou Forest *
7. Sugenuma Forest *
8. Akan Forest *
9. Sugenuma Forest *
* Photographer: Yuhji Itsumi

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.

The Paper Used in This Report
Covers: U-Lite Green 70 (PEFC), Base weight: 157 g/m²
Text pages: U-Lite Green 70 (PEFC), Base weight: 104.7 g/m²

Nippon Paper Industries Co., Ltd.