

# Enhancement of Corporate Governance

## 1 Basic Policy

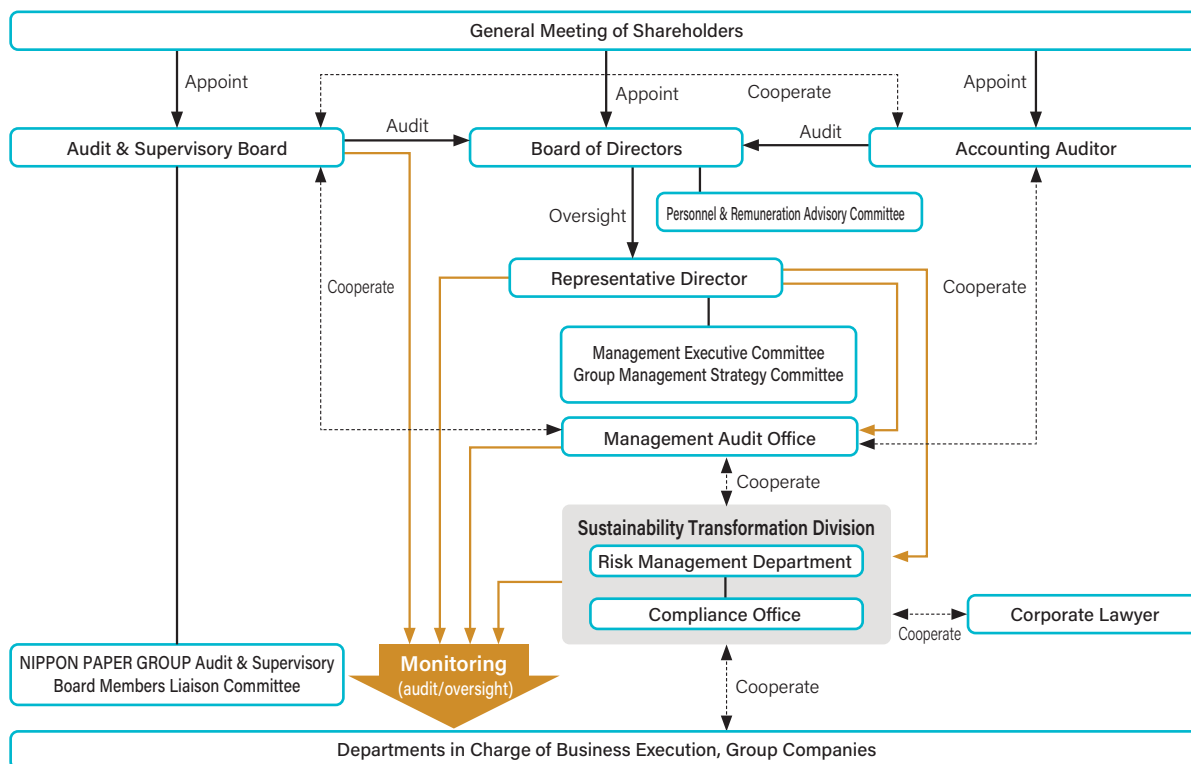
📖 → P83 **Corporate Governance Policy**

🌐 → WEB **Corporate Governance Report**  
<https://www.nipponpapergroup.com/english/ir/governance/>

📖 → P87 **Basic Policy to Establish the Internal Control Systems**

## 2 Corporate Governance Structure

**Corporate Governance Structure (As of July 1, 2025)**



- Nippon Paper Industries is a company with an Audit & Supervisory Board.
- The Company's accounting auditor is Ernst & Young ShinNihon LLC.

## 1. Board of Directors

- The Board of Directors has a supervisory function for overall management, ensures the fairness and transparency of management, and also makes the most appropriate decisions for the Company in the form of decisions on the execution of important operations, which are legally required to be made by the Board of Directors. The Board also supervises the execution of duties by the representative director and executive officers. The Chairman of the Company also serves as the Chairman of the Board of Directors and does their utmost to exercise and strengthen the supervisory functions of the Board.
- In view of the importance of environmental and social challenges related to sustainability, the Board of Directors shall raise awareness among corporate officers and employees, strive to facilitate the sustainable development of society, and enhance the corporate value of NIPPON PAPER GROUP by promoting active efforts to resolve challenges while giving consideration to stakeholders.

### Status of Meetings of the Board of Directors (FY2024)

Number of Board of Directors meetings: 13  
 Average rate of attendance by directors: 99.1% (outside directors: 100%)  
 Average rate of attendance by Audit & Supervisory Board Members: 100% (outside Audit & Supervisory Board Members: 100%)

## 2. Management Executive Committee

- Usually, the Management Executive Committee meets once a week to deliberate on important business issues under the authority of the president to assist in the execution of the president's duties.
- The Committee membership is basically composed of the president, vice presidents, and general managers.
- Meetings of the Management Executive Committee, held once a month, are attended by outside officers and general managers of the Company's mills in order to share information on monthly financial results among management.

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### 3. Group Management Strategy Committee

- The Company's Group Management Strategy Committee meets as necessary and deliberates on management strategies by business segment and other important matters related to the Group.
- The Committee comprises internal directors and internal Audit & Supervisory Board Members, the presidents of major Group companies, and executive officers in Tokyo and general managers. Outside officers also participate.

### 4. Audit & Supervisory Board Members and Audit & Supervisory Board

- In addition to meetings of the Board of Directors, Audit & Supervisory Board Members attend other important meetings, such as the Management Execution Committee and the Group Management Strategy Committee, and strictly monitor the execution of duties by directors. They also conduct on-site inspections of the Company's departments, offices and Group companies, and also strictly audit whether company operations are being carried out legally and appropriately.
- The Audit & Supervisory Board periodically holds regular meetings with the representative director, working to deepen mutual understanding.
- The Audit & Supervisory Board also strives to enhance group audits by strengthening cooperation with Audit & Supervisory Board Members of each Group company.
- The Audit & Supervisory Board consists of four Audit & Supervisory Board Members.

#### Status of Meetings of the Audit & Supervisory Board (FY2024)

Number of Audit & Supervisory Board meetings: 14  
Average rate of attendance by Audit & Supervisory Board Members: 100% (outside Audit & Supervisory Board Members: 100%)

### 5. Management Audit Office

- The Management Audit Office is directly under the President's control. It conducts an internal audit of the Company and each Group company. It also conducts a comprehensive evaluation of the maintenance and operation of the internal control system as it relates to financial reporting. In FY2024, the results of the internal audit were reported twice to the president and representative director of the Company, full-time Audit & Supervisory Board Members, etc., and twice to outside directors and Audit & Supervisory Board Members.
- The Management Audit Office coordinates between audits by Audit & Supervisory Board Members and internal audits, such as by holding monthly information exchange meetings with Audit & Supervisory Board Members.

### 6. Personnel & Remuneration Advisory Committee

- To further enhance corporate governance, the Company has established the Personnel and Remuneration Advisory Committee as an advisory body to the Board of Directors, which consists of three outside directors who are independent officers, the President and Representative Director of the Company, and the General Manager of the General Affairs and Human Resources Division.
- The Committee is chaired by the Company's president and representative director, and appropriate involvement and advice are obtained from independent outside directors who are members of the Committee. In principle, the chairperson chairs the Committee, but for deliberation items that require particular independence and objectivity, it is chaired by independent outside directors.
- The Committee receives questions from the Board of Directors regarding the selection processes, qualifications, and reasons for nomination of candidates for Directors and Audit & Supervisory Board Members, the criteria for judging the independence of independent outside officers, and the remuneration system for corporate officers of the Company, and considers the appropriateness of these matters, with appropriate involvement and advice from independent outside directors, and reports back based on an assessment of the Company's business performance and other factors.
- The Board of Directors shall make decisions regarding nomination of directors and Audit & Supervisory Board Members, and compensation for directors etc., after receiving reports from the Personnel & Remuneration Advisory Committee.

#### Meetings of the Personnel & Remuneration Advisory Committee (FY2024)

Number of meetings: 6

Average attendance rate of outside directors: 100%

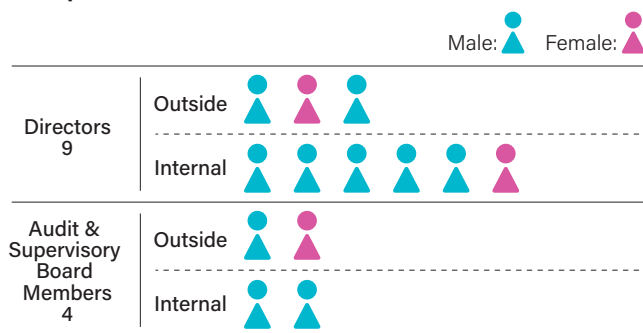


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### 3 Composition of the Board of Directors

- The Board of Directors comprises internal directors who excel in their respective business performance and management skills and outside directors who have specialized knowledge and extensive expertise. This ensures a balance and diversity of knowledge, experience, and skills throughout the Board.
- Three of the nine directors are outside directors (including 1 female director).
- Two of the four Audit & Supervisory Board Members are outside Audit & Supervisory Board Members (including 1 female member).
- The skills that the Company expects to be demonstrated by each director are identified based on the basic policy of the "2030VISION" and the important management issues (materiality) for realizing the Group Mission.

#### Composition of the Board of Directors (As of June 27, 2025)



 [→WEB](https://www.nipponpapergroup.com/english/about/corporate/officers/) **List of corporate officers of Nippon Paper Industries**  
https://www.nipponpapergroup.com/english/about/corporate/officers/

 [→WEB](https://www.nipponpapergroup.com/english/csr/npg_ir_e_2025_54-55.pdf) **Skill Matrix of Directors**  
(NIPPON PAPER GROUP Integrated Report 2025, P.55)  
https://www.nipponpapergroup.com/english/csr/npg\_ir\_e\_2025\_54-55.pdf

#### 1. Nomination Policy of Director Candidates

Director candidates are determined by the Board of Directors, on condition that they meet all of the following requirements.

- (1) A person who has a wealth of knowledge and experience in the business management and business operations of the Group
- (2) A person who fully understands the social responsibilities and mission of the Company's business activities and who can fairly and accurately carry out business management and business operations based on principles of strict self-discipline

#### 2. Nomination Policy of Candidates for Audit & Supervisory Board Members

Audit & Supervisory Board Member candidates are determined by the Board of Directors from among a wide range of diverse talent, on condition that they meet all of the following requirements.

- (1) A person who has a wealth of knowledge and experience in the business management and business operations of the Group
- (2) A person who is capable of auditing the status of business execution by the Company's directors from a fair and objective standpoint, and of contributing to the improvement of the soundness and transparency of management.

#### 3. Outside Directors and Outside Audit & Supervisory Board Members

- The Company designates three outside directors and two outside Audit & Supervisory Board Members as independent officers who meet the qualifications for independent officers.
- Candidates for outside director and outside Audit & Supervisory Board Member are selected from a wide range of diverse talent, on the condition that they meet both of the following requirements, in addition to the requirements for externality stipulated by laws and regulations (not having been a director, employee, etc., of the Company or its subsidiaries in the past).
  - (1) Persons who meet the independence criteria set by the Tokyo Stock Exchange and are recognized as having no risk of conflicts of interest with ordinary shareholders
  - (2) Persons who understand the Company's management philosophy and fully understand the Group's social responsibilities and roles
- In addition to requirements (1) and (2) above, outside director candidates will be selected by the Board of Directors on condition that they are fully aware of their role as outside directors and are able to utilize their specialized knowledge and experience in fields such as corporate management, economics, legal affairs, accounting, taxation, and auditing, and to supervise the directors and management of the Company and provide accurate and appropriate opinions and advice.
- In addition to requirements (1) and (2) above, outside Audit & Supervisory Board Member candidates will be selected by the Board of Directors, and with the consent of the Audit & Supervisory Board, on condition that they are fully aware of their role as outside Audit & Supervisory Board Member, and are able to utilize their specialized knowledge and experience in fields such as corporate management, economics, legal affairs, accounting, taxation, and auditing, and to audit the directors' execution of their duties from a neutral and objective standpoint, and to contribute to the soundness and transparency of management.

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### 4. Successor to the President

- Candidates for the president's successor are developed by having them successively hold important positions such as executive officers and directors.
- In the Personnel & Remuneration Advisory Committee, established as an advisory body to the Board of Directors, the president explains medium- to long-term management issues and exchanges opinions with the outside directors to win the confidence of the committee. At the same time, ever deepening discussions are being held on the qualities that a president should possess and the responsibilities that a president should fulfill in light of future management issues.
- The Personnel and Remuneration Advisory Committee discusses corporate officer personnel affairs, including the appointment and dismissal of the president, and reports to the Board of Directors. Having received these reports, the Board of Directors examines the contents of the reports, the progress of discussions, and other relevant aspects and then decides on candidates.
- Through these processes, the Board of Directors supervises the formulation and operation of the president succession plans.
- Further, from the perspective of securing talent who will be capable of shouldering responsibility for the running of the Company in the future, the Company implements rotations between various job types and business sites, especially for career-track employees, and promotes them quickly to important posts and positions where they can assist management, such as general manager positions or top management positions at affiliated companies and overseas subsidiaries, thereby exposing them to high level and high intensity operations and duties, to develop and select the next generation of corporate officer candidates.

### 5. Policy for Training of Directors and Audit & Supervisory Board Members

- The Company continuously provides information on a range of matters (economic conditions, industry trends, regulatory compliance, corporate governance, financial accounting, etc.) necessary for executive officers and directors to fulfill their roles and functions and also provides support for the execution of duties by executive officers and directors by securing opportunities for them to participate in the external training that they desire.
- At the time of their appointment and in a timely manner during their terms of office, the Company provides outside directors and outside Audit & Supervisory Board Members with briefings about the Group's management strategies, management plans, the status of various businesses, the management environment, and management challenges, etc., given by the various related departments or staff members in charge. This ensures opportunities for the formation of sufficient understanding among them.

### 4 Policy for Determining Remuneration for Directors and Audit & Supervisory Board Members

- The remuneration system for internal directors consists of fixed, performance-linked, and stock remunerations. The composition ratios are set appropriately based on the purpose of each type of remuneration.
- The standard amount of monthly remuneration for internal directors shall be decided according to their responsibilities within the Company. Of that, 70% shall be fixed and the remaining 30% shall be, in principle, paid after adjustment based on the degree of achievement of the Medium-Term Business Plan. The standard amount is determined using objective survey data from outside sources and considering factors including the Company's performance, the scale of business, and managerial circumstances. Performance indices are established to effectively function as motivation to achieve performance targets and reevaluated as necessary in response to changes in circumstance.
- Following a report by the Personnel & Remuneration Advisory Committee, the achievement of greenhouse gas emissions reductions targets under 2030VISION and the achievement of employee engagement targets were included as non-financial indicators in the performance evaluation criteria for internal directors from July 2024.
- The Company has introduced "Board Benefit Trust (BBT)" as a stock compensation plan since FY2019 for internal directors separately from their monthly compensation. The objective of BBT is to further clarify the link between the compensation provided to directors and the Company's share value and thereby increase directors' motivation to contribute to improving the Company's medium- to long-term performance and increasing its corporate value by sharing the benefits and risks associated with share price fluctuations with shareholders.
- Monthly remuneration for outside directors and outside Audit & Supervisory Board Members shall be fixed. In light of their responsibilities, contributions to the executive shareholding association are on a voluntary basis.

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### Remuneration for Internal Directors (Nippon Paper Industries)

|                       | Fixed remuneration  | Performance-based remuneration   | Stock remuneration  |
|-----------------------|---|--|---|
| Method                | Cash payment  |  | Points granted  |
| Payment allowance     | Up to ¥700 million per year   |  | Up to 25,000 points per year (1 point = 1 share)                |
| Payment period        | Monthly (no bonuses or retirement benefits)                                   |  | Director resignation<br>(cumulative points converted to shares) |
| Calculation method    | Determined according to their respective responsibilities                     |  | Points granted according to their respective responsibilities   |
|                       | 70% paid as fixed remuneration  | 30% paid, in principle, after adjustment based on the degree of achievement of the Medium-Term Business Plan   |   |
| Performance standards | —   | Financial Indicators<br>70%: Consolidated results (net sales and operating income)<br>30%: Non-consolidated results (net sales and operating income)<br>Non-financial Indicators<br>1. Achievement of greenhouse gas emissions reduction targets under 2030VISION<br>2. Achievement of employee engagement targets | —   |
| Other                 | Fixed amounts contributed to the Company's executive shareholding association |  | —   |

### 5 Assessment of Board Effectiveness

- Since FY2015, an evaluation of the effectiveness of the Board of Directors has been conducted once a year.
- The Secretariat of the Board of Directors evaluates the effectiveness of the Board of Directors by conducting a questionnaire survey of Directors and Audit & Supervisory Board Members regarding the operation of the Board of Directors and discussions at its meetings.
- The Company receives advice from an external organization on self-assessment and analysis obtained from the surveys. The anonymity of the surveys is ensured by sending the responses to the external organization.



#### Assessment of Board Effectiveness

<https://www.nipponpapergroup.com/english/ir/governance/evaluation/>

### Total Amount of Remuneration, etc. for Directors and Audit & Supervisory Board Members\* (FY2024) (Nippon Paper Industries)

|   | Number of executives | Total amount of remuneration, etc. by Type |                                |                    | Total amount  |
|---|----------------------|--|--------------------------------|--------------------|---------------|
|   |                      | Fixed remuneration                         | Performance-based remuneration | Stock remuneration |               |
| Directors                                   | 9                    | ¥306 million                               | ¥89 million                    | ¥26 million        | ¥422 million  |
| (Outside directors)                         | (3)                  | (¥43 million)                              | (—)                            | (—)                | (¥43 million) |
| Audit & Supervisory Board Members           | 4                    | ¥62 million                                | —                              | —                  | ¥62 million   |
| (Outside Audit & Supervisory Board Members) | (2)                  | (¥15 million)                              | (—)                            | (—)                | (¥15 million) |

\* Figures are rounded down to the nearest million yen