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Forest owned by Nippon Paper Industries Co., Ltd.
Photo: Yuji Itsumi



SHAPING THE FUTURE WITH TREES



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Shaping the Future with Trees

NIPPON PAPER GROUP
Integrated Report 2020

For the Fiscal Year Ended March 31, 2020

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Editorial Policy

Since FY2020/3, the Nippon Paper Group has been issuing its integrated report, which systematically combines both financial and non-financial information into a single report. In *Integrated Report 2020*, we will clarify our business model as well as the strengths of the Company. Furthermore, by presenting the Company's efforts geared toward its growth strategy and strengthening its management base, we will promote greater understanding among shareholders, investors, and other stakeholders regarding how the Company will achieve sustainable growth in the future.

Disclaimer
Statements in this report concerning plans, forecasts, strategies, beliefs, and other forward-looking information related to Nippon Paper Industries Co., Ltd. and companies comprising its corporate group, other than those of historical fact, are forecasts of future business performance based on the judgments of management at Nippon Paper Industries Co., Ltd. and Nippon Paper Group companies in light of currently available information. Accordingly, please refrain from making investment decisions based solely on forecasts of business performance in this integrated report. Actual business performance may differ significantly from these forecasts due to changes in a variety of factors.

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Timeline of Events in FY2020/3

Timeline of Events (Products)		Timeline of Events (Operations)
	May	Reaching of decision to establish Yufutsu biomass mono-firing electric power generation business
Our first adoption of SILKFEEL TM paper straws in food and beverage industry 	June	Appointment of Toru Nozawa as president and representative director Introduction of stock compensation system for directors
Development of highly digestible cellulose cattle feed Acceptance of Best Sustainability Award at LIFE×DESIGN Awards for SPOPS [®]	September	Reaching of decision to conduct capital investment in Europe for expanding SHIELDPLUS [®] business
Adoption of CELLENPIA [®] cellulose nanofiber (CNF) on Sumitomo Rubber Industries, Ltd.'s high-performance tires  Development of Lamina [®] heat-sealable paper  Provision of CNF-reinforced resin to the Ministry of the Environment's NCV (Nano Cellulose Vehicle) Project	October	Completion of purchase of Orora Limited's Paperboard and Fiber Based Packaging Business in Australia and New Zealand 
Acceptance of Shogakukan DIME Trend Award in "daily commodities" category for SILKFEEL TM paper straws Supply of Sustainable Green Ecosystem Council (SGEC)-certified lumber from Company-owned forests for construction of the New National Stadium	November	
Adoption of SPOPS [®] replaceable containers by two companies, including Sanyo Bussan Co., Ltd.'s products for hotels	December	Reaching of decision to convert existing facility to biomass mono-firing system at Suzukawa Energy Center Ltd. Conclusion of capital and business alliance with Shikoku Kakoki Co., Ltd.
	February	Establishment of functional specialty material company at Yufutsu
Adoption of CELLENPIA [®] CNF on Toppan Printing Co., Ltd.'s paper barrier cups for beverages	March	Conclusion of agreement for newspaper and wastepaper recycling with The Yomiuri Shimbun Tokyo Headquarters

Group Mission

MISSION

The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.

VISION

- 1 Drive social sustainability through our business
- 2 Delight our customers
- 3 Instill pride in employees
- 4 Give back to society

VALUE

Challenge: Embrace new challenges

Fairness: Be fair

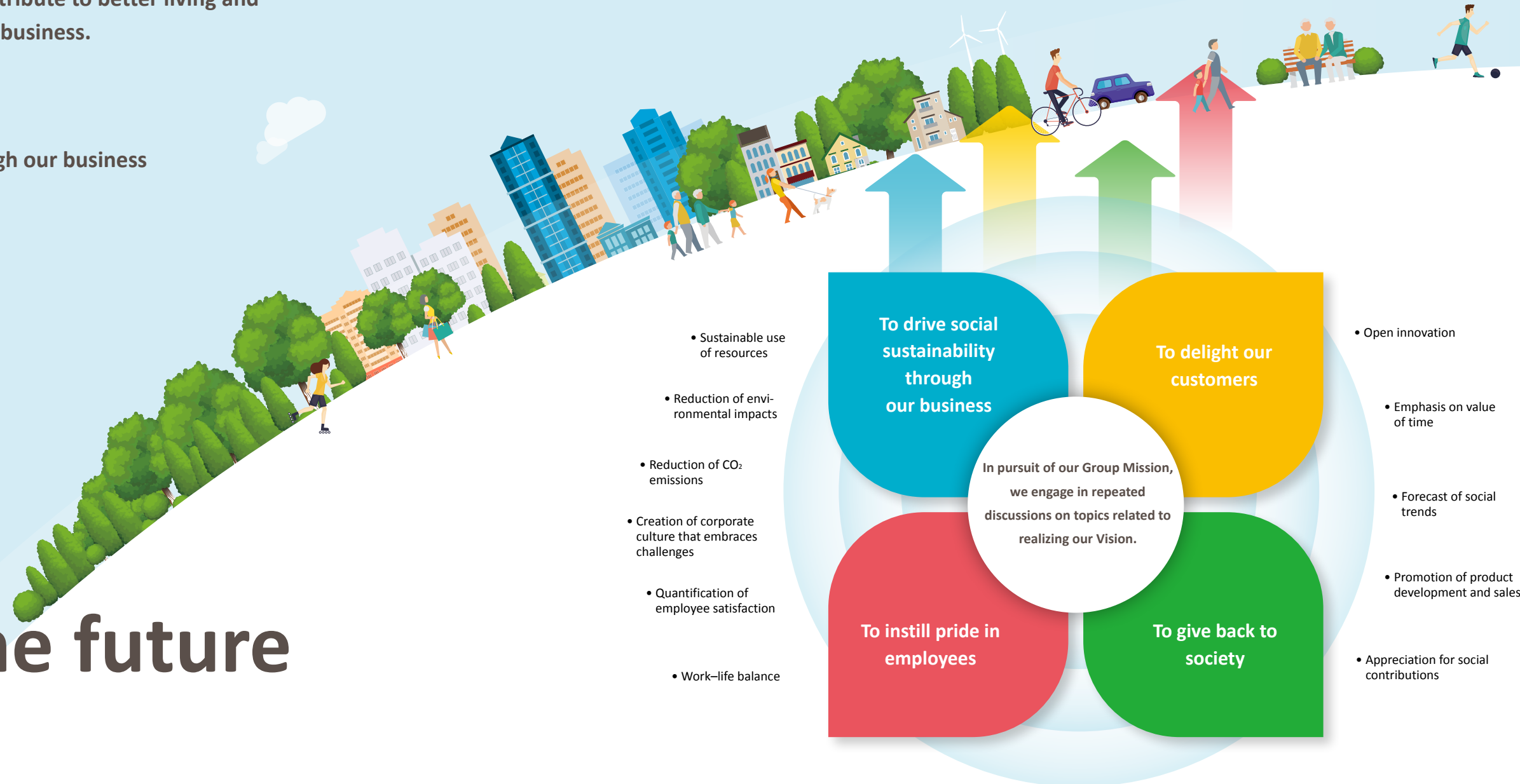
Teamwork: Champion teamwork

SLOGAN

Shaping the future with trees

Helping Realize a Low-Carbon Society through the Full Use of **Trees** as Fuel and Raw Materials

The Nippon Paper Group regards the achievement of its Group Mission as its response to the needs of society.



The Nippon Paper Group's Value Creation Process

Business Environment
and Social Trends

Shift away from
the use of plastics

Heightening
awareness of
hygiene

Transition to
low-carbon society

Diversification of
consumer needs

Declining birth rate
and aging population
in japan

Digitalization

INPUT
(FY2020/3)

Financial capital -----

- Consolidated total assets: ¥**1,363.5** billion
(as of March 31, 2020)

Manufactured capital -----

- Japan: **24** bases
Nippon Paper Industries Co., Ltd. (incl. paper cartons and chemicals),
Nippon Paper Crexia Co., Ltd., and Nippon Paper Papylia Co., Ltd.
- Major overseas bases:
Paper Australia Pty. Ltd., Jujo Thermal Oy, Siam Nippon Industrial
Paper Co., Ltd., and Nippon Dynawave Packaging Company, LCC
- Capital investment: ¥**70.6** billion
- Wood chips: **5,228** thousand bone-dry tons
- Wastepaper (pulp): **2,705** thousand air-dry tons

Intellectual capital -----

- Research and development expenses:
¥**6.1** billion
- Technology and expertise for maximizing
the use of trees

Human capital -----

- Number of employees (Consolidated):
12,592 (as of March 31, 2020)

Social and relationship capital -----

- Recycling system
- CLOMA

Natural capital -----

- Forest area: **173** thousand hectares
- Environmental conservation costs: ¥**35.3** billion
- Water consumption: **930** million tons

Sustainable
forest
management

Sustainable
procurement
of wood
resources

Recycling of
Paper Products

A Variety of Businesses
out of Trees

Paper and Paperboard Business

Daily-life Products Business

- Packaging
- Household Paper and Healthcare
- Chemical

Energy Business

Wood Products and Construction
Related Business

Innovative Materials

OUTPUT/OUTCOME
(FY2020/3)

Financial capital -----

- Net sales: ¥**1,043.9** billion
- Operating income: ¥**35.0** billion
- ROE: **3.7** %
- Debt/equity ratio: **1.75** times
- EBITDA: ¥**97.7** billion

Manufactured capital -----

- Paper, household paper: **4,023** thousand tons
- Paperboard: **2,044** thousand tons
- Chemical products: **100** thousand tons

Intellectual capital -----

- Developed Lamina® heat-sealable paper
- Commercialized SPOPS® replaceable containers

Human capital -----

- Frequency rate of occupational
accidents requiring time off from work: **0.79**
(Nippon Paper Group, including affiliated companies)
- Rate of annual paid leave taken: **74.4** %
(consolidated Group companies in Japan)
- Percentage of female employees in management:
2.70 % (consolidated Group companies in Japan)

Social and relationship capital -----

- Individual meetings with investors: **136** times
- Risk communication with local residents: **26** times

Natural capital -----

- Volume of greenhouse gas emissions:
6.26 million tons of CO₂ *
- Final disposal of waste: **141** thousand bone-dry tons

* Scope: Consolidated and non-consolidated Group companies in Japan subject to
the Act on Rationalizing Energy Use

The Characteristics of Wood Resources

The Nippon Paper Group strives to realize a sustainable society while engaging in business activities with its sights set on the long term. With this in mind, the Group must be fully committed to building a resource-circulating society.

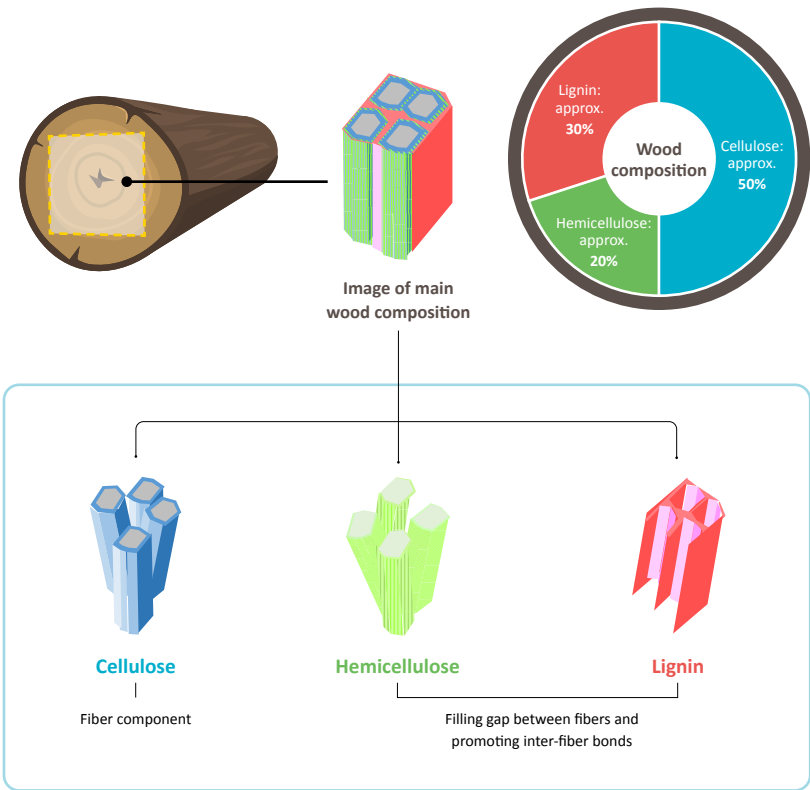
Guided by its slogan of “shaping the future with trees,” the Group continues to expand its business on the strength of its technological capabilities that maximize the use of woody biomass.

Trees are renewable resources that they can be planted and nurtured. In addition, the carbon sequestered within trees through photosynthesis is utilized themselves as raw material and remains sequestered upon processing into wood resources, paper, and other products. While the burning of such products releases CO₂, this is essentially offset by the absorption of CO₂ by trees from the atmosphere (carbon neutral).

Over the years, the Group has accumulated a wealth of technologies and know-how on the use of forests in Japan and overseas as a sustainable resource. The Group has also cultivated technologies that fully utilize wood components, allow for sophisticated recycling, and offer unique breeding capabilities. Looking ahead, the Group will continue to develop technologies that leverage the characteristics of wood resources as a part of our efforts to promote resource recycling.

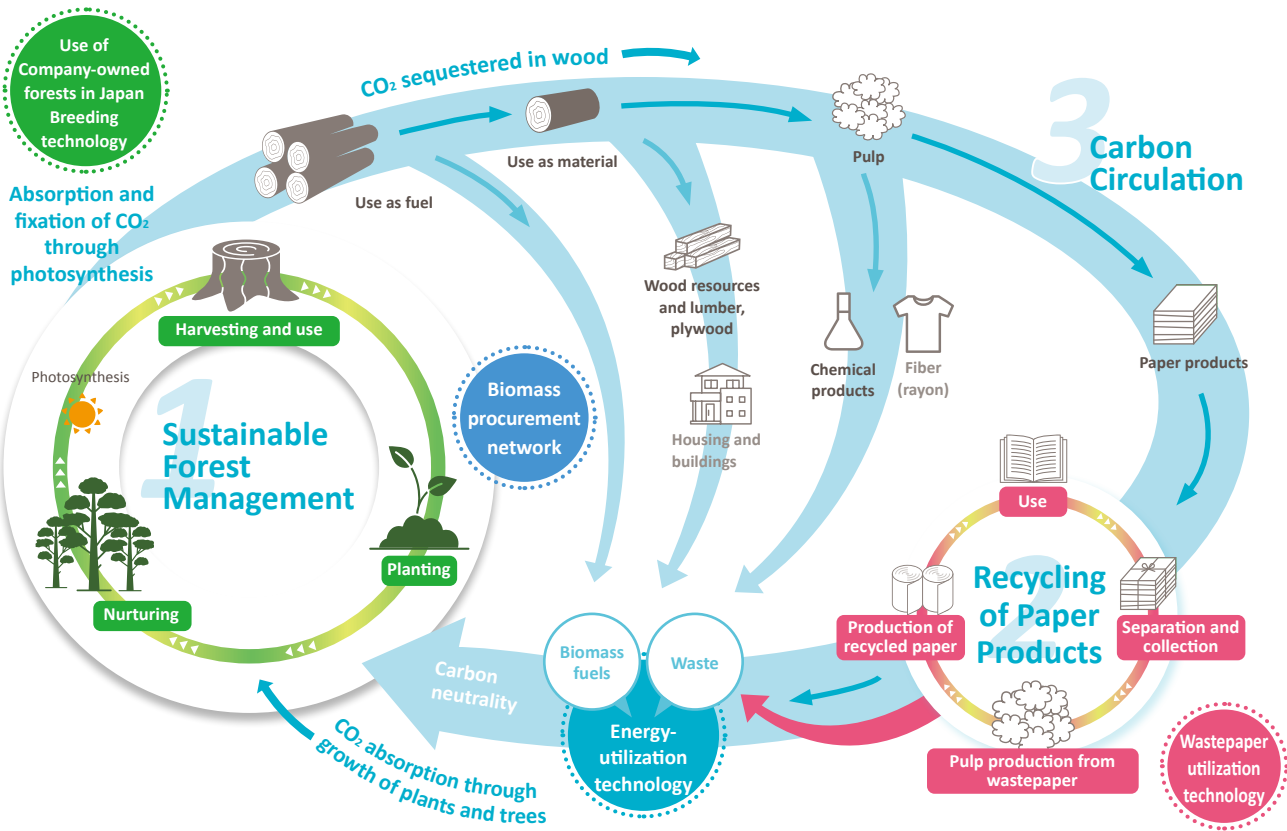
Maximizing the Use of Woody Biomass

Trees consist of three main components: cellulose, hemicellulose, and lignin. The Nippon Paper Group has accumulated technologies for wood processing, pulping, papermaking and coating, biochemical, and power generation that utilize woody biomass in a gradual and appropriate manner. In general, cellulose and hemicellulose are utilized as raw material for pulp while lignin is used as biomass fuel. These components are also utilized in a variety of biochemical products. (See pages 42–45.)



SHAPING THE FUTURE WITH TREES

The Characteristics of Wood Resources × The Nippon Paper Group's Technologies → Realization of Three Cycles



The Characteristics of Wood Resources

Renewable Resources

The Nippon Paper Group procures wood resources by conducting sustainable forest management.

The sustainable management of our 173 thousand hectares of forest resources worldwide entails repeated planting and nurturing of trees upon harvesting.

Biodegradability

When discarded, wood fiber can be decomposed by microorganisms and other means and returned to nature.

Guided by its slogan of “let paper do what it can do,” the Group will continue to help alleviate environmental burden through its production of paper-based products, which consist of wood fiber.

Recyclability

Paper products can be recycled after use, through collection, separation, and wood fiber extraction.

Nippon Paper Industries utilizes collected and separated newsprint, magazines, containerboards, and paper cartons after use as raw materials, and recycles them to make paper.

CO₂ Absorption and Fixation

During photosynthesis, trees absorb CO₂ from the atmosphere and release oxygen while storing carbon. Provided that it is not burned, this carbon will remain sequestered.

Through the use of our unique breeding technology, the Company is proceeding with measures to increase the amount of CO₂ absorption and fixation.

Value Provided by the Nippon Paper Group

In accordance with its Group Mission, the Nippon Paper Group strives to provide universal value by way of cultural progress and value that enriches lifestyles toward better living.

The following are some of the values we provide to global society from the perspectives of cultural progress and better living.

01 Interaction with trees and forests / Preservation and cultivation of forests

- Marunuma Highland / Company-owned forests

02 Fuel technology

Contribute to reductions in CO₂ emissions by developing alternative fuel for coal

- Biomass solid fuel

02 Biomass power generation technology / Operational know-how

- Energy sales

03 Contributions to better living

Contribute to evolution of electrical devices

- Functional films

04 Weight reduction / Support for better living

Contribute to reductions in CO₂ emissions by reducing the weight of automobile parts and promoting the spread of lithium-ion battery

- CNF
- High-performance cellulose (CMC)

06 Preservation of quality / Reduction of single-use plastics

Provide environment-friendly packaging

- New-shape cartons with closures
- SHIELDPLUS® / Lamina®

07 Protection of skin and body / Healthy and enriched lifestyles

Realize convenient and comfortable lifestyles

- Healthcare products (Adult diapers, products for mild incontinence)

05 Packaging and protection of goods / Transportation

- Linerboards, corrugated mediums / Packaging paper

08 Warm and comfortable texture of wood

Bring pleasantness and comfort to homes through the aroma and warm texture of wood

- Construction materials / Super Jet Fiber (heat-insulation material)

09 Cleanliness / Protection of skin and body

Contribute to greater hygiene awareness in various lifestyle settings

- Household products (tissue, toilet roll, etc.)

10 Reading / Writing / Communication

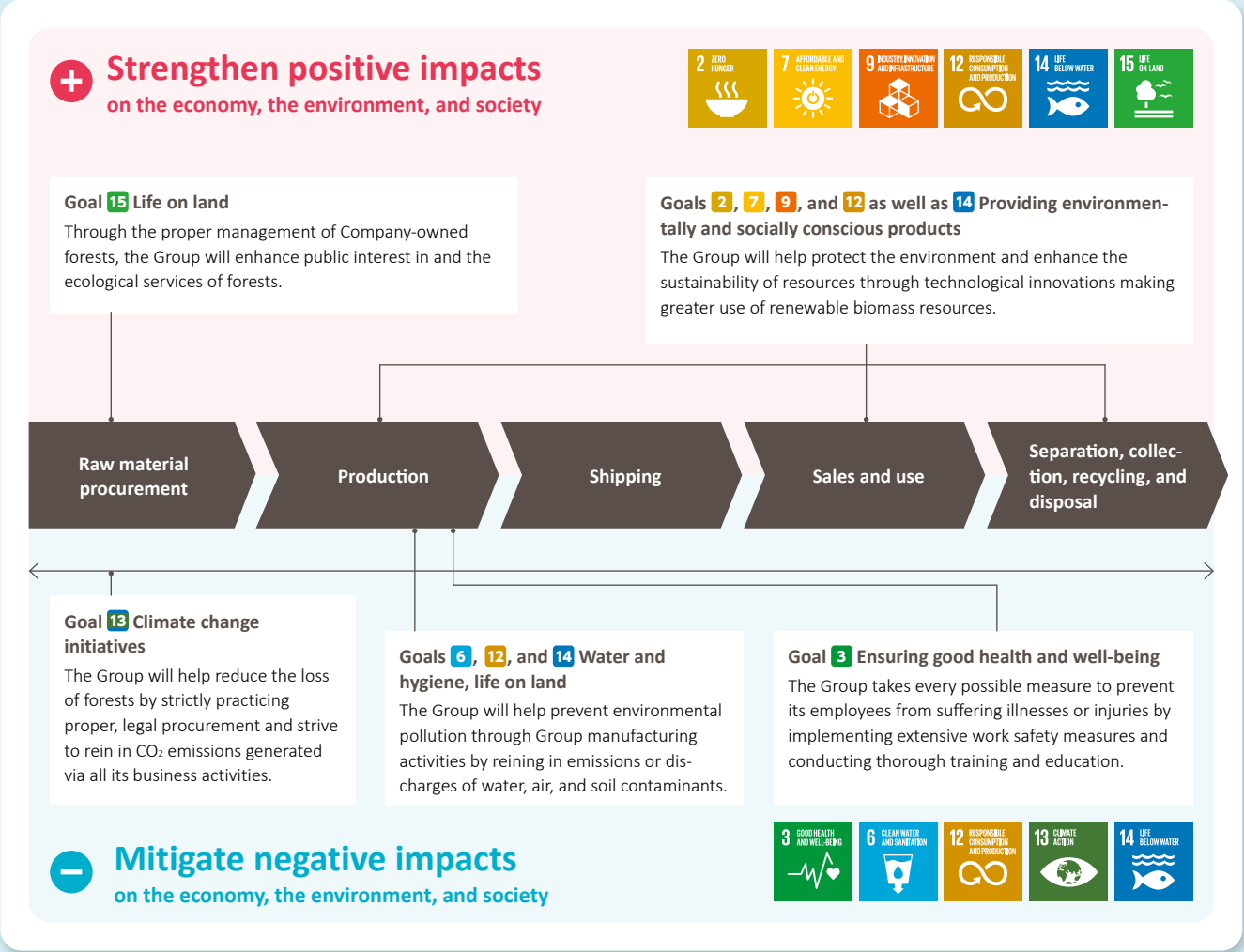
Promote printing culture and pass along to future generations

- Newsprint / Printing and business communication paper

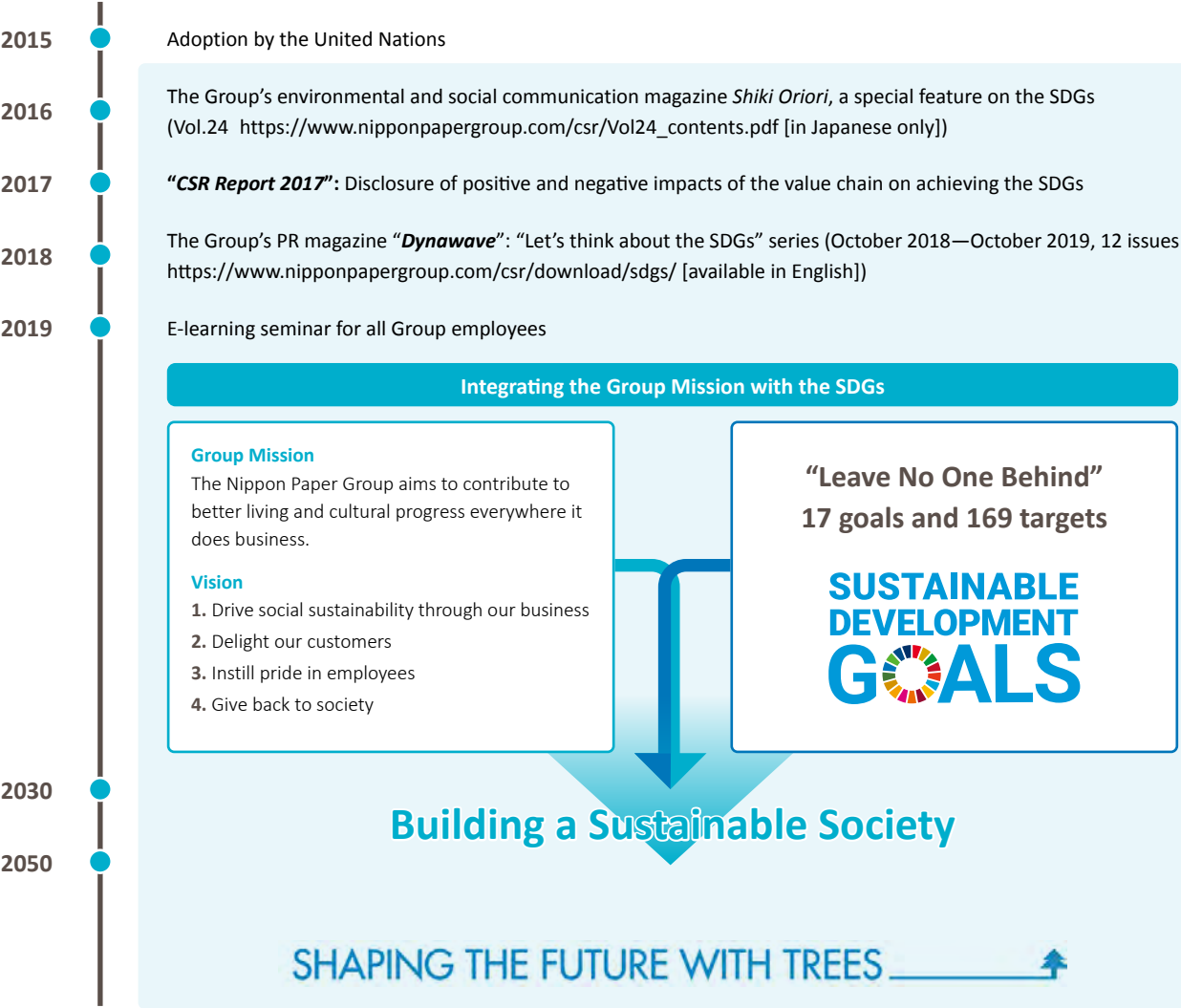
SDG Initiatives

Defined as “development that fulfills the hopes of current and future generations,” sustainable development entails the commitment of all individuals and organizations, including companies, to work toward the achievement of the Sustainable Development Goals (SDGs), a set of goals adopted by the United Nations in 2015 that addresses economic, social, and environmental issues. The Nippon Paper Group has identified impacts at each stage of its value chain on achieving the objectives of the SDGs. While striving to realize the Group Mission, the Group will strengthen the positive impacts while mitigating the negative impacts.

Positive and Negative Impacts in Our Value Chain on Realizing the SDGs

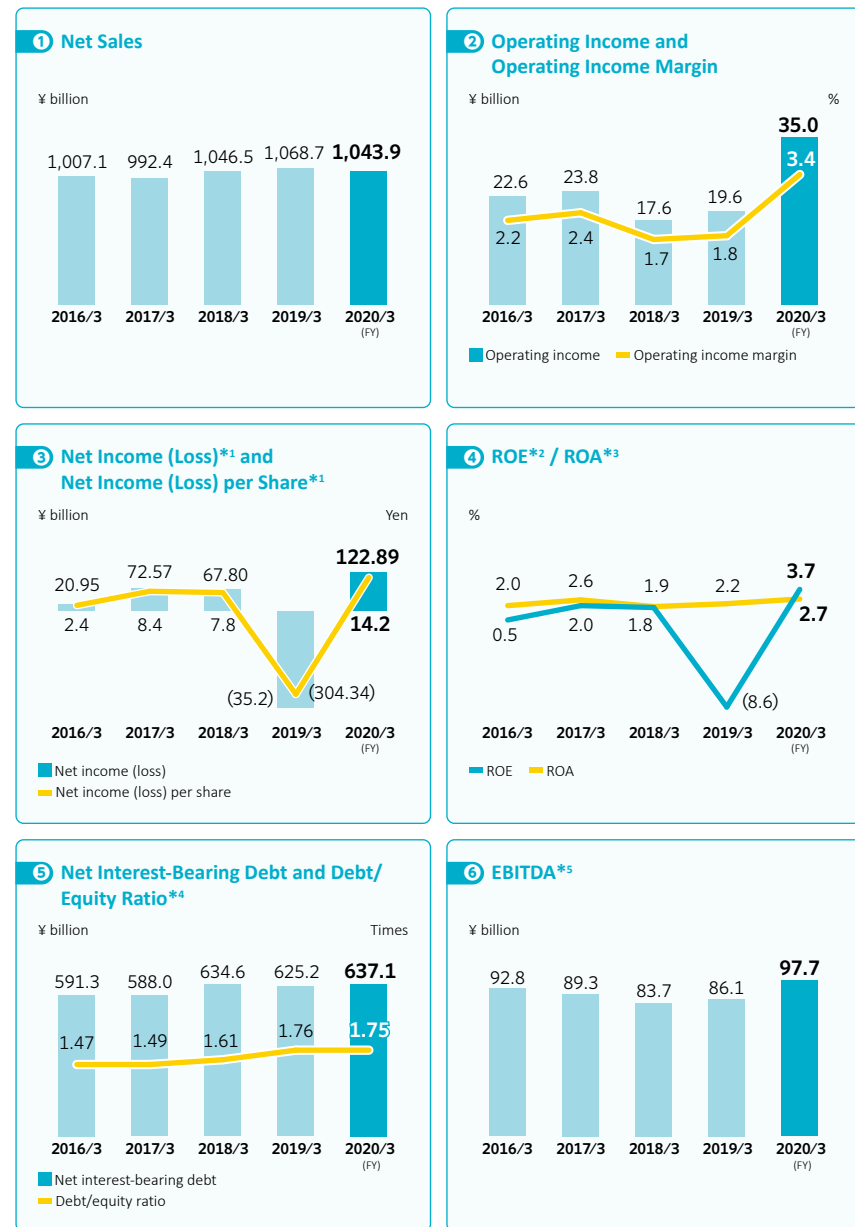


The Nippon Paper Group's Approach to the SDGs



The Group Mission, “to contribute to better living and cultural progress everywhere it does business,” aligns with the “leave no one behind” principle of the SDGs. In addition, based on the Slogan, “shaping the future with trees,” the Group's sincere commitment to engage in themes relevant to the four components of the vision under the Group Mission identifies with the aim of the SDGs, “building a sustainable society.”

Financial and Non-Financial Highlights



*1 Profit (loss) attributable to owners of parent

*2 Return on equity (ROE) = Profit (loss) attributable to owners of parent / [Average of beginning and end of year (Shareholders' equity + Accumulated other comprehensive income)] × 100

*3 Return on assets (ROA) = (Ordinary income + Interest expense) / Total assets × 100

*4 Debt/equity ratio = (Interest-bearing debt – Cash and deposits) / Shareholders' equity

*5 EBITDA = Operating income + Depreciation + Interest income + Dividend income + Amortization of goodwill

1 Net Sales

- Net sales in the Paper and Paperboard Business declined ¥32.1 billion due to lower domestic demand and a sluggish export market.
- Revenue in the Daily-life Products Business increased ¥8.9 billion on the back of brisk results in the Household Paper and Healthcare Business.

2 Operating Income & Operating Income Margin

- Operating income in the Paper and Paperboard Business shifted upward, climbing ¥14.6 billion, owing to the maintenance of revised prices and the realization of effects from the reorganization of its production structure.

3 Net Income (Loss) & Net Income (Loss) per Share

- Profit (loss) attributable to owners of parent turned positive mainly due to the absence of loss on reorganization of production structure and other extraordinary losses recorded in FY2019/3.

4 ROE / ROA

- ROE increased behind the upturn in profit (loss) attributable to owners of parent.

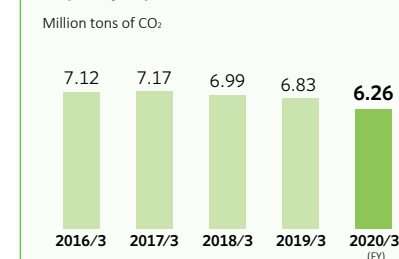
5 Net Interest-Bearing Debt & Debt/Equity Ratio

- Net interest-bearing debt is projected to rise in FY2021/3 as a result of the increase in loans payable stemming from the acquisition of Orora Limited's paperboard and fiber based packaging business in Australia and New Zealand.

6 EBITDA

- EBITDA increased ¥11.6 billion owing to an improvement in operating income, despite a decline in depreciation.

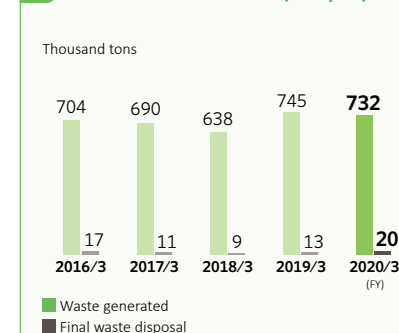
1 Greenhouse Gas Emission Volume (in Japan)*6



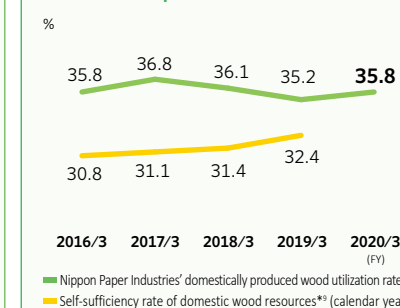
2 Recycled Paper Utilization Rate (in Japan)*7



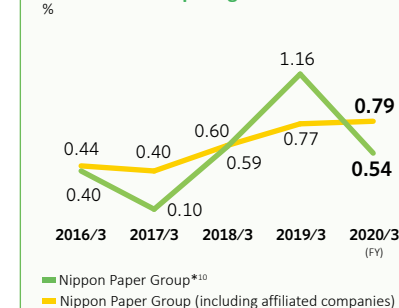
3 Circulation of Resources (in Japan)*7



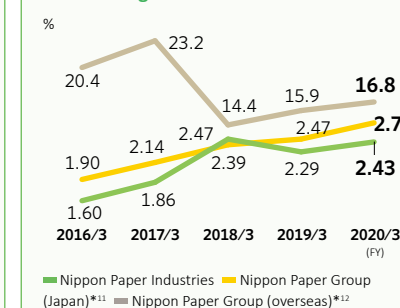
4 Domestic Wood Material Utilization Rate for Paper



5 Frequency Rate of Occupational Accidents Requiring Time Off From Work



6 Percentage of Female Employees in Management



1 Greenhouse Gas Emission Volume (in Japan)

- Surpassed the targets of Green Action Plan 2020 thanks to systematic energy-saving investments and promotion of fuel conversion

2 Recycled Paper Utilization Rate (in Japan)

- Established a closed-loop system and development of application technology for difficult-to-recycle paper amid the challenging environment for procurement of wastepaper

3 Circulation of Resources (in Japan)

- Revised production process and promoted efforts to utilize ashes from boiler combustion in construction materials

4 Domestic Wood Material Utilization Rate for Paper

- Utilized domestic wood materials by leveraging our procurement network
- Continue to actively utilize domestic wood materials

5 Frequency Rate of Occupational Accidents Requiring Time Off From Work

- One serious accident occurred
- Formulated medium-term management plan centered on safety initiatives and created disaster-prevention framework

6 Percentage of Female Employees in Management

- Aim to double the number of female managers by FY2021/3 through measures to expand the number of female employees in the work place

*6 Scope: Consolidated and non-consolidated Group companies in Japan subject to the Act on Rationalizing Energy Use

*7 Scope: Domestic companies among environment-related organizations specified in *Sustainability Report 2020*

*8 Data includes scrap wood and wood chips of domestic mills *9 Source: "Wood Supply/Demand Chart," Forestry Agency

*10 Aggregate data for the manufacturing offices belonging to Nippon Paper Industries Co., Ltd., Nippon Paper Crexia Co., Ltd., Nippon Paper Papyrus Co., Ltd., and Nippon Paper Liquid Package Product Co., Ltd.

*11 Aggregate data for consolidated Group companies in Japan *12 All managers of sections or higher (including department managers and section managers)

The Nippon Paper Group at a Glance

Net sales

FY2020/3 Results

¥1,043.9 billion

Operating income

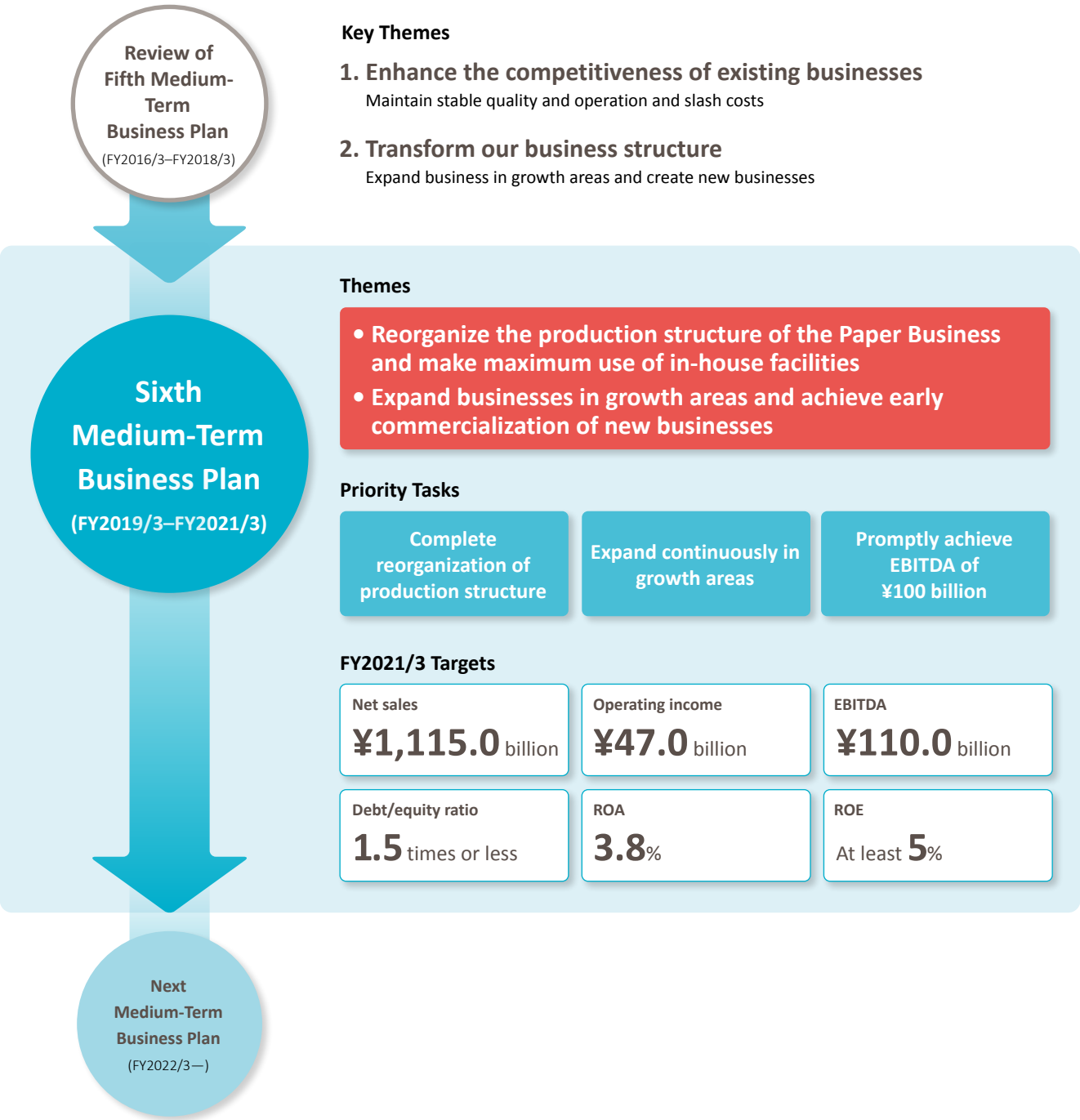
¥35.0 billion



The Nippon Paper Group at a Glance



Group Strategy



Message from the President

Pursuing Its Ultimate Goal of Realizing a Sustainable Society, the Nippon Paper Group Will Realize Its Vision Together with All of Its Stakeholders.

Toru Nozawa

President and Representative Director
Nippon Paper Industries Co., Ltd.

Group Mission

MISSION

The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.

VISION

- 1. Drive social sustainability through our business
- 2. Delight our customers
- 3. Instill pride in employees
- 4. Give back to society

VALUES

Challenge: Embrace new challenges
Fairness: Be fair
Teamwork: Champion teamwork

SLOGAN

Shaping the future with trees

01 Taking a Proactive Stance toward Unforeseen Events

I would like to express my deepest condolences to all of the victims and their families who have been affected by COVID-19 as well as show my gratitude and sincere respect for the healthcare workers who have worked arduously during such challenging times.

I would also like to extend my sincere sympathies to those who were affected by the torrential rain in July 2020.

Ever since the emergence of fears over the spread of COVID-19 in Japan and overseas, the Nippon Paper Group has been accumulating information on this infectious disease and established an infection prevention headquarters, chaired by myself as the president and representative director. Through this headquarters, we have implemented measures, in accordance with policies of the Japanese and local governments, to prevent Group employees from contracting the disease and to fulfill our responsibility of supplying products by continuing to operate our business. In regard to the consequences of the torrential rain in July 2020, we drew on our extensive experience to work unstintingly toward ensuring the safety of our employees and minimizing its impact on product deliveries.

While the first half of FY2021/3 centered on the spread of COVID-19 and a spate of natural disasters, we have continued to provide stable supplies of products and maintained our supply chain through the sincere efforts of our employees.

Key Measures in Response to COVID-19

- Conduct thorough daily health checks by each employee (checking body temperature prior to arriving at work, encouraging employees to stay home when they develop a fever or are feeling under the weather, etc.)
- Ensure that employees wash their hands, disinfect their hands and fingers, and wear a mask
- Encourage employees to work from home or avoid crowded commuting hours
- Prohibit business trips within Japan and to overseas
- Avoid the Three Cs (Closed spaces, Crowded places, and Close-contact settings)
- Flexibly procure funds (ensure liquidity on hand of approximately ¥100.0 billion)

02 Reflecting on My First Year as President

While my basic approach to management has not changed since my days as the general manager of the Corporate Planning Division, I truly believe the world looks a whole lot different from where I stand now. Since taking over the reigns as president of Nippon Paper Industries Co., Ltd., I have been reminded of the fact that the sustainability of a company hinges on its various stakeholders.

In terms of our FY2020/3 results, we achieved a 78% increase in operating income over the previous fiscal year. On the whole, I believe we succeeded in meeting the FY2020/3 targets laid out in our Sixth Medium-Term Business Plan for our domestic Paper and Paperboard Business and other businesses in Japan.

Conversely, we were not able to achieve the targets for our overseas businesses due to the impact of the trade dispute between the United States and China and other factors. While we were able to record brisk results for both functional films and functional resins, our results in the Chemical Business fell below our targets due to the deteriorating market for dissolving pulp and other factors. I would like to see improvements in these areas as soon as possible.

Further, as a result of severe equipment failures that led to the shutdown of a couple of mills, in FY2020/3 we were unable to reach our targets for cost improvements in the Paper and Paperboard Business. We find this extremely unfortunate and therefore will place priority on repairing our boilers, power generators, and a series of pulping facilities, which represent the lifeline of our mill operations, as well as working to respond in a timely manner before operations are affected through the determination of the operating sites.

Meanwhile, we have continued to conduct capital investment in our growth businesses, an initiative we began undertaking as part of our Fifth Medium-Term Business Plan, and these efforts began to gradually bear fruit in FY2020/3.

A prominent example of this is in the Household Paper and Healthcare Business. Our Fuji Mill (in Shizuoka Prefecture) has been currently undergoing the transformation of its business from printing paper to household paper. The installation of our second paper machine at Crecia-Kasuga Co., Ltd. on the site of the Fuji Mill, alongside our first paper machine installed in 2018, through a merger between Nippon Paper Crecia Co., Ltd. and Kasuga Paper Industry Co., Ltd., has enabled us to respond to the growing demand for household paper as a daily necessity.

While our outlook for the future remains uncertain due to the impact of COVID-19, we will continue to implement various measures toward achieving the Group’s target operating income of ¥50.0 billion.

Moreover, our EBITDA in FY2020/3 was ¥97.7 billion. I believe an EBITDA of ¥100.0 billion or more would allow us to repay our loans payable while investing certain amounts in future growth, as well as enabling us to fulfill the expectations of all stakeholders, including shareholders, customers and business partners, and employees. We are in fact nearing that level. Moreover, we will continue to generate stable cash flows as we move forward.

Major Investments in Growth Areas

	Details		Amount	Year of Completion
Packaging	Installation of dry pulp machine, etc.	Nippon Dynawave Packaging Company, LLC	¥14.4 billion	FY2021/3
Household paper and healthcare	Expansion of healthcare processing machines	Nippon Paper Crecia Co., Ltd.’s Kyoto Mill	¥2.0 billion	FY2020/3
	Establishment of paper machine No. 1	Crecia-Kasuga Co., Ltd.	¥6.1 billion	FY2019/3
	Establishment of nonwoven manufacturing facility	Nippon Paper Crecia (within Nippon Paper Industries’ Fuji Mill)	¥4.6 billion	FY2020/3
	Establishment of paper machine No. 2	Crecia-Kasuga Co., Ltd.	¥8.0 billion	FY2021/3
Chemical	Enhancement of production of SUPERCHLON® No. 1	Nippon Paper Industries’ Iwakuni Mill	¥1.7 billion	FY2019/3
	Enhancement of production of SUPERCHLON® No. 2	Nippon Paper Industries’ Iwakuni Mill	¥2.4 billion	FY2022/3
	Upgrading of CMC manufacturing facility	Nippon Paper Industries’ Gotsu Mill	¥4.7 billion	FY2021/3
Energy	Yufutsu biomass power generation facility		¥34.1 billion	FY2023/3

(The projects listed above were completed or resolved to be undertaken during the Sixth Medium-term Business plan.)

03 Our Ongoing Growth: Adapting to Changes in Society

Society’s focus on the global environment as well as on health and hygiene has been increasing in recent years. While the emergence of COVID-19 has certainly had an impact in one sense or another, I realize, it seems as though new forms of value that center on the environment, rather than economic gains, are coming to the forefront particularly among the younger generation.

I believe a paradigm shift—global changes in society—is taking place and ascertaining such a shift will lead to new business opportunities.

We have already begun setting our sights on such opportunities, including the commercialization of our long-length toilet paper rolls as one of our main products. We are aggressively marketing and promoting the sales of Nippon Paper Crecia’s SCOTTIE® four-roll, triple-length flower pack, which offers the same length for one-third the volume of conventional toilet paper rolls and thereby occupying limited space, in addition to its environmental features, such as the reduction of CO₂ emissions through improved transportation efficiency and reduced use of packaging materials.

04 Envisioning the State of the Paper Business beyond the Next Decade

Among the Nippon Paper Group's range of businesses, the biggest challenge in terms of its operating environment is paper for use as an information medium. When COVID-19 materialized this spring and everyone was required to stay home, we witnessed an instant spread of information and communication technology (ICT), which spurred a severe decline in demand for graphic paper such as newsprint and printing paper. I feel that this has sped up the decline in demand, which had already been taking place due to the impact of the aging of Japan's society and digitization, by two to three years.

We will continue with our steadfast approach of contributing to the growth of society through the stable supply of our products. However, we will need to respond in an even timelier manner in the years ahead, and therefore we are currently working to map out our vision beyond the next 10 years. Guided by this vision, which we are drawing up together as a group, we will examine our approach going forward and take the appropriate measures as necessary.

05 Accelerating the Transformation of Our Business Structure

While addressing the issues in our Paper Business, we will adapt to the pace of changes taking place in society and continue with our ongoing efforts to transform our business structure. The key to achieving this is the development of our overseas business and the creation of new businesses and products.

In May 2020, we consolidated the newly established Opal into the Group to form an integrated Packaging Business. Comprising the business units of Paper Australia Pty. Ltd. and Orora Limited, this integrated structure has widened our potential for future expansion as a comprehensive manufacturer of packaging materials. While our debt has increased for the time being due to this acquisition-related expense, we will be firm in our approach of investing in growth areas while taking financial discipline into account.

I am firmly convinced that the development of our overseas business is indispensable to our growth as a corporate group. Our global network continues to expand with business sites in the United States, Europe, Asia, and Oceania. As we proceed forward, we will take a proactive stance to continue to expand our operations while assessing the global trend toward environmental conservation.

In addition, we need to create new businesses and products that cater to society's increasing focus on the environment. As outlined in our vision under the Group Mission, how we reflect our accurate understanding of customer needs in our products and businesses is critical.

We have seen the increasing adoption of SHIELDPLUS® and CELLENPIA®, which we have continued to promote to date. These products have already advanced from their stage of development toward their commercialization, to provide new value together with customers to society.

We will continue to firmly invest in growth areas.



06 Leveraging the Group's Strengths over the Long Term: Woody Biomass Technology and Recycling Technology

Amid the impact of climate change and the spread of infectious diseases, it is imperative that we fully and effectively utilize wood resources more than ever to tackle such global issues from a long-term perspective. As wood resources can be generated on their own, we are producing a variety of products derived from cellulose and other ingredients. They also offer biodegradable and recyclable benefits after their use.

The Group's strengths lie in its accumulation of afforestation technology and technology for manufacturing an array of pulp from wood. We also possess technology for effectively utilizing wood ingredients.

Additionally, we have been developing the unique technology and accumulating know-how for selecting and cultivating superior trees that grow faster among the same species and for mass producing superior seedlings derived from selected trees and utilizing these technologies for afforestation operations overseas. The application of these technologies can expand the fixed volume of CO₂, thereby helping mitigate climate change.

Our recycling technology is also our strength. In addition to recycling newspaper, printing paper, and containerboards, we recycle paper cartons into household paper and used paper cups into containerboards. We are also pioneering technology for utilizing difficult-to-process wastepaper.

We believe that the Group's business model, which pursues the recycling of biomass, is itself friendly to the environment. As we look ahead, the strengthening of our research and development system will be critical for expanding the potential of biorefineries.

07 Realizing Our Philosophy will Help Realize a Sustainable Society

The Group will draw on its strengths based on the utilization of wood resources while restructuring its businesses with significant energy consumption and reducing greenhouse gases. In regard to specific targets, we will continue to promote our slogan of “shaping the future with trees” and contribute to the global mission of realizing a low-carbon society as we strive to “drive social sustainability through our business,” one component of our vision.

In 2004, the Company participated in the United Nations Global Compact and declared its support for 10 principles covering four fields. We believe that our initiatives for realizing the Group Mission align with the objectives of the compact.



We will help realize a low-carbon society through the transformation of our business structure.

08 Utilizing Human Resources and Our Safety-First Approach

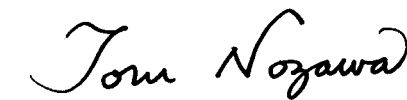
When I was appointed president, I expressed my desire to make the most of our human resources with diverse values. In that respect, I feel that “instill pride in employees,” one component of the vision of the Group Mission, is very important. Although it will not be an easy task, amid the increasing need for diverse work styles, we must establish a framework that allows our employees to take joy in the work they do.

Moreover, because we operate a manufacturing business, safety is of the utmost priority. Based on our mission of “realizing zero work-related accidents within our mills,” we will ensure that all employees working at our mills are fully aware of the risks involved in our day-to-day operations.

09 Message to Stakeholders

During this past year, I endeavored to accelerate the pace of management decision-making by conducting one-on-one meetings with the general managers of various divisions and presidents of main Group companies for about one hour each month.

As a comprehensive biomass company that shapes the future with trees and pursues the establishment of biorefineries, we are currently formulating a concrete growth path for the Group 10 years into the future and seek to realize the vision we have set forth under our Group Mission together with all of our stakeholders. I ask everyone for their continued understanding and support going forward.



Toru Nozawa
President and Representative Director,
Nippon Paper Industries Co., Ltd.

Paper Business



Takeo Konno

Managing Executive Officer
General Manager,
Sales Management & Planning Division
Nippon Paper Industries Co., Ltd.

In the face of the diminishing market for graphic paper, we will differentiate ourselves from our competitors in terms of both quality and service with the aim of ensuring that our products are the definitive choice of customers. We will also pursue environment-friendly features in our innovative materials to create new demand for paper products that will ensue after the containment of COVID-19.

OUR VISION

We will pursue new applications for paper while establishing a stable earnings structure in light of declining demand.

Our Strengths

- Production bases throughout Japan and a nationwide sales and distribution network
- Technological capabilities for creating new products
- A broad product lineup and responsiveness to user needs

Our Challenges

- Improvements to production and logistics efficiency
- Sales price stabilization
- Realization of stable operations and further cost reductions

Our Opportunities

- Advantages of paper in contributing to the global environment
- Expansion of sales in overseas growth markets
- Coexistence with electronic media

Our Threats

- Declining demand for print media as a result of shift to electronic media, the impact of COVID-19, and other factors
- Fluctuations in raw material and fuel prices
- Increased demand for imported paper due to foreign exchange rate fluctuations

The decline in consumption of printing and business communication paper will continue due to diminishing demand for publications spurred by such factors as the shift to electronic media, the decline in print media due to the impact of COVID-19, and shrinking demand for advertisements. With this in mind, we will envision our business environment 10 years from now and proceed with initiatives accordingly. Regardless, as paper is both highly recyclable and biodegradable, it has the ability to help resolve global environmental issues. As such, we will step up our efforts in biodegradable paper straws and paper with barrier properties with the aim of continuing to expand the possibilities of paper.

Reorganizing Our Production Structure and Realizing the Effects

We swiftly moved ahead with the reorganization of our production structure to accommodate the shrinking paper market and the resulting decline in demand. While appropriately taking into account the quality standards expected by our customers, we were able to steadily redistribute product grades across production sites and successfully shut down eight paper machines by the end of 2019 according to schedule. Through the completion of our production structure reorganization, we will aim to realize an ¥11.0 billion improvement in operating income through reductions in fixed costs and other measures while working to strengthen cash-generation capabilities, improve production efficiency, and maintain product prices.

In addition, we are working to optimize our supply chain as a part of our plan to reduce overall production and distribution costs.

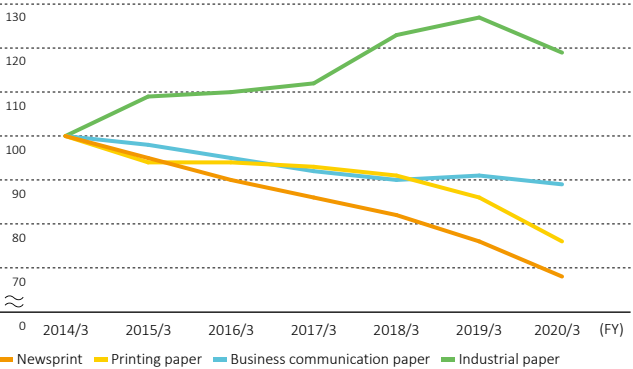
Promoting the Use of Paper (Let Paper Do What It Can Do)

With the use of paper gaining more and more attention worldwide due to marine plastic pollution, one of our most important strategies going forward is to develop new products in line with this global trend. Accordingly, we have established two new sections, the Paperizing Promotion Office and SHIELDPLUS Marketing and Sales Office and moved ahead with the launch of our paper straws, SHIELDPLUS®, and Lamina®. We will gear our efforts toward boosting demand for paper by making the utmost use of our technologies and insight cultivated through paper production and developing and proposing paper products in new domains to cater to the needs of customers.



Left: Paper straw
Right: SHIELDPLUS® products

Sales by Product Type (FY2014/3 = 100) (Nippon Paper Industries Co., Ltd.) (%)



Conversion to Use of Paper Materials

Plastic cups	▶ Barrier paper cups
	SHIELDPLUS® barrier packaging materials
Flexible packaging / plastic containers	▶ Lamina® heat-sealable paper / paperboards
Polyethylene containers / plastic bottles	▶ Paper cartons
Plastic trays and containers	▶ Paper trays
Styrofoam	▶ Functional cardboard paper
Plastic straws	▶ Paper straws
Plastic cushioning	▶ Paper cushioning

Paperboard Business



Satoru Muto

President,
Nippon Tokai Industrial Paper Supply Co., Ltd.

With the goal of continuing to generate profits down the line, we will strive to steadily capture demand in the e-commerce domain, which is anticipated to grow even further with the impact of COVID-19. We will also focus on expanding export sales in view of the synergistic effects generated through our business integration with Opal, while bearing in mind the supply–demand balance in the domestic market.

OUR VISION

We will accurately cater to users’ needs and meet increasing demand for containerboards through unique, differentiated products.

Our Strengths

- Well-balanced deployment of mills across Japan
- Secure delivery (with a great deal of care)
- Possession of linerboard machines using self-manufactured softwood kraft pulp
- Reinforced research and development system integrated with sales department

Our Challenges

- Securing of sales volume
- Price maintenance
- Optimization of sales expenses

Our Opportunities

- Solid domestic demand for containerboards
- Promotion of exports to growing Asian market through integration with Opal
- Development of products utilizing new materials and new technologies

Our Threats

- Deterioration of supply–demand balance
- Sluggish market growth in the wake of COVID-19
- Soaring raw material and fuel prices
- Increasing logistics costs

Demand for containerboards is difficult to forecast at the moment due to the impact of COVID-19 and other factors. However, we will work to accurately capture domestic demand and proceed with the development of new products utilizing new materials by integrating the sales divisions and the Research and Development Division into a single unit. We will also strive to identify new growth strategies through our alliance with Opal and open up new sales channels, particularly in the Asian market.

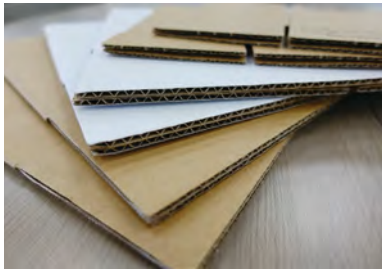
Harnessing Our Strengths as the Largest Specialized Containerboard Manufacturer in Japan

As the largest specialized manufacturer of containerboards in Japan, we will leverage our production sites across Japan and maintain stable supplies and secure deliveries. In addition, we will pursue higher standards for our proposal-based sales by engaging with customers to ensure that we are able to accurately capture demand for containerboards in Japan, which is projected to grow even further going forward. In doing so, we will continue to aim to be a company that is selected by customers.

In regard to exports, while bearing in mind the supply–demand balance in the domestic market, we will draw on the strengths of our alliance with Opal to secure new customers and actively engage in other measures to promote sales in China and countries in Southeast Asia.

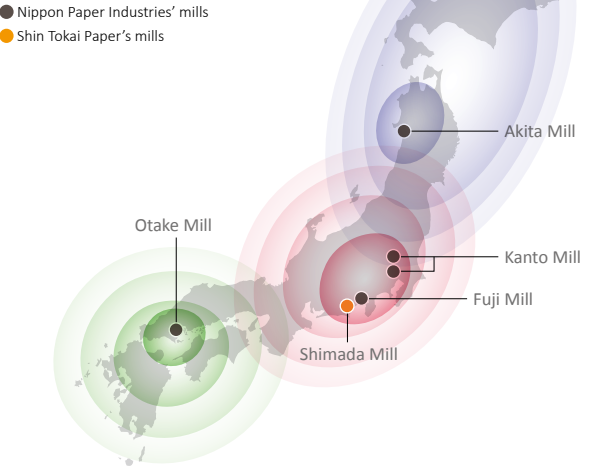
Directing Our Attention to the Development of New Products

We must continue to develop new products going forward in response to the global trend toward using less plastic and using more paper. In our Paperboard Business, the Nippon Paper Group’s Research and Development, production, and sales divisions and Group companies will unite as one to launch new, differentiated, and high-value-added products. Moreover, we will explore ways to strengthen our ties with containerbox manufacturers from a variety of angles.

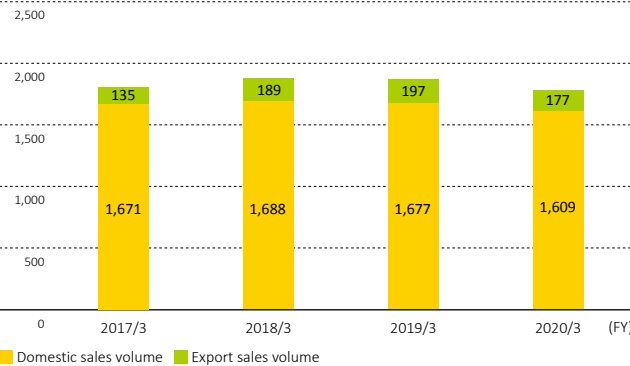


Containerboards

Production Network and Supply Coverage



Sales Volume of Containerboards
(Thousand tons)



Packaging Business



Yasuhito Obayashi
Managing Executive Officer
General Manager,
Paper-Pak Sales Division
Nippon Paper Industries Co., Ltd.

In FY2020/3, net sales climbed 6% over the previous fiscal year on the back of higher sales of new filling machines and other products. We also concluded a capital and business alliance with Shikoku Kakoki Co., Ltd., the leading manufacturer of filling machines in Japan. In FY2021/3, we will step up the pace of our development and launch of new cartons and filling machines in preparation for after the containment of COVID-19.

OUR VISION

We will establish a global, first-class business capable of improving and changing the eating habits of people across the globe.

Our Strengths

- A comprehensive system supplier providing packaging boards, cartons, and filling machines
- Development capabilities for domestically produced high-speed filling machines utilizing capital and business alliance with Shikoku Kakoki Co., Ltd.

Our Challenges

- Development and sales of new cartons and filling machines (domestic and overseas)
- Development of environment-friendly and functional packaging (by leveraging the strengths of the Nippon Paper Group)

Our Opportunities

- Expansion of existing value-added carton market
- Greater demand for paper cartons through shift away from the use of plastics
- Demand for production facilities that promote labor-saving through IoT technologies led by the decrease in working population

Our Threats

- Market contraction due to demographic changes led by aging population and declining birth rate, and unforeseen events such as COVID-19 and climate change
- Intense competition due to entry of other companies into paper carton market

Amid the shrinking domestic beverage market stemming from population decline and intensifying competition brought about by the entry of domestic and overseas manufacturers into the paper carton market, we will develop a unique system capable of speeding up sales of new environment-friendly products. Moreover, with the aim of improving the productivity and workability of our customers, we will promote sales of new filling machines equipped with IoT functions that help our customers surely perform maintenance work.



Left: Strawless paper cartons for school lunches
Right: SPOPS® replaceable containers

● Launching a Series of New Cartons and Promoting Sales

In the chilled beverages domain, we are concentrating our efforts on the sale of our varied lineup of new filling machines attuned to the needs of customers. In FY2021/3, we introduced our new “Pure-Pak® Sense” carton with an attached closure and released it on the market. In addition, we developed and began sales of our “NP-PAK-mini School POP” strawless paper carton for school lunches.

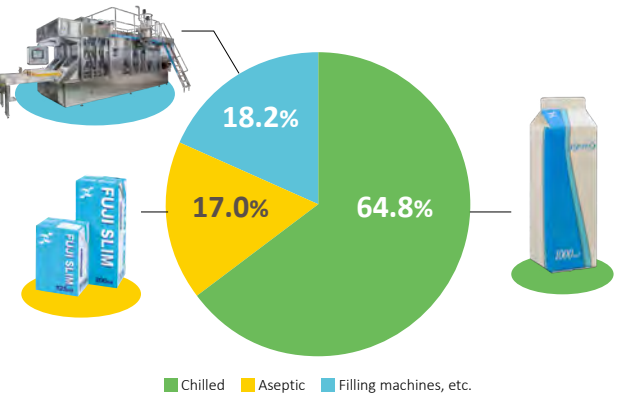
In the field of aseptic beverages, we developed our NSATOM® multifunctional aseptic filling system for paper cartons with attached closures, which is slated to be launched in FY2022/3. In fields other than beverages, we commenced sales of SPOPS® replaceable containers for shampoo.

● Our Measures for Post-COVID-19

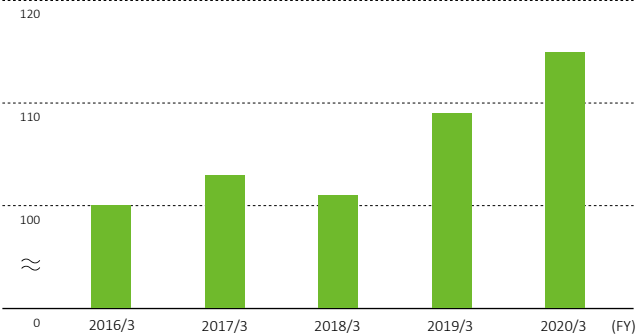
Going forward, the beverage container market is expected to experience a further increase in demand for environment-friendly, high-sanitary, and multifunctional products. We will strive to help improve the eating habits of people across the globe through the utilization of our highly sanitary and functional paper carton system.

In 2019, we concluded a capital and business alliance with Shikoku Kakoki, which will shift the development of our new filling machines and new products into high gear. In the carton business, amid the diversification of beverages and the shortening of product cycles, we will put in place an efficient structure that enables small-lot production for a wide variety of products. In the maintenance business, we will establish a structure that generates new solutions through the use of the IoT, with the objective of boosting our customers’ productivity.

Net Sales by Product (Nippon Paper Industries Co., Ltd.) (%)



Net Sales of Domestic Paper Carton Business (FY2016/3 = 100) (%)



Household Paper and Healthcare Business



Kazufumi Yamasaki

President and Representative Director,
Nippon Paper Crecia Co., Ltd.

We will work together as one to develop new products in response to changes in customers’ lifestyles and promote our business activities. We also aim to develop the business into a key contributor to the Group’s business restructuring.

OUR VISION

We will provide valuable products and brands that contribute to healthy and clean lifestyles.

Our Strengths

- Beloved and trusted brands
- Unique long-length toilet paper rolls
- Healthcare products that utilize CNF
- Highly competitive mills

Our Challenges

- Swift launch of new production facilities
- Enhancement of logistics efficiency to contribute to the global environment
- Development of products that accommodate changes in people’s lifestyles
- Use of more pulp and packaging paper procured within the Group

Our Opportunities

- Higher awareness of hygiene worldwide
- Global shift from the use of plastics to biomass resources
- Aging population
- Rapidly growing e-commerce market

Our Threats

- Intensifying competition triggered by the reinforcement of facilities by competitors of household paper
- Rising pulp prices and global concerns over stability of pulp supply
- Intensifying competition in growing healthcare market

In light of the increasing awareness of hygiene owing to the impact of COVID-19, we will press forward with the supply of tissues, toilet paper rolls, paper towels, cleaning wipes, wet tissues, and other products that enable customers to enjoy healthier and cleaner lifestyles. Further, we will bolster our supply structure by achieving early commercialization of our state-of-the-art paper machines, and will draw on our triple-length toilet paper rolls and other proprietary products to differentiate ourselves from our competitors.

Left: SCOTTIE fine Four-roll, triple-length Kitchen Paper Towel
Right: SCOTTIE® Four-roll, triple-length flower pack

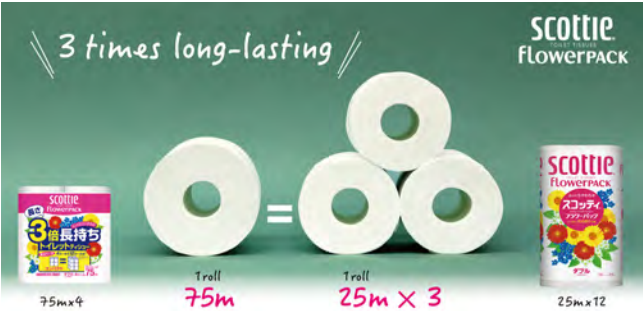


Strengthening Our Competitiveness by Installing New Paper Machines

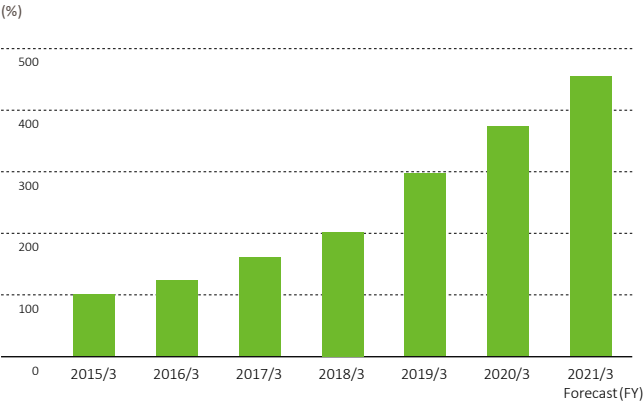
In May 2020, our affiliated company, Crecia-Kasuga Co., Ltd., launched its second paper machine, the most advanced machinery for household papers. Also we are aiming to enhance the supply system for long-length toilet paper rolls, which are now increasing in demand. Located in Shizuoka Prefecture, adjacent to the Tokyo metropolitan area, Crecia-Kasuga has high cost advantages due to its ability to capitalize on the utilities of Nippon Paper’s Fuji Mill. We will work to further strengthen our competitive edge by running the new second machine at full capacity as early as possible, as well as promoting comprehensive improvements to our processing system at the four mills of Nippon Paper Crecia Co., Ltd.

Promoting Sales of Long-Length Products That Contribute to Lower CO₂ Emissions

Our long-length products are easy to carry and reduce the hassle of locating storage space and replacement due to their compactness and offer a range of other merits for customers. They also contribute to the global environment by means of less use of packaging materials and lower CO₂ emissions through more-efficient distribution. Our long-length products benefit not only consumers, distributors, and manufacturers but also the global environment. We will work unstintingly to supply them to more households while continuing to develop products that help conserve the global environment.



Net Sales of Long-Length Products (FY2015/3 = 100)



Chemical Business



Kazunori Itaya
Executive Officer
General Manager,
Chemical Sales Division
Nippon Paper Industries Co., Ltd.

We will proceed with the development of new products that reflect the needs of customers by integrating our research, production, and sales while we maintain close ties with them. By leveraging such unique products to create new value, we will expand sales and tap into new markets.

OUR VISION

We will provide unique products in global niche markets.

Our Strengths

- A diverse lineup of wood-based products
- A group of unique products in niche markets
- Product development tailored to user needs

Our Challenges

- Enhancement of cost competitiveness of pulp products
- Development of applications for yeast culture products and expansion of sales thereof
- Development of applications for wood-based products
- Stabilization of earnings in functional film business

Our Opportunities

- Growth in demand for renewable resources due to re-evaluation of their value
- Growth of global automobile market
- Increase in demand for textiles with rise in global population
- Shift toward making plastic parts out of mono-materials
- Rise in demand for high-performance films

Our Threats

- Shrinking Japanese market
- Incursion of overseas manufacturers
- Obsolescence of existing technologies

Through the supply of renewable materials leveraging our abundance of wood-based products, we will help realize a resource-circulating society and promote sales of our products in overseas markets. We will also strive to stabilize earnings in our functional film business, despite the short life cycles of functional films, and bolster the supply of functional resin for use in packaging film ink and adhesive materials for automotive use, for which the market continues to grow.



Left: Application of dissolving pulp
Center, Right: Application of CMC

Reinforcing the Production Capacity of Functional Coating Resin

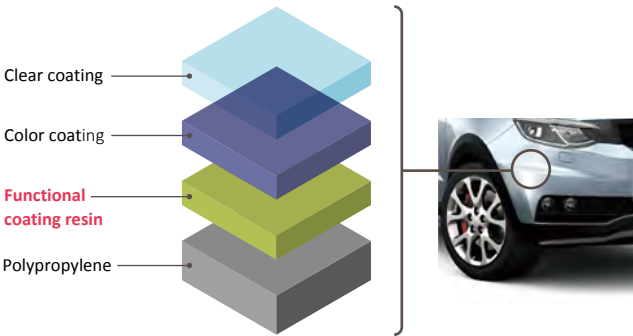
Functional coating resin is growing in demand for its use as an adhesion promoter for polypropylene (PP) substrates, which are utilized in the exterior components of automobiles to reduce weight, as well as for its use as an adhesive for film inks. Looking ahead from an environmental perspective, we anticipate increased use of PP substrates—recycling-oriented mono-materials that are inexpensive and easy to process—and greater demand for functional coating resin—an indispensable material for adhesion on PP substrates. With the aim of addressing such growing needs, we are reinforcing our supply structure and expanding our production facilities.

Boasting an Extensive Lineup of Wood-Based Products

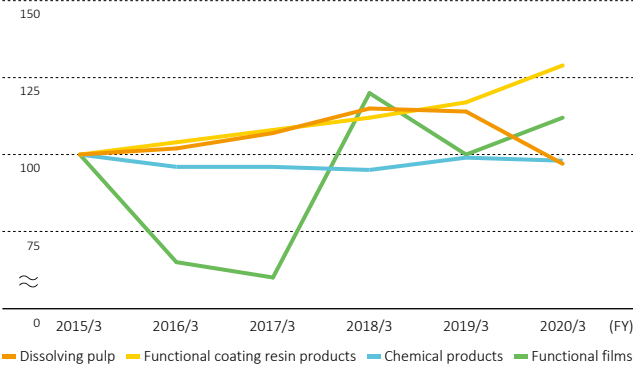
The Chemical Business boasts a portfolio consisting of various wood-based products. One such product is dissolving pulp, for which we will deliver high-quality products attuned to the needs of customers and differentiate ourselves from our competitors. Lignin is another wood-based product and a by-product of the pulping process—which is widely used as a binding agent and dispersant. By making use of our proprietary technologies, we will upgrade the quality of lignin and offer it for use in a wide range of fields as a high-performance dispersant.

Moreover, the expansion of our production facilities for carboxymethyl cellulose (CMC) water-soluble polymer is progressing as planned, and we will proceed with the introduction of highly functional new brands, in addition to existing products for lithium-ion batteries. We will also promote the use of powdered cellulose (KCF) in a wide array of products, including food applications and reinforced plastic, and strive to boost its sales.

Application of Functional Coating Resin



Net Sales by Product (FY2015/3 = 100) (Nippon Paper Industries Co., Ltd.) (%)



Energy Business



Mitsuhiro Sugino
Executive Officer
General Manager,
Energy Business Division
Nippon Paper Industries Co., Ltd.

In the face of the increasing global trend toward reducing CO₂ emissions, we are experiencing significant changes in our business. By responding appropriately to the national energy policy, we will reinforce the biomass power generation business as well as continue to promote the sale of surplus electricity generated at our in-house facilities

OUR VISION

We will generate stable, long-term earnings by expanding businesses utilizing renewable energy.

Our Strengths

- Power generation technology developed through paper manufacturing
- Power generation capacity of 2,000 MW
- Bases in favorable locations throughout Japan
- Global procurement network for wood resources and knowledge of biomass fuel

Our Challenges

- Stabilization and strengthening of existing electric power generation business
- Establishment of biomass mono-firing technology
- Ongoing promotion of power generation and fuel businesses

Our Opportunities

- Feed-in tariff (FIT) fixed-price system to promote renewable energy
- Global trend toward reducing CO₂ emissions

Our Threats

- Soaring prices of biomass fuel
- Falling sales prices of electricity
- Changes to the nation's energy systems
- Impact of COVID-19

Biomass fuels are garnering attention due to the trend toward reducing CO₂ emissions. While advancing in harmony with trees, the Group will steer the bio-mass power generation business forward by harnessing the strengths of its wood resource procurement system.

At Nippon Paper Ishinomaki Energy Center Ltd., we are working to reduce CO₂ emissions and stabilize earnings while further increasing the biomass co-firing ratio.



Left: Ishinomaki Hibarino power plant
Right: Yufutsu Energy Center (CG rendering of completed center)

Expanding the Scale of Our Biomass Mono-Firing Business

Located on the premises of Nippon Paper's Hokkaido Mill (Yufutsu), the Yufutsu Energy Center, LLC is slated to become one of the largest biomass mono-firing businesses in Japan, boasting a power generation capacity of 75 MW. Construction of the new facility began in March 2020 and is progressing as planned. It is scheduled to commence operations in January 2023.

Suzukawa Energy Center Ltd. commenced operations in 2016 using coal as fuel, but from the perspective of the environment, we decided to convert from a coal-firing system to a biomass mono-firing system. Fuel storage renovation began in December 2019, and construction is proceeding smoothly toward the launch of our biomass mono-firing system in April 2022.

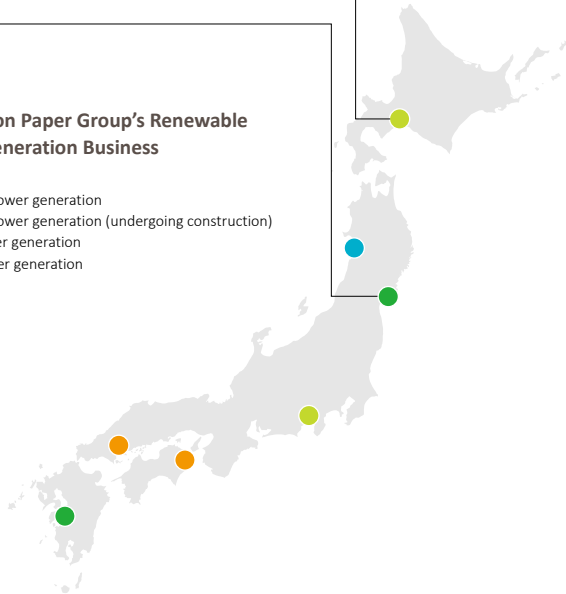
Furthermore, we are currently conducting environmental assessments on the possibility of installing an additional biomass mono-firing system at our Iwakuni Mill.

Expanding the Sales Volume of Renewable Energy

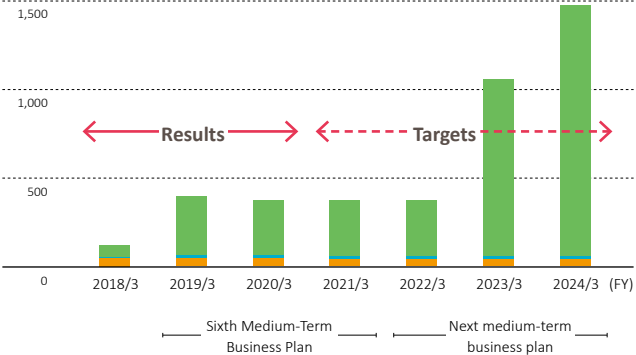
FY2021/3 is the final year of our Sixth Medium-Term Business Plan and has been regarded as a period for laying the groundwork for the expansion of the biomass mono-firing business. Looking ahead, the aforementioned Suzukawa Energy Center is slated to commence operation of its biomass mono-firing business in April 2022, with an annual power generation capacity of around 600 GWh, while the Yufutsu Energy Center is scheduled to begin operating in January 2023 with a power generation capacity of approximately 500 GWh. Accordingly, our renewable energy sales volume is projected to grow to nearly 1,500 GWh annually in FY2024/3.

The Nippon Paper Group's Renewable Energy Generation Business

- Biomass power generation
- Biomass power generation (undergoing construction)
- Solar power generation
- Wind power generation



Sales of Electricity Generated through Renewable Energy (GWh / year)



Wood Products and Construction Related Business



Kunihiko Hayama

President and Representative Director,
Nippon Paper Lumber Co., Ltd.

As the leading trading company of wood products in Japan, Nippon Paper Lumber Co., Ltd.'s day-to-day operations consist of collection of wood resources, management of Company-owned forests, and sales of lumber products from Japan and overseas. Through the concerted efforts of our small team of approximately 200 employees, we will continue to improve profitability by responding accordingly to the drastic changes occurring in our operating environment, taking full advantage of our opportunities, and mitigating risks.

OUR VISION

We will firmly entrench our position as the leading provider of domestic lumber.

Our Strengths

- Leading procurement network and infrastructure for paper materials and domestic lumber in Japan

Our Challenges

- Establishment of a procurement network to address increased demand for wood fuel

Our Opportunities

- Growing demand for wood fuel in line with increase in biomass boilers

Our Threats

- Declining consumer sentiment for housing purchases owing to the impact of COVID-19

We possess a sales network that can provide various products for lumber, energy, and a wide range of other uses. The feed-in tariff (FIT) fixed-price system for renewable energy and other energy policies implemented by the national government are generating new opportunities for wood-related businesses. By centering our attention on the upstream process of wood distribution and financial and human resources, we will reinforce our procurement system of wood fuel in Japan and overseas.



Left: Domestic lumber
Right: Nippon Paper Industries' Asahikawa Mill, which supplies significant amounts of wood chips

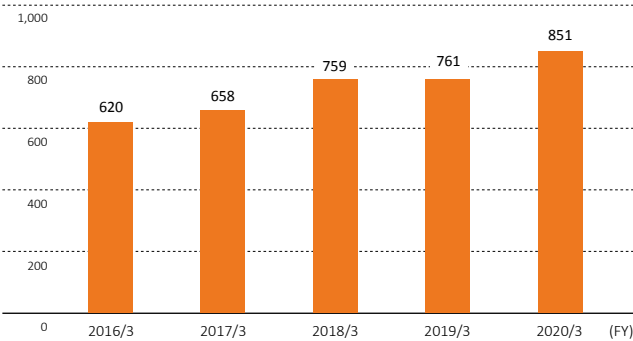
Adapting in Harmony with New Ways of Living

Against a backdrop of significant changes to our lifestyle patterns expected as a result of the impact of COVID-19, we anticipate the arrival of new approaches to living, working, and studying as various generations embark on new ways of living. We embrace wood products—a recyclable material that heals the human senses—as a core business and believe that adapting appropriately to these changes is imperative for our continuous growth.

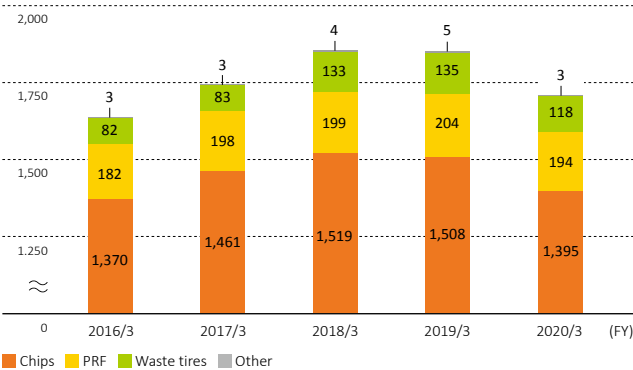
With the implementation of the feed-in tariff (FIT) fixed-price system for renewable energy, demand for wood fuel is surging as business operators in other industries are tapping into the biomass power generation business.

We have identified the growth of our domestic wood-related business, a strength of Nippon Paper Lumber, and the increased supply of wood fuel used in biomass power generation as key challenges. In Japan, we will leverage our existing infrastructure while continuing to forge ahead with the diversification of our domestic procurement sources. Overseas, we will continue to ensure the stable procurement of palm kernel shells (PKSs) through the development of suppliers. We will be adaptable in our approach and swift with our decision-making toward continuing the expansion of our operations.

Handling Volume of Domestic Lumber (Nippon Paper Lumber Co., Ltd.)
(thousand m³)



Handling Volume of Fuel (Nippon Paper Lumber Co., Ltd.)
(t)



The Nippon Paper Group’s Overseas Business Development

Leveraging the Strengths of Opal to Accelerate the Growth of the Packaging Business

Hiroya Kakehashi
General Manager,
Corporate Planning Division
Nippon Paper Industries Co., Ltd.



Significance of the Overseas Business to the Nippon Paper Group

Amid the expected decline in domestic demand for paper, the Nippon Paper Group adopted “expand businesses in growth areas and achieve early commercialization of new businesses” as one of the themes of its Sixth Medium-Term Business Plan, and is currently working to realize this goal. The overseas business has the advantage of being able to benefit directly from population and economic growth in the various regions in which it operates. In light of the increasing focus on the environment and the impact brought about by spread of COVID-19, the use of paper is regaining recognition around the world for its recyclable and biodegradable features. We

also believe that, as a group that is transforming its business structure, the overseas business plays a significant role in helping advance the rising trend to “paperize” overseas and the associated business growth. Moreover, as we can expect the creation of synergistic effects with the range of businesses we are already engaged in domestically and overseas, we will concentrate our efforts on growing our overseas business particularly within Southeast Asia, as well as in other regions in Asia, Oceania, and elsewhere in the Pacific Rim, where we anticipate continuous growth in demand.

Acquisition of Orora Limited’s Paperboard and Fiber Based Packaging Business in Australia and New Zealand

On April 30, 2020, Nippon Paper Industries Co., Ltd. finalized the acquisition of Orora Limited’s paperboard and fiber based packaging business in Australia and New Zealand. We incorporated the acquired business and Paper Australia Pty. Ltd., which operates the Paper and

Paperboard Business, into the newly established group, “Opal.” Opal was launched in May 2020 to steer the Packaging Business forward in Oceania.

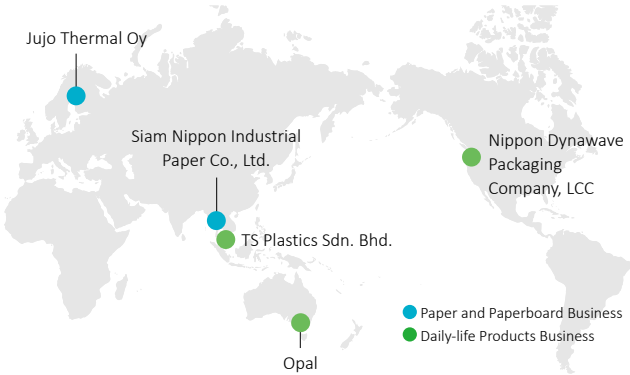
The global spread of COVID-19 has had a significant impact on the economy of Oceania as well. Nonetheless, as a region consisting of developed countries that continue to experience gradual population growth and high demand for packaging materials used in the export of fruits, vegetables, meat, and other products, Oceania is a highly attractive market for the development of our Packaging Business. In addition, the ability to establish an integrated production process encompassing all stages, from the production of base paper to the sale of containerboxes, brought about by the establishment of Opal is highly advantageous from the perspectives of expanding our value chain and stabilizing earnings. Further, we believe we can

enhance our profitability by pursuing synergistic effects through Opal in such capacities as cost reductions and increased efficiency, which intersect with Paper Australia Pty. Ltd. Until recently, the business portfolio of the Group’s paperboard business was limited to the manufacture and sale of base paper, or upstream processes along the value chain. However, the acquisition of Orora’s business has allowed us to make a full-fledged entry into the manufacture and sale of containerboard products, or downstream processes, and this has expanded our possibilities for further business growth. Looking ahead, we will step up the growth of the Group’s containerboards, craft paper, and other packaging materials.

Expansion of the Overseas Business across the Globe

The Group is rolling out a variety of businesses in not only Oceania, but in all corners of the globe. In North America, Nippon Dynawave Packaging Company, LLC manufactures paperboard for use in milk cartons and other types of liquid packaging cartons, and is working to continue to improve the functionality of its products in response to the diversifying needs of customers. In Europe, Jujo Thermal Oy produces thermal paper for use in labels, receipts, and many other applications. Jujo Thermal also engages in the development of SHIELDPLUS® high-barrier packaging materials that prevent the penetration of moisture and leakage of aroma. Moving ahead, we will develop Jujo Thermal into a new pillar of earnings for the Group by setting our sights on the increasing global trend of eliminating plastic and using more paper. In Asia, we are steadily growing our business by harnessing such capabilities as the machine glazed Paper Business of Siam Nippon Industrial Paper Co., Ltd. in Thailand. In Malaysia, we acquired TS Plastics Sdn. Bhd., which develops flexible packaging materials, in March 2019. We will continue to expand our business in this economically thriving market as we pursue synergies

through the combination of TS Plastics’ technological know-how and customer base in the flexible packaging field and the Group’s strengths in technological development, sales, and other areas. The Group will continue to take advantage of its know-how in wood resources in a variety of fields with the aim of enhancing its corporate value over the medium to long term. As for overseas, we will continue to look to actively expand our business by identifying regions and businesses with potential for growth.



Research and Development: The Backbone of the Nippon Paper Group’s Business

Shaping the Future of the Nippon Paper Group by Reinforcing R&D and Collective Efforts

Takashi Ochi
Executive Officer
General Manager,
Research and Development Division
Nippon Paper Industries Co., Ltd.

Mission of the Research and Development Division— Strengthening of Existing Businesses, Expansion of Businesses in Growth Areas, and Promotion of New Businesses

With its sights set on “shaping the future with trees”—the slogan of the Nippon Paper Group—the Research and Development Division is forging ahead with activities in afforested land, pulp and paper, biomass use, and other areas, with the aim of maximizing the use of trees. We adopted “reorganize the production structure of the Paper Business and make maximum use of in-house facilities” and “expand businesses in growth areas and achieve early commercialization of new businesses” as the themes for our Sixth Medium-Term Business Plan, and are examining ways in which we can contribute to realizing these goals from an R&D perspective.

We believe there is still ample room for improvements in reducing costs in the paper and other existing businesses, such as the recent implementation of new technology for pigments used on coated paper. To effectively develop new products, we conduct pilot tests in our laboratory and examine the data, implement tests on production lines, and conduct commercial printing tests to check for quality. All of these processes are conducted in a timely manner. In our R&D

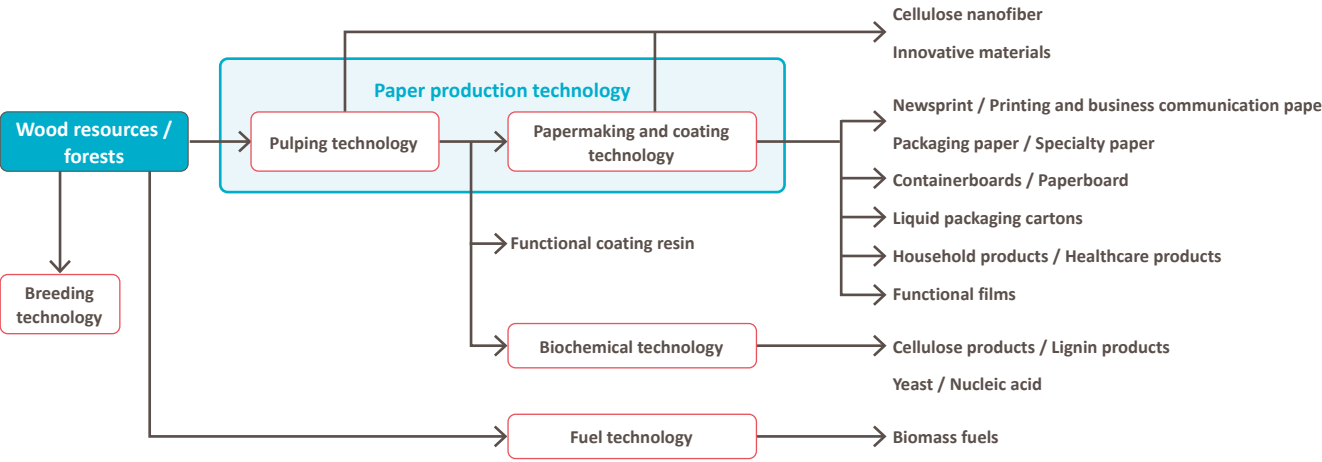
efforts for paper, we strive to create products tailored to the needs of customers centered on the three “Es”, or ecology (environmental friendliness), economy (sense of good value), and efficiency (productivity and workability).

In recent years, we have invested a significant amount of resources into our human resources and carried out other expenditures in growth areas and new businesses for the early establishment of high-earning businesses. While global awareness in the reduction of CO₂ emissions and other efforts to combat climate change continues to grow, we expect paper—a recyclable material that reduces the use of fossil resources—to have a positive impact on resolutions to such environment-related issues. Moreover, Nippon Paper will be fully committed to its R&D in such growth areas as the Packaging, Household Paper and Healthcare, and Chemical Businesses by embracing its Group Mission of aiming to contribute to better living everywhere it does business.

Strengths in R&D— Accumulation of Wide-Ranging Technologies and Know-How and Groupwide Collaboration

Among the strengths of the Nippon Paper Group is its accumulation of technologies and know-how through years of R&D and development of businesses in a wide range of fields. To date, we have developed new products encompassing bulky paper, functional paper, liquid packaging cartons, functional coating resin for automotive, cellulose and lignin products, functional films for smartphones, adult diapers, and wood fuel. While it may seem as though these products are not related to each other, they all represent our efforts to expand the scope of research through our papermaking technology. With the aim of continuing to hone our strengths, in 2017 we merged the R&D functions of the Chemical Business and Paper Packaging Business into the Research and Development Division.

I am a firm believer in not creating walls between our various sections. As such, we strongly promote the cooperation and sharing of information on research-related topics between sections. Our research-related collaboration has been as strong as ever, exemplified by the developments of Minerpa®—a hybrid compound of pulp and inorganic materials derived from the combination of pulping technology and synthetic technology for inorganic pigments—and of cellulose nanofiber (CNF)-reinforced resin, which is generated through the combination of CNF technology and automotive functional coating resin technology.



Development of New Products and Technology

In recent years, one of the new products we have had our eye on is CNF. CNF has been the focus of manufacturers across the globe. We have been nurturing the technology for developing and commercializing various types of CNF. The CNF produced at our Gotsu Mill is steadily being adopted in cosmetics and food applications due to its thickening effect and unique texture, as well as its exceptional ability to retain water and shape. The CNF produced at our Ishinomaki Mill is being used in concept tires on automobiles, and we will look to

expand its industrial applications going forward. In addition, we incorporate metal ions into CNF intermediates to develop modified cellulose that realizes anti-virus, disinfectant, and odor-eliminating effects for nonwoven and paper products.

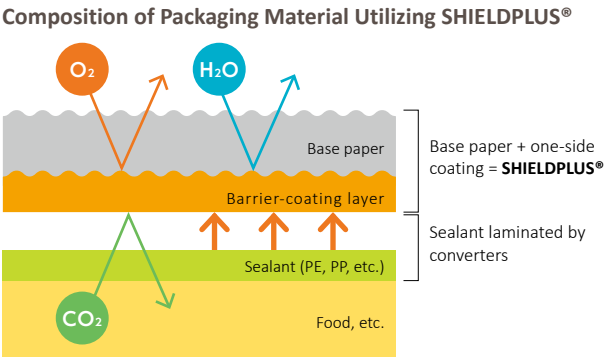
SHIELDPLUS®, an eco-friendly product that has a barrier-coating layer on top of base paper using water-based coating technology for papermaking, features oxygen and water vapor barrier properties as well as flavor barrier properties, and is friendly to the environment.

Research and Development: The Backbone of the Nippon Paper Group’s Business

We have enhanced the lineup of SHIELDPLUS® products by refining its barrier properties according to various applications, a move well received by many, particularly those in the food industry. Currently, we are working to optimize the quality of our manufacturing processes by exchanging information with each user.

Minerpa® offers deodorizing, flame-proof, and radiation-shielding effects according to the type of inorganic material applied to the surface of pulp fiber. We provide samples of Minerpa® in a range of forms, including sheets, molds, and flakes, in line with the customer’s needs, and are working toward its adoption.

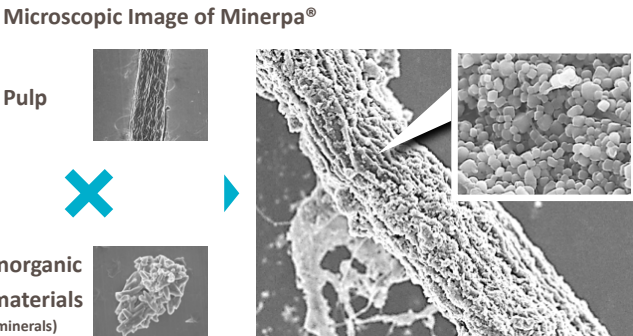
Moreover, in terms of plant-breeding techniques, in which we have continued to conduct research, we are dedicating our efforts toward



Acceleration of the Pace of Our Development through External Ties

Concerning our development activities in the Paper Business, we have been able to complete almost the entire process, from research to commercialization, in-house. However, regarding the development of products in growth areas and new businesses, while we have succeeded in the in-house development of materials, we have encountered such hurdles as the inaccessibility of processing technology and equipment to commercialize products, an inability to meet customers’ different processing criteria, and a lack of information on the industries into which we seek entry. Recognizing this fact, we are joining forces with other companies, universities, government agencies, and other organizations to equip ourselves with the

their further advancement in response to rising environmental awareness worldwide. We are engaged in producing and fostering trees that have excellent properties of effectively absorbing and fixing CO₂, as we are focusing on the selection and development of trees with strong potential for fast growth in afforested areas in Brazil and on cross-breeding among them. Looking ahead, we will proceed with research on ways to estimate growth potential and pulping properties at an early stage and utilize them on the finest trees we have selected. As for rooting technology, on which we have focused our efforts to date, we have received exceptional ratings for our production of low-pollen Japanese cedar trees.



technology we lack and fast-track the development of our products. We are also making use of the knowledge of those outside of the Company by directly interacting with customers and identifying their needs as well as utilizing business-matching services that connect solutions to needs. On the other hand, the strengthening of external ties brings up the key issue of intellectual property management. While bearing in mind the development of a robust patent network, through which our competitors would be unable to mimic our products, we are taking into consideration confidentiality agreements and loyalty balance when commercializing our products.



Invigoration of Our R&D—
Nurturing of Young Researchers at Their Own Discretion

At Nippon Paper, we institute research plans once a year to select new themes and decide on the continuation of existing themes for research. The theme-selection process entails aggregating the themes of priority within the Research and Development Division and themes proposed by the headquarters and mills, and then determining the order of importance for selecting themes of the highest significance to the Company. While each researcher sets his or her own goals according to a given research plan, we are considering the idea of allowing them to spontaneously engage in the research of their own choosing in order to enhance their level of motivation from a human resource development perspective.

With our younger researchers, we assign specific themes and customers at an early stage and provide them with ample opportunities to attend test productions at mills, present explanations to management, accompany sales visits to customers, and receive hands-on

experience, in order to have them acquire a greater sense of responsibility. We also regularly hold a research review meeting for them within our division and let them participate alone in workshops and exhibitions overseas. Individual participation requires them to plan and propose business trips, gather information on-site, prepare and present reports, and conduct other activities on their own, which we believe will also benefit them in their subsequent duties. In our small group activities, our younger researchers can develop new, innovative products through the evolution of their own ideas. They are able to manage projects at their own discretion, play a leading role on the team, direct the flow of the project, and follow up with his or her team members. For example, our paper straws, which we released in the previous fiscal year, were launched ahead of schedule thanks to the ideas that were contributed in small group activities.

Pursuit of the Potential and Technologies for the Use of Wood-Based Resources

Wood resources are a sustainable resource that can be produced by planting and cultivating trees. They provide the Company with significant potential for contributing to the realization of a better environment and living. While wood-based resources cannot serve as an alternative to every material in the world, we believe that proceeding with our R&D efforts to realize the potential of these resources and technologies for their use will result in significant contributions to

society. We will continue to unite as one and move forward with our research activities so that we can create new value through the exchange of technologies and insight among all of our research institutes and researchers based on the mindset that the future of the Nippon Paper Group rests in the hands of the Research and Development Division.

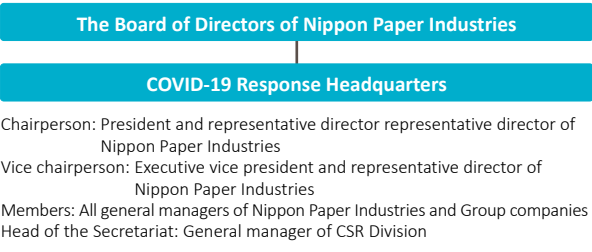
Our Approach to COVID-19

Basic Policy on Response to COVID-19

- (1) Place the highest priority on human lives (2) Cooperate with the national and local governments and follow their guidance and recommendations (3) Prevent the outbreak of diseases in-house (4) Continue to maintain business operations

Framework for Response to COVID-19

The Nippon Paper Group has established infection prevention headquarters, chaired by the president of Nippon Paper Industries. While it continued to operate after the state of emergency was lifted across Japan, the headquarters was dissolved once the restrictions on movement were removed throughout the country on June 19, 2020. Regardless, the Group has continued to work relentlessly to maintain close cooperation within the Group and prevent the spread of COVID-19.



Specific Initiatives

The Group distributed masks to all Group employees in order to mitigate the risk of contracting the disease and maintain business operations, while urging employees and their families to constantly monitor their conditions.

We have formulated the “Nippon Paper Group’s Guidelines for Disease Prevention,” which serve as a reference for following proper etiquette, such as handwashing, coughing, and the three Cs (closed spaces, crowded places, and close-contact settings). Moreover, at the main offices and branch offices, the Group encourages employees to work from home or come to and leave the office at less busy times to avoid crowds.

Support for Healthcare Facilities

Due to the shortage of medical supplies, Nippon Paper Crecia Co., Ltd. has provided the following products to medical facilities.

1. 12,500 packages of KleenGuard A40 coveralls
Recipient: Japan Organization of Occupational Health and Safety etc. (via the Nippon Keidanren [Japan Business Federation])
2. Crecia Jumbo Disinfectant Wet Wipes
100 cases each of wet wipes and replacements
Recipient: Tokyo Metropolitan Government



News Release ▶ Provision of PPE and Wet Wipes to Help Combat the COVID-19
<https://www.nipponpapergroup.com/english/info/2020/info200428004689.html>

Impact on Product Supply

The Group provides a variety of essential products that bring peace of mind to the lives of people. We will continue to operate our business by ensuring the safety of everyone concerned in order to fulfill our responsibility of supplying products to customers.

Corporate Governance

→ Corporate Governance Policy
<https://www.nipponpapergroup.com/english/ir/ECGC20200515.pdf>

Basic Stance

As the holding company of the Nippon Paper Group, in November 2015 the Company established its Corporate Governance Policy based on the Group Mission. The Company has determined the policy as a guideline for its basic stance related to corporate governance, aimed at achieving sustainable growth and medium- to long-term increases in corporate value.

Our highest management priority is to achieve even greater transparency toward shareholders and other stakeholders and engage in fair business practices. The Company has adopted an executive officer system and is working to strengthen the oversight function of its Board of Directors to ensure the separation of business execution and management oversight. In addition, the Company is implementing growth strategies, monitoring businesses under its control, and promoting compliance.

Furthermore, the Company is acting in accordance with all of the fundamental principles of Japan’s Corporate Governance Code.

Corporate Governance Report (Updated on July 1, 2020)
<https://www.nipponpapergroup.com/english/ir/202000701ecg.pdf>

Initiatives for Strengthening Corporate Governance

- FY2007/3 • Formulated the Basic Policy for Establishing the Internal Control System
• Shortened director terms to one year, from two
- FY2014/3 • Adopted an executive officer system
• Began appointing independent outside directors
- FY2016/3 • Established the Corporate Governance Policy
• Began evaluating the effectiveness of the Board of Directors
- FY2017/3 • Established the Personnel & Remuneration Advisory Committee
• Increased the number of independent outside directors to two
- FY2020/3 • Increased the number of independent outside directors to three
• Appointed one female outside director and one female outside statutory auditor
• Ensured Personnel & Remuneration Advisory Committee consists mainly of outside directors
• Introduced “Board Benefit Trust” as a stock compensation system

Corporate Governance Structure

Board of Directors

In May 2006, the Company formulated its Basic Policy for Establishing the Internal Control System. The role of the Company’s Board of Directors in the implementation of the internal control system is stipulated in the Corporate Governance Policy.

The Company’s Board of Directors shall bear the supervisory function of management as a whole and make the most appropriate decisions for the Company through decisions, etc., on the execution of important business issues that are to be made under laws, regulations, and the Articles of Incorporation by the Board of Directors. The Board of Directors shall also supervise the status of the execution of duties by the president and representative director and other corporate officers. In view of the importance of environmental and social challenges related to sustainability, the Board of Directors shall raise awareness of officers and employees, to strive to facilitate the sustainable development of society and enhance the corporate value of

the Group, by promoting active efforts to resolve challenges while giving consideration to stakeholders.

Moreover, the Company’s Board of Directors shall ensure a balance of knowledge, experience, abilities, and diversification by comprising inside directors who have excellent abilities to execute and manage each business in their charge and outside directors who have specialized knowledge and extensive experience. In FY2020/3, outside directors comprised one-third of the members on the Board of Directors and one female outside director and one female outside statutory auditor were appointed.

Basic Policies to Establish the Internal Control System
(Notice of the 96th Ordinary General Meeting of Shareholders, page 62)
<https://www.nipponpapergroup.com/english/ir/syosyututieng20200601.pdf>

Corporate Governance

Management Executive Committee

In principle, the Management Executive Committee of Nippon Paper Industries meets once a week to deliberate on important management-related matters under the authority of the president. Membership of said committee is basically composed of the president and other directors (excluding outside directors) and general managers who do not serve as directors.

In addition, meetings of the Management Executive Committee, held once a month, are attended by outside directors and general managers of the Company’s mills in order to share information on monthly financial results among management.

Group Management Strategy Committee

Nippon Paper Industries’ Group Management Strategy Committee meets as necessary to deliberate on management strategies by business segment and other important matters related to the Group. Membership of the committee is composed of the Company management and presidents of major companies of the Nippon Paper Group.

Statutory Auditors and Board of Statutory Auditors

The statutory auditors of the company attend important meetings, such as meetings of the Board of Directors, the Management Executive Committee, and the Management Strategy Committee. They strictly supervise directors’ business execution and strictly audit the Company’s overall business activities to ensure their legality and fairness.

The Board of Statutory Auditors presides over the Nippon Paper Group Statutory Auditor Liaison Committee and holds meetings regularly to discuss audit policies and methods and exchange information with corporate auditors at each Group company to reinforce the alliance and audit functions of the Group.

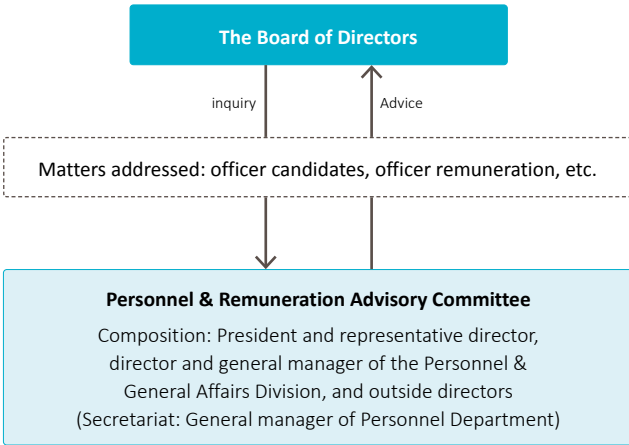
Management Audit Office

The company’s Management Audit Office, which is directly under the president’s control, conducts an internal audit of the Company and each Group company and a comprehensive evaluation of the maintenance and operation of the internal control system as it relates to financial reporting. The internal audits are conducted in terms of legality and rationale from fair and independent perspectives.

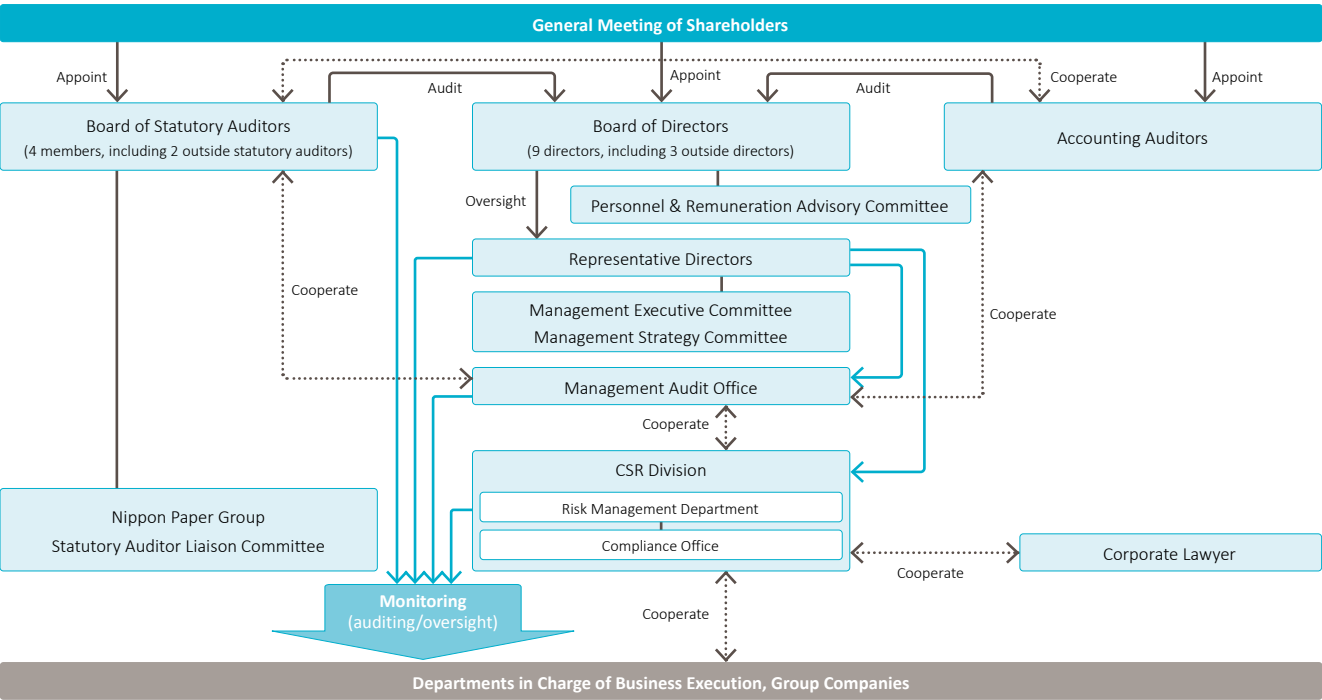
Personnel & Remuneration Advisory Committee

As stipulated in the Corporate Governance Policy, the Personnel & Remuneration Advisory Committee of the company receives inquiries from the Board of Directors on matters such as the selection process, qualifications, and reasons for nomination of director and statutory auditor candidates, the criteria for determining the independence of independent outside officers, and the remuneration system for directors and statutory auditors. The committee responds to such inquiries after considering their appropriateness and taking into account its assessment of the Company’s business performance and other factors. The committee comprises the president and representative director, the director and general manager of the Personnel & General Affairs Division, and outside directors, and shall proceed with its studies while receiving appropriate involvement and advice from independent outside directors. The Board of Directors shall, after receiving recommendations from the Personnel & Remuneration Advisory Committee, make a decision on nominations for directors and statutory auditors, compensation for directors, etc.

Structure and Functions of the Personnel & Remuneration Advisory Committee



Corporate Governance Structure (As of July 1, 2020)



Corporate Governance Summary (As of July 1, 2020)

Type of Organization	Company with a Board of Statutory Auditors
Chairman of the Board of Directors	Chairman and Director: Fumio Manoshiro
Number of Directors	9 (including 3 outside directors)
Number of Statutory Auditors	4 (including 2 outside statutory auditors)
Number of Appointed Independent Officers	5 (3 outside directors and 2 outside statutory auditors)
Board of Directors’ Meetings Held in FY2020/3	Number of meetings: 14
	Average rate of attendance by directors: 98.4% (outside directors: 97.4%)
	Average rate of attendance by statutory auditors: 100%
Board of Statutory Auditors’ Meetings Held in FY2020/3	Number of meetings: 13 Average rate of attendance by statutory auditors: 100%
Independent Accounting Auditor	Ernst & Young ShinNihon LLC

Corporate Governance

Independent Officers

The Company designates as independent officer, all outside officers who meet the requirements for an independent officer. When appointing candidates for outside director and outside statutory auditor, the Company judges their independence by taking into consideration whether they satisfy the independence criteria

provided by the Tokyo Stock Exchange and the requirements for independence (having not served as director, employee, etc., of the Company and its subsidiaries in the past) provided for by laws and regulations, in addition to considering the existence of any conflicts of interest with general shareholders.

Outside Directors

Makoto Fujioka	Mr. Fujioka was deputy director-general of the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry) and ambassador extraordinary and plenipotentiary stationed in the United Arab Emirates. He has also acted as an executive of a private company. He is expected to supervise and advise from an objective perspective on the execution of duties of the Company’s other directors using his extensive knowledge and international awareness gained through his experience in both the public and private sectors.
Yoko Hatta	Although Ms. Hatta has never been engaged in corporate management directly, it is expected that she will draw on her broad work experience at international accounting firms and considerable expertise in international tax practices, etc., and her experience as an outside statutory auditor of the Company (from June 2016 to June 2019) to supervise and advise from an objective perspective on the execution of duties by the Company’s other directors.
Yutaka Kunigo	Mr. Kunigo engaged in a wide range of areas at Tokyo Gas Co., Ltd., such as engineering, personnel affairs, procurement, sales, and overseas operations. He is expected to supervise and advise in his objective capacity on the execution of duties of the Company’s other directors using his extensive experience and broad knowledge accumulated through his experience in managing a company as its executive.

Outside Statutory Auditors

Takafumi Okuda	Although he has never been engaged in corporate management directly, the Company determines that his abundant experience and deep knowledge, which he has accumulated as a legal professional in a judicial organization, will enable him to act as an auditor of the Company and audit the execution of business activities by the Company’s directors from an independent and objective perspective and contribute to improving the soundness and transparency of the Company’s management.
Nanako Aono	The Company determines that Ms. Aono’s experience in serving as a director and statutory auditor at private sector companies in a wide range of fields and the extensive knowledge she has accumulated as a certified public accountant will enable her to audit the execution of business activities by the Company’s directors from an independent and objective perspective and contribute to improving the soundness and transparency of the Company’s management.

Evaluation of Effectiveness of the Board of Directors

To continuously strengthen its functions, the Company’s Board of Directors has been conducting self-evaluations of its effectiveness since FY2016/3.

Once per year, the Secretariat of the Board of Directors conducts a survey of the directors and statutory auditors regarding management

and the discussions held at its meetings. The director in charge reports the findings from the survey to the Board of Directors, which analyzes and evaluates the effectiveness of the Board of Directors through deliberations, etc., on reported contents and works toward its improvement based on the results thereof.

Outline of the Results of the FY2020/3 Analysis and Evaluation

The Board of Directors analyzed and evaluated its effectiveness based on self-evaluations in the form of a survey. The Board of Directors found that the five viewpoints of “Composition of the Board of Directors,” “Agenda items to be submitted at Board of Directors’ meetings,” “Conduct of Board of Directors’ meetings,” “Training of directors and statutory auditors,” and “Information provision to and support system for outside directors” were broadly appropriate on the whole. With regard to strengthening support to facilitate

activities of outside officers, which was previously highlighted as a theme, efforts were made to realize improvements, such as enhancing the content of the minutes taken at Board of Directors’ meetings and prior briefings on important matters as well as inviting outside officers to attend internal meetings, including meetings of the Group Management Strategy Committee.

The Board of Directors will continue to enhance its functions through such measures as expanding the items reported to it.

Remuneration for Directors

The Board of Directors decides remuneration for directors after receiving a report from the Personnel and Remuneration Advisory Committee (page 48).

Monthly Remuneration

Base monthly remuneration for directors shall be decided according to his/her job responsibilities in the Company. Of that, 70% shall be fixed and the remaining 30% shall be paid with increases or decreases based on the preceding business year’s business performance.

As a standard, 60% of the performance evaluation is based on non-consolidated results (year-on-year increase/decrease in net sales, ordinary income, and ROA), while 40% is based on the Group’s consolidated performance (the degree to which net sales, operating income, and ROA meet Medium-Term Business Plan targets). The Company does not provide bonuses or retirement benefits. In addition, a certain amount of the monthly remuneration will be allocated to the acquisition of the Company’s shares through contributions to the executive shareholding association. The acquired shares will continue to be held during the director’s tenure in the Company.

Regarding outside directors and outside statutory auditors, monthly remuneration shall be fixed. In light of their responsibilities, contributions to the executive shareholding association are on a voluntary basis.

Total Amount of Remuneration, etc., for Directors and Statutory Auditors for FY2020/3*1

Category	Number of executives	Total amount of remuneration, etc.
Directors	11*2	¥383 million
Statutory auditors	6*2	¥56 million

*1 Figures are rounded down to the nearest million yen.
*2 Amounts include two directors and two statutory auditor who resigned during FY2020/3.

Introduction of Stock Remuneration Plan

The Company has introduced a Board Benefit Trust (BBT) as a stock remuneration plan. The objective of the BBT is to further clarify the link between the remuneration 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. (This resolution was approved at the 95th Ordinary General Meeting of Shareholders held on June 27, 2019.)

Corporate Governance

(Reference) Overview of Inside Director Remuneration (FY2020/3)

	Fixed Remuneration	Performance-Based Remuneration	Board Benefit Trust
Method	Cash payment		Points granted
Payment Allowance	with in ¥700 million per year		with in 25,000 points per year (1 point = 1 share)
Payment Period	Monthly (no bonuses or retirement benefits)		Director resignation (cumulative points are converted to shares)
Calculation Method	Determined according to their respective responsibilities in the Company, with 70% of the amount to be paid as a fixed amount	Determined according to their respective responsibilities in the Company, with 30% of the amount to be varied depending on the business results of the preceding fiscal year	Points to be granted based on directors' respective positions
Performance Standards	—	60%: non-consolidated performance (net sales, ordinary income, ROA) 40%: consolidated performance (net sales, operating income, ROA)	—
Others	Fixed amount contributed to Nippon Paper Industries executive shareholding association		—

Note: Monthly remuneration is fixed for outside directors and corporate auditors.

Cultivation of Successors to the President and Directors

Successors to the President

Nippon Paper Industries cultivates candidates for succession to the President by placing them in increasingly important roles as directors, executive officers, and other important executive positions. Personnel matters related to directors and executive officers who are future presidential candidates are deliberated by the Personnel & Remuneration Advisory Committee, which is an advisory body that reports to the Board of Directors. Upon receiving this report, the Board of Directors screens and deliberates the report, and then decides on candidates.

Through this process, the Board of Directors supervises the cultivation of candidates to become the next president in a systematic and ongoing manner.

The process for the appointment and dismissal of the president is the same as the that for candidates for directors, in that the Personnel & Remuneration Advisory Committee conducts a review and submits a report based on consultations with the Board of Directors.

Cultivation of Director Candidates

From the standpoint of securing human resources capable of managing the Company in the future, we make a point of exposing employees—particularly those in career-track positions—to various positions and rotations to different offices. We also make an effort to appoint employees as early as possible to positions as managers and other important posts and positions in which they assist management, such as the top management of affiliated companies and overseas subsidiaries. In this manner, we strive to develop a robust base of employees with highly sophisticated expertise and work experience, cultivating them for selection as the next generation of director candidates.

Policy for Training Directors

To support directors’ execution of duties, the Company provides directors with information on matters necessary for their roles and functions (such as economic conditions, industry trends, legal compliance, corporate governance, finance and accounting, etc.) on an ongoing basis. We also ensure opportunities to participate in external training based on the desires of individual directors.

Message from an Outside Director—Perspective on the Group’s Medium- to Long—Term Growth



Creating Value through the Use of Wood

The Nippon Paper Group has proactively developed an array of businesses based on its slogan, “shaping the future with trees.” I believe that this slogan provides a simple yet accurate description of the Group’s distinctiveness as a company as well as its stance toward social value and medium- to long-term growth.

The Group’s distinctive strengths lie in its wealth of technologies and expertise for maximizing the use of trees, a renewable resource. Moreover, the Group owns expansive forests in Japan and overseas and engages in sustainable forest management and raw material procurement. I am convinced that, by taking advantage of its management resources and, capabilities to create value through the use of wood and in turn, respond to the renewed demand of society, the Nippon Paper Group will be able to realize sustainable growth.

Transforming the Business Structure and Strengthening Our Competitiveness

In its current Sixth Medium-Term Business Plan, the Group identified the Packaging, Household Paper and Healthcare, Chemical, and Energy Businesses as growth areas and is working to expand its operations in a variety of ways according to its basic policy mentioned earlier. Similarly, the Group is concentrating its efforts, from a longer-term perspective, on the commercialization of new functional materials derived from pulp, such as cellulose nanofiber, a cutting-edge biomass-based material.

Meanwhile, the Group must address the issue of shrinking domestic demand for its existing Paper Business as a result of advancements in IT and other factors. I feel that the Group has been making progress in this area by reorganizing the production structure of the Paper Business and thereby improving profitability. However, as domestic demand in this business is expected to contract even more going forward, proactively transforming its business structure and strengthening its competitiveness is critical to its future success.

Helping Realize a Sustainable Society

As a member of society, companies must unite with society and evolve together.

In recent years, the intensification of climate change and marine plastic pollution have emerged as global issues. In light of this, demand and expectations for the use of wood resources, which are renewable, have been growing. Because of its ability to develop and roll out new paper materials and products, the Nippon Paper Group can create and deploy a range of businesses that cater to such new forms of social needs. I believe that, by leveraging such capabilities, the Group is enhancing its corporate value over the long term and realizing more opportunities to contribute to the development of a sustainable society.

Swiftly Adapting to the Rapidly Changing Operating Environment

In order to continue growing as a company amid this rapidly changing environment, the Group is responding to challenges in a timely manner. For instance, from the time marine plastic pollution started gaining greater attention as a new concern in society, the Group did not hesitate in establishing its Paperizing Promotion Office and developing and rolling out new environment-friendly products, such as its paper straws.

In such ways, I look forward to seeing the Group continue to harness its ability to adapt, swiftly and flexibly, and respond to the rapidly changing operating environment.

Risk Management

Basic Stance

The Nippon Paper Group has established its Risk Management Committee, which is chaired by the president and representative director and operates under the supervision of the Board of Directors of Nippon Paper Industries. In order to avoid management-related

risks and to minimize the impact of those that do occur, we have formulated our risk management and crisis response regulations to ensure the continuity of operations under any circumstances.

Risk Management Promotion Structure

The Risk Management Committee consists of members including the chairpersons of corporate divisions at the company, while the Risk Management Department within the CSR Division serves as its secretariat. The committee identifies and assesses the Group’s risks on a regular basis through the support of the various other committees while considering and deliberating on risk prevention and mitigation measures and reporting them to the Board of Directors.

In the event of an emergency, a crisis response headquarters will be established. The Risk Management Committee conducts inspections and reviews regularly to enable the timely execution of initial responses and business continuity plans (BCPs) in the event of earthquakes, typhoons, infectious diseases, and other risks requiring emergency responses.



Specific Initiatives

Response to Natural Disasters

At the Group, we have drawn on past experiences with earthquakes, such as the Great East Japan Earthquake, torrential rains, and other natural disasters to revise our initial response manual. In addition, we engage in thorough Groupwide measures to prepare for a disaster that may occur while coping with the spread of COVID-19 by addressing every possible need, such as the stockpiling of essential goods.

Response to COVID-19

The Group is fully committed to complying with the policies and measures imposed by the national and local governments to prevent the spread of COVID-19 while continuing to conduct its business activities. (Please see “Our Approach to COVID-19” on page 46.)

Response to Climate Change

There is a high degree of uncertainty regarding the problem of climate change. Dealing with it will be difficult and will require long-term commitment. While recognizing the risks related to climate change as a management issue, the Group will look to seize opportunities and examine approaches to mitigate risks. (Please see “Initiatives to Address Climate Change” on page 66.)

Compliance

→ Please refer to the following website:
https://www.nipponpapergroup.com/english/csr/npg_csrr2020_e_management.pdf

Basic Stance

The Nippon Paper Group stipulates in “The Nippon Paper Group’s Action Charter” that “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.” The Group also believes that “Compliance goes beyond laws and regulations to include decency, common sense, customs, and other rules and ‘social norms’ that are expected by society in general, and we are called upon to respond to the expectations and trust of society.” To enforce the codes of conduct of Group companies, including the Nippon Paper Group Action Charter and Codes of Conduct, based on the Corporate Governance Policy, we are raising our employees’ awareness of compliance through training and awareness-raising activities.

The Nippon Paper Group’s Action Charter

1. We shall pursue 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 dreams and hope.

Compliance Structure

At the Group, we continue to promote compliance-related initiatives through the establishment of the Compliance Office, as a specialized unit within the CSR Division of Nippon Paper Industries, and collaborations with the Legal Affairs Office of the Personnel & General Affairs Department, Management Audit Office, Human Resources Department, and other relevant sections as required.

Moreover, Group companies appoint a person to be in charge of compliance within their organizations and work in unison through the use of venues such as Group Compliance Liaison Meetings, which are held by the Compliance Office, with the aim of ensuring compliance throughout the Group.

The Group’s compliance activities are reported on by the chairman of the CSR Division once per year at Board of Directors’ meetings.

Operation of Internal Whistleblower System

The Group has established the Nippon Paper Group Helpline 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 serves as the point of contact within the Group, while points of contact have also been established outside the Group. We have also distributed the Nippon Paper Group Compliance Card to all employees to spread the awareness of this system to dispatched and contract employees, in addition to regular employees.

To ensure that whistleblowers do not suffer unfavorable treatment, the helpline system protects their privacy and the status of whistleblowing is reported to the Company’s statutory auditors and Management Executive Committee on a quarterly basis.

Number of Reports Made to Helpline

FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3
19	11	32	33	46

Directors and Statutory Auditors (As of June 25, 2020)

Directors



Fumio Manoshiro
Chairman and Director

Number of Company Shares Held
30,374 shares

Brief History
1953 Born
1975 Joined Jujo Paper Co., Ltd.
2006 Appointed Director, NPI
2014 Appointed President and Representative Director, NPI
2019 Appointed Chairman and Director, Nippon Paper Industries (NPI) (current position)



Toru Nozawa
President and Representative Director

Number of Company Shares Held
12,548 shares

Brief History
1959 Born
1981 Joined Jujo Paper Co., Ltd.
2014 Appointed Director, NPI
2019 Appointed President and Representative Director, NPI (current position)

Important Position
• President Corporate Officer



Yutaka Kunigo
Outside Director

Number of Company Shares Held
0 shares

Brief History
1954 Born
2014 Representative Director and Executive Vice President, Tokyo Gas Co., Ltd. (until 2017)
2017 Chairman and Director of Tokyo Gas Engineering Solutions Corporation (until 2020)
2020 Appointed Outside Director, NPI (current position)



Kazufumi Yamasaki
Executive Vice President and Representative Director

Number of Company Shares Held
22,766 shares

Brief History
1955 Born
1980 Joined Sanyo-Kokusaku Pulp Co., Ltd.
2010 Appointed Director, NPI
2017 Appointed Executive Vice President and Representative Director, NPI (current position)

Responsibilities and Important Positions
• Executive Vice President and Corporate Officer
• Aide to the President
• President and Representative Director, Nippon Paper Crecia Co., Ltd.



Akihiro Utsumi
Director

Number of Company Shares Held
10,692 shares

Brief History
1956 Born
1979 Joined Jujo Paper Co., Ltd.
2015 Appointed Director, NPI (current position)

Responsibilities and Important Positions
• Senior Managing Executive Officer
• General Manager, Personnel & General Affairs Division

Statutory Auditors



Hirofumi Fujimori
Statutory Auditor

Number of Company Shares Held
10,862 shares

Brief History
1955 Born
1987 Joined Sanyo-Kokusaku Pulp Co., Ltd.
2015 Appointed Director, NPI
2018 Appointed Statutory Auditor, NPI (current position)

Important Positions
• Statutory Auditor, Nippon Paper Crecia Co., Ltd.



Kazunari Tatsu
Statutory Auditor

Number of Company Shares Held
1,649 shares

Brief History
1960 Born
1983 Joined Jujo Paper Co., Ltd.
2019 Appointed Statutory Auditor, NPI (current position)

Important Positions
• Statutory Auditor, NP Trading Co., Ltd.



Takeo Konno
Director

Number of Company Shares Held
9,634 shares

Brief History
1957 Born
1981 Joined Jujo Paper Co., Ltd.
2018 Appointed Director, NPI (current position)

Responsibilities and Important Positions
• Managing Executive Officer
• General Manager, Sales Management & Planning Division
• President and Representative Director, Nippon Paper Logistics Co., Ltd.



Masanobu Iizuka
Director

Number of Company Shares Held
5,774 shares

Brief History
1960 Born
1984 Joined Jujo Paper Co., Ltd.
2019 Appointed Director, NPI (current position)

Important Position
• Executive Officer
• President, Opal



Takafumi Okuda
Outside Statutory Auditor

Number of Company Shares Held
0 shares

Brief History
1951 Born
1976 Assistant Judge, Tokyo District Court
2006 Judge, Tokyo High Court
2007 Chief Judge, Niigata District Court
2009 Presiding Judge, Tokyo High Court
2015 Chief Judge, Yokohama District Court
2016 Registered as attorney at law (Tokyo Bar Association)
Visiting Attorney at Law of Mori Hamada & Matsumoto (current position)
2020 Appointed Outside Statutory Auditor, NPI (current position)

Important Positions
• Visiting Attorney at Law of Mori Hamada & Matsumoto



Nanako Aono
Outside Statutory Auditor

Number of Company Shares Held
0 shares

Brief History
1962 Born
1995 Joined Chuo Aoyama Audit Corporation
2005 Director of BUSICOM Co., Ltd. (now OAG BUSICOM Co., Ltd.)
2008 Outside Audit & Supervisory Board Member, DUSKIN CO., LTD. (until 2016)
2010 Representative Director and President, GEN Co., Ltd. (current position)
2017 Outside Corporate Auditor, MISUMI Group Inc. (current position)
2019 Appointed Outside Statutory Auditor, NPI (current position)
2020 Outside Director, Optex Group Co., Ltd. (current position)

Important Positions
• Representative Director and President, GEN Co., Ltd.
• Outside Corporate Auditor, MISUMI Group Inc.
• Outside Director, Optex Group Co., Ltd.



Makoto Fujioka
Outside Director

Number of Company Shares Held
1,000 shares

Brief History
1950 Born
1996 Deputy Director-General for Trade and Economy, Ministry of Economy, Trade and Industry (then the Ministry of International Trade and Industry)
2001 Ambassador extraordinary and plenipotentiary to the United Arab Emirates
2013 Director, Executive Vice President, and Senior Executive Officer, Nippon Light Metal Co., Ltd. (until 2015)
2015 Senior Director, Japan Association for Chemical Innovation (until 2019)
2016 Outside Director, Eagle Industry Co., Ltd. (current position)
Outside Director, NOK CORPORATION (current position)
Appointed Outside Director, NPI (current position)

Important Positions
• Outside Director, NOK CORPORATION
• Outside Director, Eagle Industry Co., Ltd.



Yoko Hatta
Outside Director

Number of Company Shares Held
0 shares

Brief History
1952 Born
1997 Partner, KPMG LLP New York Office
2002 Partner, KPMG Peat Marwick Tax Corporation (currently KPMG Tax Corporation) (until 2014)
2008 Auditor, International Christian University (current position)
2015 Outside Statutory Auditor, Kobayashi Pharmaceutical Co., Ltd. (current position)
2016 Outside Auditor, IHI Corporation (until 2020)
Appointed Outside Statutory Auditor, NPI (until 2019)
2019 Appointed Outside Director, NPI (current position)

Important Positions
• Auditor, International Christian University
Outside Statutory Auditor, Kobayashi Pharmaceutical Co., Ltd.

* The above “Number of Company Shares Held” is as of March 31, 2020, and includes shares held by the Nippon Paper Industries executive shareholding association.

Procurement of Raw Materials

→ Please refer to the following website:
https://www.nipponpapergroup.com/english/csr/npg_csrr2020_e_procurement.pdf

Basic Stance

The Nippon Paper Group is engaged primarily in the manufacture of paper products, the raw materials for which include wood chips, wastepaper, and other wood resources. To ensure the long-term sustainability and growth of our business, we have created a system for the ongoing procurement of woody biomass generated through sustainable forest management.

In 2005, we established our Philosophy and Basic Policy Concerning Raw Materials Procurement. Based on this philosophy and basic policy, we use supply chain management to practice sustainable raw material procurement. Moreover, we promote dialogue with stakeholders with the intention of taking our environmentally and socially conscious raw material procurement to greater heights.

Philosophy and Basic Policy Concerning Raw Materials Procurement
<https://www.nipponpapergroup.com/english/csr/policies/>

Philosophy and Basic Policy Concerning Raw Materials Procurement (Excerpt)

(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) Procurement from forests under sustainable forest management
 - (2) Support for the eradication of illegal logging
 - (3) Active use of recycled materials
 - (4) Compliance with relevant laws and regulations on chemical substances
 - (5) Building of traceability systems
2. Socially aware raw materials procurement

Fair deals with suppliers and appropriate consideration for human rights and labor practices
3. Promotion of dialogue with stakeholders

Dialogues with stakeholders and proactive disclosure

In addition to suppliers in Japan and overseas, local communities and government institutions, among other parties, are involved in the procurement of wood materials. Given this intersection with society and the environment, we believe it is important to create a sustainable supply chain while working with suppliers to take into consideration local forest ecosystems and communities, as well as occupational safety and health and other factors.

In addition to the legality of wood materials, we formulate and execute action plans for resource procurement that take into consideration human rights, labor, local communities, and the preservation of biodiversity.

Action Plan for Wood-Based Raw Material Procurement
https://www.nipponpapergroup.com/english/csr/download/action_plan_for_wood-based_raw_material_procurement.html

We have established “enhancing the traceability of wood from overseas” and “promoting trade association certifications for the legality of wood chips produced in Japan” as the pillars of our activities. To ensure sustainability, each year we conduct surveys and interviews targeting our suppliers of materials overseas.

Details of Supplier Surveys

- Basic information on the forests from which materials were sourced
- Status on obtaining forest certifications
- Establishment of policy and systems regarding to human rights and labor policies
- Implementation of biodiversity efforts, etc.

In addition, we received annual forest certification audits and third-party verification through a due-diligence system for verifying legality under the Clean Wood Act, which was introduced in Japan in 2017. In FY2020/3, all of the wood raw materials we used for paper were approved under forest certification systems (including controlled material and controlled wood).

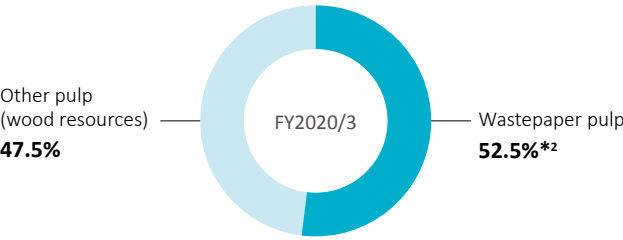
Management of Suppliers

Key Points in the Group’s Procurement of Wood Resources

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

More than 60% of the wood raw materials (wood chips) Nippon Paper Industries uses as paper material comes from overseas. To ensure the sound cultivation of domestic forests and encourage the active use of forests, we also promote the use of materials produced in Japan. As such, we are working to increase the percentage of domestically produced materials used in paper.

Breakdown of Main Raw Materials Used in the Nippon Paper Group’s Paper Manufacturing*1



*1 Consolidated Group companies in Japan
*2 Includes purchased wastepaper pulp

Breakdown of Wood Raw Materials (Wood Chips) Procured by Nippon Paper Industries Co., Ltd. (FY2020/3)

(Bone dry units, kt = kilotons)

Overseas 64% (2,651 kt)		Japan 36% (1,479 kt)	
Hardwood 58% (2,403 kt)	Softwood 6% (248 kt)	Hardwood 14% (568 kt)	Softwood 22% (911 kt)

The Number of Implementation of Nippon Paper Industries’ Action Plans for Procurement of Wood Resources (FY2020/3)

In Japan	377 chip suppliers, 7 pulp suppliers (implemented for all suppliers)
Overseas	23 chip suppliers, 16 pulp suppliers (implemented for all suppliers)

Initiatives for Procuring Stable Supplies of Wastepaper

Recycled wastepaper comprises more than half of the raw materials used by the Group.

Wastepaper is a “star student” of recycling. In Japan, wastepaper is an indispensable resource, comprising more than half of the raw materials used in the Japanese papermaking sector. Working for many years with the wastepaper industry, the Group has built a system for the steady procurement of wastepaper. In order to recycle collected newspapers and wastepaper into raw

materials for newsprint in a stable and long-term manner, we engage in such initiatives as the creation of a new procurement system called the Closed Loop System, in which the company directly purchases the wastepaper collected by newspaper companies. Through such efforts, we are making greater contributions to the environment by maintaining and expanding our paper-recycling system.

Forest Management

Sustainable Forest Management

The Nippon Paper Group sources sustainable wood raw materials from third parties and cultivates its own forest resources in Japan and overseas. The Company conducts sustainable forest management based on its Philosophy and Basic Policy Concerning Raw Materials Procurement, thereby preserving the multiple functions that forests have to offer, contributing to the environment and society.

The Company manages 173 thousand hectares of forests in Japan and overseas. All of our forests have obtained forest certifications, receiving third-party verification for sustainable forest management.

Forest Management That Coexists with Local Communities and Preserves Biodiversity

While forests are an important management resource for Nippon Paper, the Group also recognizes its social responsibility to contribute to local communities, while maintaining and preserving the multifaceted functions of forests.

Initiatives in Company-Owned Forests in Japan

Approximately 20% or 18 thousand hectares of the company’s forests in Japan are designated as Environmental Forest Areas where trees are not harvested so that environmental functions such as ecosystems and watershed are protected and preserved, and also where many wildlife species are supported. In the “managed forests” where timber is produced, the Group takes care of riparian forests and verifies the existence of any endangered species and carries out forestry activities that balance environmental and social concerns with forestry management.

In Japan, we own a total of around 90 thousand hectares of forests throughout the country. Overseas, we oversee 83 thousand hectares of afforested areas in Brazil, Chile, Australia, and South Africa. These forests produce resources and ensure a steady supply of wood raw materials for the Nippon Paper Group.

CASE STUDY

Preservation of the Natural Habitat of Blakiston’s Fish Owls While Carrying On with Our Business Activities

In collaboration with the Wild Bird Society of Japan, Nippon Paper is helping preserve the habitat of Blakiston’s fish owls, which are included in the Critically Endangered category of the Ministry of the Environment’s Red List of endangered species, while continuing to carry on with its business activities at its Company-owned forests in Hokkaido Prefecture.



Blakiston’s fish owl
Photo courtesy of the Wild Bird Society of Japan

CASE STUDY

Shirane-Aoi Planting Activities

With the aim of protecting Shirane-Aoi, which is designated as a “threatened II” species by Gunma Prefecture, Nippon Paper is supporting the activities of the Shirane-Aoi Preservation Group from a management perspective and has offered a portion of its Company-owned forests to be used as a plantation site for Shirane-Aoi. In addition, Group employees participate as volunteers in tree-planting, seed collection, and other activities.



Planting activity

Initiatives at Overseas Afforestation Operating Companies

In our afforested areas overseas, we conduct forestry management by taking into account the local residents, the cultures and traditions of each region, and the natural environment and ecosystems. As part of our social contribution activities, we visit and hold regular meetings with stakeholders, such as the residents of communities near our afforested areas, and find out what they think about and need from our business activities. We conduct activities that demonstrate our respect for indigenous people. We also offer support for educational activities.

CASE STUDY

Consideration for the Safety of Local Residents

In the afforested areas of Australia, where public roads are often used to carry out logging and transportation work, we are implementing rigorous measures to ensure the safety and mobility of local residents, such as maintaining road conditions and facilitating the use of school buses, by establishing operational standards that do not hinder the day-to-day lives of these residents.



Explanation to a school bus driver

CASE STUDY

Implementation of Biodiversity Surveys

At Volterra S.A. in Chile and AMCEL in Brazil, we engage in biodiversity preservation efforts such as the designation of large-scale conservation areas and protected forests and the administration of biodiversity surveys on a regular basis.

Volterra S.A.’s initiatives



Pudu (endangered species)



Water-quality survey

AMCEL’s initiatives



Monitoring of wild animals



Vegetation survey

CASE STUDY

Workplace Training for Local Residents

At Amapá Florestal e Celulose S.A. (AMCEL) in Brazil, we interview with local residents to find out what they would like to learn for their work or daily life and create themes based on such topics of interest to hold annual training sessions. These training sessions have been held year after year with around 100–300 people attending annually.



Training session

CASE STUDY

Respect for Indigenous People

At Volterra in Chile, we contribute to improving the everyday surroundings of the communities of indigenous people by donating sewage tanks and pipes to the communities in proximity to Company-owned afforested areas, participating in road pavement and expansion projects, and providing and installing fence materials. We are also seeking to expand our knowledge of the society and culture of indigenous people and to increase our contributions to them through such initiatives as the protection of heritage sites discovered on properties in Brazil and Australia.



Tanks and pipes donated by Volterra



Fences installed by Volterra



Heritage education meeting (Brazil)



Stone tools discovered by NPR (Australia)

The Environment

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2020_e_environment.pdf

→ Environmental Action Plan (Green Action Plan 2020)
https://www.nipponpapergroup.com/english/csr/esg_data_packet.html

Basic Stance

The Nippon Paper Group provides society with an array of products and services through the effective use of wood, a renewable resource. Meanwhile, because our corporate activities involve the significant use of energy and water, we recognize the importance of engaging in efforts for the reduction of environmental burden, management of chemical substances, effective use of water resources, preservation of biodiversity, and mitigation of climate change. Based on the Nippon Paper Group Environmental Charter, we will engage in corporate activities by taking into account biodiversity throughout the entire value chain from a long-term perspective, in order to contribute to the realization of a resource-circulating society.

The Nippon Paper Group Environmental Charter
(Established on March 30, 2001, and revised on March 30, 2007)

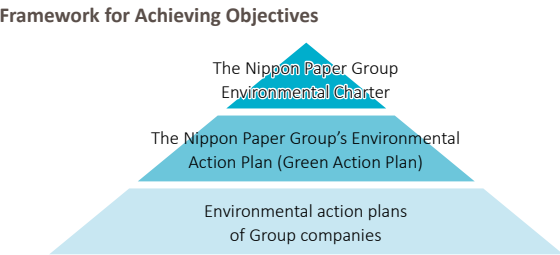
Philosophy
The Nippon Paper Group is committed to helping preserve the global environment over the long term and contributing to the development of a resource-circulating society by carrying out its corporate activities in recognition of the importance of biodiversity.

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

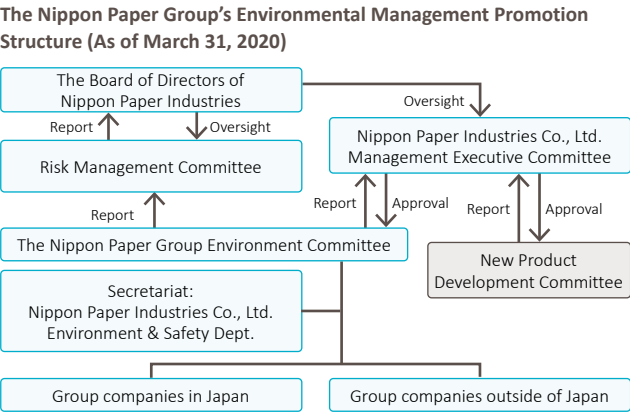
Environmental Action Plan (Green Action Plan)

The Nippon Paper Group has established its Environmental Action Plan—the Green Action Plan (GAP)—in accordance with the six basic policies expressed in its Environmental Charter. Group companies have established their own specific environmental action plans to reflect their own individual business circumstances based on the GAP. Their efforts to fulfill these plans are enhancing our ability to accomplish the GAP. (page 63)



Environmental Management Promotion Structure

Under the Group’s risk management structure, the Nippon Paper Group Environmental Committee, chaired by the executive officer responsible for environmental management at Nippon Paper Industries, monitors the progress of the Environmental Action Plan at each Group company. In addition, the committee assesses and analyzes the risks and opportunities concerning the environment, and reports its findings to the Board of Directors through the Risk Management Committee. In conjunction, the New Product Development Committee develops products derived from woody biomass. Meanwhile, the Management Executive Committee deliberates and makes decisions on environment-related policies and measures and reflects them in the strategies of Group companies, with the aim of realizing both environmental and economic growth throughout the entire Group.



Enhancement of Our Environmental Management Systems

The Nippon Paper Group has introduced environmental management systems that meet the standards of certifying bodies such as ISO 14001 and Eco Action 21 as a measure to promote environmental management. The acquisition rate of the ISO 14001 certification at the Company’s production bases is 100% (as of March 2020). In addition, environmental audits are conducted by the Environment & Safety Department at each Group company based on action guidelines concerning environmental management initiatives issued by the Japanese government. By observing complex production processes from a unique perspective, confirming legal

compliance, and identifying problems, we are working to avoid environmental law violations and accidents in a preventive manner. Furthermore, we are working to strengthen the systems by having Group companies conduct environmental audits among one another.

Conditions Regarding ISO 14001 and Eco-Action 21 Certifications
https://www.nipponpapergroup.com/english/csr/esg_data_packet.html

The Nippon Paper Group Environmental Action Plan (Green Action Plan 2020) Progress Report (Excerpt)

Global Warming Countermeasures

Target: Reduce greenhouse gas emissions by 10.0% compared with FY2014/3*1

Progress: Reduced greenhouse gas emissions by 14.0% compared with FY2014/3

Volume of Greenhouse Gas Emissions (Total for Scope 1 and 2)

Million t-CO₂

Fiscal Year	Volume of Greenhouse Gas Emissions (Million t-CO ₂)
2014/3	7.28
2015/3	7.18
2016/3	7.12
2017/3	7.17
2018/3	6.99
2019/3	6.83
2020/3	6.26
2021/3	6.55

14.0% reduction vs. FY2014/3 level

Period Covered by Green Action Plan 2020

Circulation of Resources

Target: Increase waste recycling rate to at least 98.0%*2

Progress: Waste recycling rate of 97.0%

Waste Generated and Final Disposal Volume

Thousand tons

Fiscal Year	Waste generated (Thousand tons)	Final waste disposal (Thousand tons)
2016/3	704	17
2017/3	690	11
2018/3	638	9
2019/3	745	13
2020/3	732	20

Forest Resources

Target: Maintain forest certifications for all proprietary forests, both domestically and internationally

Progress: Maintained certification for 90 thousand hectares of Company-owned forests in Japan and 83 thousand hectares overseas

Development of Eco-Friendly Technologies and Products

Target: Reduce environmental load through provision of eco-friendly products and services

Progress: Full-scale launch of SPOPS® replaceable containers as an alternative to plastic

*1 Scope: Consolidated and non-consolidated Group companies in Japan subject to the Act on Rationalizing Energy Use
*2 Domestic Group companies classified as environment-related organizations in Sustainability Report 2020

The Environment

Reduction of Environmental Impacts

It is impossible to completely eliminate the environmental impacts of the business activities that lead to the supply of our products and services. Nevertheless, we believe that companies can contribute to the building of a sustainable society through continuous efforts to minimize these impacts.

When manufacturing products, energy and water are used, greenhouse gases and other air pollutants are generated from boiler combustion, and drainage containing water pollutants and waste are generated from production processes. To minimize its negative environmental impacts, the Nippon Paper Group uses equipment and technologies that reduce the amount of these substances released into the environment.

Key Environmental Data

https://www.nipponpapergroup.com/english/csr/esg_data_packet.html

Response to Feedback and Complaints

The Nippon Paper Group receives complaints and inquiries via its website and at each of its mills. In addition, the Group also holds risk communication meetings and employs an environmental monitoring system that encourages input from local residents. The Group reflects this feedback in its efforts to reduce environmental impacts.

When a complaint is received, we move swiftly to determine possible causes and implement emergency and permanent measures. We also explain to the person who lodged the complaint the possible causes and our actions to resolve the situation to ensure his/her satisfaction with our approach.

Environment-Related Complaints (FY2020/3)

Matter of complaint	Number of complaints	Complaint	Number of complaints
Noise	8	Vibration	1
Dust and mist dispersal	2	Smoke	25*
Odor	2	Other	0

Total: 38

* During June–August 2019, an incident occurred at our Akita Mill, which involved the downfall of white smoke from its recovery boiler. As a result, we received numerous complaints and inquiries from local residents. Since then, the Akita Mill has provided an explanation on the incident and conducted inspections and maintenance on its facilities, and the issue has been resolved as a result.

Controlling Chemical Substances

The Nippon Paper Group examines the chemical substances it uses in its production processes in accordance with its Chemical Substance Management Guidelines. We do this in exercising risk management to monitor how much of these substances are used and released into the environment. We disclose the amount of release and transfer of PRTR*-controlled substances to local stakeholders through risk communication at each of our mills and other production sites.

* The Pollutant Release and Transfer Register (PRTR) is a system for monitoring the movement of chemical substances posing risks to human health or ecosystems. Under the PRTR system, businesses track the amounts of chemicals released into the environment or transferred to other business locations and report this information to government authorities.

Amount of Substances Subject to the PRTR Law Released and Transferred

https://www.nipponpapergroup.com/english/csr/esg_data_packet.html

Effective Use of Water Resources

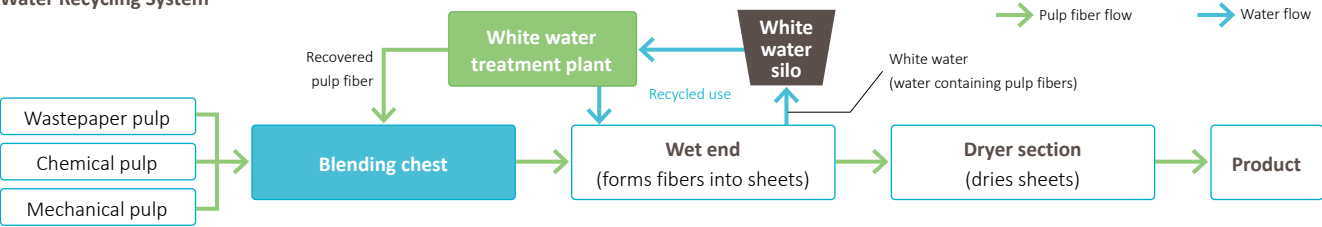
The manufacture of paper requires large amounts of water. The Nippon Paper Group’s papermaking process efficiently and effectively uses water resources, which are a form of natural capital. One example is the wet end of the papermaking process, in which pulp fiber is dispersed in water to eventually create thin sheets. The “white water” generated from this process, which contains very fine pulp fibers, is recovered and recycled into the papermaking process. As of this time, we have not received any information from governments

or local communities regarding negative impacts on the environment resulting from water use at our mills. Therefore, the risks imposed by our operations on the water supply in Japan are minimal.

Water Consumption Data

https://www.nipponpapergroup.com/english/csr/esg_data_packet.html

Water Recycling System



Preservation of Biodiversity

The business activities of the Group entail the cultivation and utilization of forests and, therefore, have an inherently significant and wide-ranging impact on forest biodiversity. We recognize that the sustainable use of forests is an ongoing concern as a matter fundamental to our existence and development.

The basic philosophy of its Group Environmental Charter states that the Group will engage in corporate activities that recognize the importance of biodiversity. In April 2016, we established the Basic Policy on the Preservation of Biodiversity, which provides guidance for the pursuit of such activities. We promote relevant measures through-

out our global supply chain.

In pursuing sustainable forest management, the Nippon Paper Group conducts biodiversity surveys in Company-owned forests.

We also strive to reduce our impact on biodiversity by, for example, treating wastewater and controlling greenhouse gas emissions in our manufacturing processes.

Basic Policy on the Preservation of Biodiversity

<https://www.nipponpapergroup.com/english/csr/policies/>

Carrying Out of Biodiversity Surveys Overseas (AMCEL S.A., Brazil, and Volterra S.A., Chile)

Consolidated subsidiary, At Amapá Florestal e Celulose S.A. (AMCEL), located in the Brazilian state of Amapa, owns approximately 300 thousand hectares of land and has set aside 170 thousand hectares as a conservation area. Meanwhile, Volterra S.A., in Chile, owns approximately 19 thousand hectares of forests and has designated about five thousand hectares as protected forests.

These areas are home to large numbers of plant and animal species, many of which are rare or endangered. Protecting them, therefore, is essential. Both AMCEL and Volterra carry out surveys and other initiatives to research and monitor biodiversity in the areas they protect. (see page 61)

The Environment

Initiatives to Address Climate Change

Promotion Structure

In addition to the range of impacts generated by global warming and climate change, the Nippon Paper Group believes that those global trends coinciding with the Paris Agreement and the policies of the Japanese government have a significant impact on its operations. For that reason, we continuously examine global trends, and focus our environmental management on pursuing activities which improve both the environment and our business.

As part of its environmental management promotion structure (see page 62), the Group has established its Environment Committee under the Risk Management Committee (see page 54), which is chaired by the president of Nippon Paper Industries. The committee

assesses and analyzes risks and opportunities concerning climate change. Based on its findings, the Management Executive Committee of the company deliberates and decides policies and measures regarding climate change and reflects them in the strategies of Group companies to realize growth throughout the entire Group.

Primary Risks and Opportunities

The issue of climate change is highly uncertain, therefore, long-term response and countermeasures are required. The Group primarily anticipates the following types of risks and opportunities through its assessments and analyses.

Status of Analyses of Major Climate Change-Related Risks

Physical Risk	Responses and Objectives behind Analyses
Difficulty in procuring forest resources from Company-owned forests as well as in logging and transportation of forest resources and the loss of such resources among suppliers due to natural disasters resulting from abnormal weather (including torrential rain, droughts, and fires resulting from high temperatures)	- Diversification of suppliers - Selection and cultivation of trees tailored to the region’s climate utilizing breeding techniques
Damage to production sites and disruption of logistics networks due to abnormal weather (including torrential rain, droughts, and fires)	Establishment of a business continuity plan (BCP) as a disaster-response measure
Transition Risk	Responses and Objectives behind Analyses
New laws and regulations pertaining to the Company’s greenhouse gas emissions, and increased financial burden associated with the implementation of carbon taxes, emissions trading, and other policies	- Greater use of renewable energy - Maintenance of CO₂ sequestered in Company-owned forests and increase in absorption of CO₂ through the use of breeding techniques
Increased costs associated with conversion to non-fossil energy (due to difficulty in securing fuel that can be reasonably procured and necessity of repairs and upgrades to facilities)	- Utilization of raw material procurement network - Utilization of know-how in facility management
Fewer opportunities to procure forest resources due to restrictions on land use	Enhancement of wood productivity per unit area through the use of breeding techniques
Reputational Risk	Responses and Objectives behind Analyses
Negative reputation among stakeholders stemming from the continued use of fossil resources	- Reduction in use of fossil resources in accordance with production system - Greater use of renewable energy
Increasing need for the sustainable procurement of woody biomass fuel	- Implementation and audit of supplier surveys - Utilization of forest certifications

Status of Analyses of Major Climate Change-Related Risks

Areas of Opportunity	Market Growth and Other Potential Contributions from Group Strengths
Forest resources and woody biomass	- Growth of business based on experience and know-how in sustainable forest management - Utilization of carbon credit - Increases in the value of and sales opportunities for raw materials and products derived from woody biomass
Proprietary breeding techniques	- Expansion of forest resources that help mitigate climate change - Increases in productivity and business opportunities through greater land use
Renewable energy	- Greater opportunities in power generation business - Rise in value of new woody biomass fuel development

Medium- to Long-Term Initiatives

The Nippon Paper Group will engage in activities that minimize its risks while taking advantage of its opportunities by striving to steadily reduce greenhouse gas emissions over the medium term and aggressively mitigate and adapt to climate change over the long term.

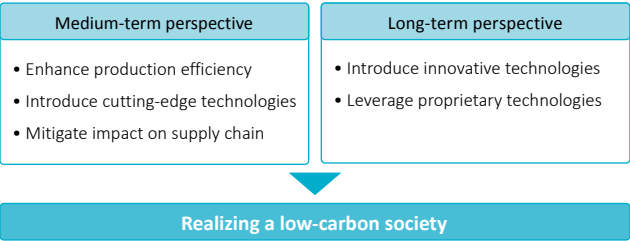
From a medium-term perspective, since formulating its Environmental Action Plan (Green Action Plan) in 2006, the Group has been setting quantitative management targets and engaging in specific initiatives for all environment-related matters, including climate change initiatives on a five-year basis.

ESG Data Packet

https://www.nipponpapergroup.com/english/csr/esg_data_packet.html

As we envision the Group in 2030 and 2050, we will work to minimize our greenhouse gas emissions in accordance with our production structure while enhancing our production efficiency and developing and introducing new technologies with a sense of determination.

From a long-term perspective, we will incorporate the advancement of our innovative technologies, generated via our various forms of development in Japan and overseas, into the growth scenario of the Group. Moreover, we actively engage in the development of new pulp and paper materials with cellulose nanofiber and functions, and we will continue to provide woody biomass-derived products and services that accurately address the needs of customers, with the goal of helping realize a low-carbon society.



Establishment of New Biomass Fuel Office

In the Energy Business, we will direct our attention to the biomass power generation business in order to meet the rising need for a low-carbon society.

On April 1, 2020, the Group established its new Biomass Fuel Office in the forest resource division of the raw materials headquarters. We will move aggressively forward with the development and procurement of woody biomass fuel by harnessing our supply chain for sustainable wood resources, a Group’s strength, and accumulate a wide range of information on renewable energy toward the sustainable procurement of fuel in response to climate change.

The Environment

Reduction of Greenhouse Gas Emissions

The Three Pillars for Reducing Greenhouse Gas Emissions

The Nippon Paper Group actively engages in efforts to reduce greenhouse gas emissions in reflection of the significant amount of energy it consumes and the forest resources it owns, while complying with the Japan Federation of Economic Organizations (Keidanren) and Japan Paper Association’s plans for realizing a low-carbon society.

Specifically, we are striving to realize fuel conversion, conservation of energy in each of our production and logistics processes, and appropriate management of proprietary forests to ensure CO₂ absorption and sequestration as the three pillars for reducing greenhouse gas emissions at each stage of our value chain.

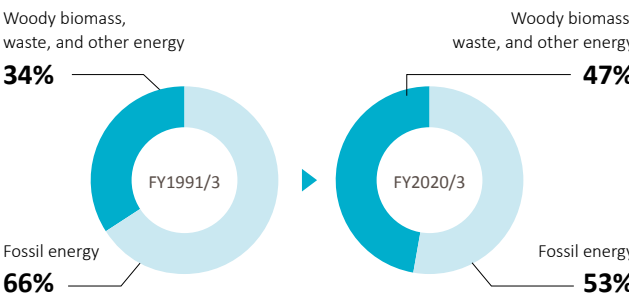
Fuel Conversion

The Group utilizes black liquor, a by-product in the pulping process, and construction waste as woody biomass fuel. Moreover, we appropriately procure our woody biomass fuel and utilize it as energy by drawing on our procurement network in Japan and overseas.

Through our introduction of high-efficiency boilers and boilers capable of burning construction waste and other woody biomass fuel, used tires, and RPF* waste fuel, the Group’s domestic fossil energy use ratio (in terms of heating value) to the total amount of fuel used, fell to 53% in FY2020/3. Moving forward, we will facilitate such fuel conversion in an effort to further reduce our use of fossil energy.

* Refuse derived paper and plastics densified fuel: A high-grade solid recovery fuel primarily composed of waste paper and waste plastics from mostly industrial waste for which material recycling is quite difficult (source: Japan RPF Association website)

The Nippon Paper Group’s Fossil Energy Use Ratio (in Terms of Heating Value) in Japan, as a Percentage of Total Amount of Fuel Used



Note: Estimate by Nippon Paper Industries based on Primary Energy Trends in Domestic Energy Supply for Fiscal 2018 reported by the Agency for Natural Resources and Energy

Torrefaction Technology and New Woody Biomass Fuel

Torrefaction is a technology that carbonizes woody biomass at a relatively low temperature. This has been developed for the production of fuels which remain relatively high in calories, are easy to crush, and have developed a water resistance that makes them suitable for outdoor storage. The Company has established a torrefaction technology that contributes to the production of new woody biomass fuel to serve as an alternative to coal for thermal power generation.



Sample of new woody biomass solid fuel

Promotion of Energy Conservation in Production and Logistics Processes

Expansion of Our Energy Conservation Measures in the Paper and Paperboard Business within Japan and Overseas

Over the years, the Nippon Paper Group has been working to reduce energy consumption at its papermaking mills in Japan. The Company’s successful efforts are shared with other mills for the benefit of the entire Group. In recent years, we have also been sharing our know-how on energy conservation acquired at our mills in Japan with the Group’s papermaking mills overseas, such as those in Australia and Thailand.

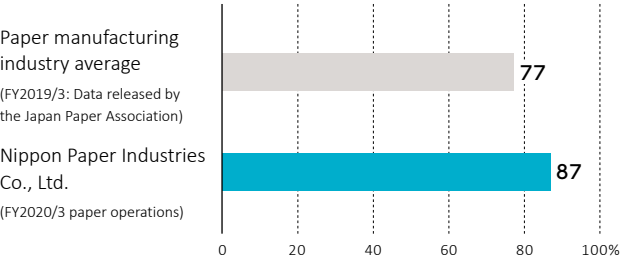
Green Logistics

The Group is striving to improve its loading efficiency and shorten its transportation distance as a part of its efforts to promote green logistics and thereby reduce greenhouse gas emissions.

With the objective of improving loading efficiency, the Group is promoting the improvement of its modal shift rate. At 87% in FY2020/3, we continue to maintain a high modal shift rates* in our Paper Business.

* The percentage of rail or marine (including coastal shipping and ferries) transportation among general cargo transported over 500 kilometers

Comparison of Modal Shift Rates



Furthermore, by collaborating with distribution companies, we are promoting a Groupwide initiative to supply products directly to customers without having to access our warehouses, thereby shortening our transportation distance.

Improved Transportation and Storage Efficiency of Long-Length Toilet Paper Rolls

Through the development of technology that triples the length of toilet paper while maintaining the same volume and quality, SCOTTIE® Four-Roll Flower Pack toilet paper rolls, released by Nippon Paper Crecia Co., Ltd. in 2016, conserve household and store space and reduce the use of toilet paper cores and packaging, in addition to improving logistics efficiency, which contributes to reductions in CO₂ emissions.

Absorption and Sequestration of CO₂ through Proper Management of Company-Owned Forests

The Group owns 173 thousand hectares of forest worldwide, consisting of 90 thousand hectares in Japan and 83 thousand hectares within four countries overseas. In accordance with our approach to sustainable forest management, the Group has continued to sequester roughly 32 million tons of CO₂ at its Company-owned forests through their proper management and maintenance of the CO₂ absorption and sequestration capabilities of its trees. (page 60)

Quantification of the Effect of Appropriate Forest Management on CO₂ Absorption in the Form of Credits and Contributions to Realizing Carbon Offset

The Nippon Paper Group has been certified under the J-Credit Scheme for the effectiveness of its absorption of greenhouse gas realized through forest thinning, as it continues to undertake appropriate forest management aimed at sustainable management of its Company-owned forests. By providing credits through forest management, we are contributing to the realization of carbon offset in local communities.

Customer Trust

→ Please refer to the following website:
https://www.nipponpapergroup.com/english/csr/npg_csrr2020_e_customer.pdf

Basic Stance

The Nippon Paper Group tries to improve the social and economic value of its companies by providing products and services that contribute to the building of a sustainable society while accurately responding to customer needs, thus realizing its Group Mission (see page 2).
The Group operates various businesses such as paper, film, health-care products, chemical products and wood/construction materials.

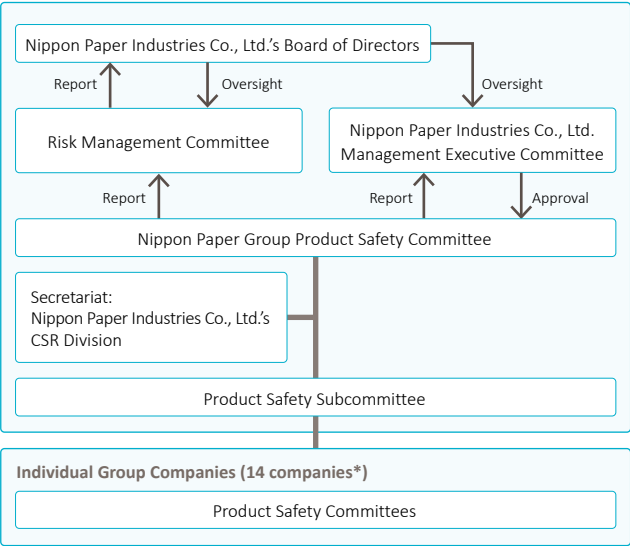
Product Safety

Based on the Product Safety Philosophy and Basic Policy, the Group pursues quality that will continue to earn the trust of customers.
Nippon Paper Industries Co., Ltd. has established a Risk Management Committee (see page 54) under the supervision of the Board of Directors to promote risk management of the entire Group, including product safety.
The Group Product Safety Committee, chaired by the general manager of the CSR Division of the company, conducts activities related to Groupwide product safety. It also deliberates and makes decisions on important matters such as Groupwide activity policies and measures, reporting to the Risk Management Committee.
The Product Safety Subcommittee, which is under the Nippon Paper Group Product Safety Committee, monitors and manages activities at each Group company and exchanges information among companies. Any issues of concern are reported to the Product Safety Committee. Each Group company also has a Product Safety Committee or similar organization to promote product safety activities.
The Group works to ensure product safety by employing management approaches adapted to specific operations and products, and in full compliance with laws and regulations, concerning the management of chemical substances, and food products, in Japan and overseas.

In the case of new products that cannot be managed by the existing management system, we establish a product safety risk management system before launching such products. This is based on the “Basic Guidelines for Product Safety Management.”

We believe that ensuring the safety and quality of products that are indispensable to our daily lives while maintaining a stable supply will fulfill the above and our responsibility to our customers. We have established a system to secure a stable supply of products in normal times and also in emergency situations.

Product Safety Management System



* Nippon Paper Industries Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Lumber Co., Ltd., Daishowa Uniboard Co., Ltd., Nippon Seitai Corporation, Kyoei Seitai K.K., NP Trading Co., Ltd., Nippon Paper Development Co., Ltd., Opal, Jujo Thermal Oy, Siam Nippon Industrial Paper Co., Ltd., Nippon Dynawave Packaging Company, LLC, Akita Jujo Chemicals Co., Ltd. (As of June 30, 2020)

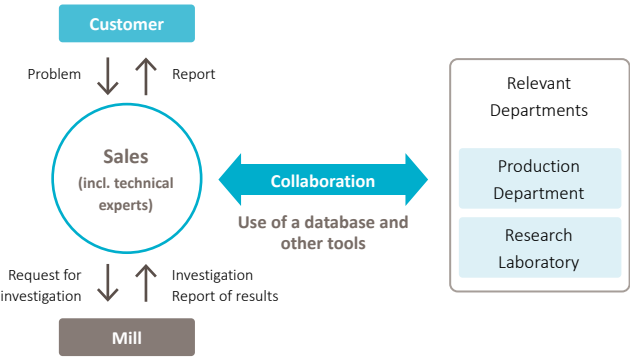
Philosophy and Basic Policy on Product Safety
<https://www.nipponpapergroup.com/english/csr/policies/>

Quality Control

Quality control is managed according to the characteristics of our various products and services.
For example, in the paper and paperboard division, we have an established system using service engineers (SEs) to manage aspects of quality control. SEs are technical staff who are in paper manufacturing, but also visit customers to acquire feedback directly from them. In the case of suspected product failure, the technical staff of the sales department will act as the point of contact. Any issue will then be handled swiftly through the use of a database containing details on quality-related accidents as well as through the cooperation of mills and head office divisions.
As part of its ongoing quality improvement efforts, the Paper-Pak Sales Division holds annual quality-related meetings and conducts product safety audits for its liquid package carton producer, Nippon Paper Liquid Package Product Co., Ltd. It also shares material issues related to food safety in order to improve overall quality.

Nippon Paper Crecia Co., Ltd., which supplies products to individual customers, encourages customer feedback by printing its Customer Service Office contact details on all of its products, as well as providing online advisory services on its website.

Product Defect Response System (Paper and Paperboard Business)



Stable Supply

The Nippon Paper Group is committed to providing reliable supplies of its products by ensuring stable supply of raw materials and by the systematic maintenance and renewal of production facilities. In addition, the sales and production departments have collaborated to establish a flexible and efficient production plan that allows us to manage inventory in an optimal manner and provide stable supplies of our products to customers. We are also working to put in place a system for minimizing damages and enabling swift recovery in the case of disasters and other emergencies.
When a situation is deemed an emergency, the Risk Management Committee (see page 54) will set up a crisis response headquarters. The crisis response headquarters would then carry out an initial response and implement a business continuity plan as provided for by the Crisis Countermeasures Regulations.

Initiative for Stabilizing Operations

The paper and pulp industry is a typical equipment-dependent industry. The stable supply and quality of its products is directly linked to the stable operation. Nippon Paper and NIPPON PAPER UNITEC CO., LTD. joined forces to develop and operate the “e-musen junkai® (e-wireless patrol)” system, a remote monitoring system that detects abnormal signs from machinery equipment through a wireless sensor.
Through this technology, we are able to actively anticipate and prevent equipment problems and thereby stabilize operations.
In addition to rolling out this system to all of our domestic mills and working aggressively to promote sales outside of the Group, we commenced sales operations in Thailand in 2019.
⇒ “e-musen junkai®” (e-wireless patrol) system webpage (Japanese only)
Sales company: Sakurai Co., Ltd.
<https://www.sakurai.co.jp/landing/e-musen/index.html>

Respect for Human Rights

→ Please refer to the following website:
https://www.nipponpapergroup.com/english/csr/npg_csrr2020_e_humanrights.pdf

Basic Stance

As put forth in the United Nations Guiding Principles on Business and Human Rights, companies are obligated to bear responsibility for human rights. In recent years, human rights issues have borne an increasing impact on business.

The Nippon Paper Group formulated its Philosophy and Basic Policy on Human Rights, Employment and Labor in 2004. In line with this philosophy and basic policy, we are working to respect human rights not only within the Company but throughout the entire value chain.

Philosophy and Basic Policy on Human Rights, Employment and Labor
<https://www.nipponpapergroup.com/english/csr/policies/>

Initiatives on Respect for Human Rights

In 2014, Nippon Paper Industries met with Amnesty International Japan to share opinions. As a result of this meeting, we embarked on the examination of human rights conditions at subcontractors in Japan and at overseas chip suppliers from 2015. Since then, we have continued to exchange opinions regularly with Amnesty International Japan.

Assessment of Human Rights Issues at Affiliated Companies in Japan

Since 2015, the company has been conducting surveys on human rights issues at its affiliated companies in Japan, with emphasis on ensuring compliance with labor and safety laws and regulations. The results of these surveys are provided to the human resource managers of each mill in an effort to make improvements.

Concern for Human Rights across the Supply Chain

Concern for human rights and labor across the entire supply chain is clearly defined in the Group's Philosophy and Basic Policy Concerning Raw Materials Procurement. The Group audits suppliers through surveys and conducts interviews with them regarding these concerns (see page 59). Further, every year the employees in charge of procurement visit key and new suppliers of wood chips overseas to confirm the state of respect for human rights. In FY2020/3, we performed on-site inspections of suppliers in Malaysia and Russia. These were supplemented with interviews covering matters such as health, hygiene, safety, disaster preparedness, and local environmental concerns.

In managing forests, the Group devotes significant attention to protecting the culture and traditions of residents in each region of its afforestation operations overseas.

Inspections of Suppliers in Russia



Interview with a harvester



Signboard indicating the use of safety tools



A worker wearing a helmet and earplugs



Fire extinguishing system installed inside an office

Human Resources

→ Please refer to the following website:
https://www.nipponpapergroup.com/english/csr/npg_csrr2020_e_humanrights.pdf

Basic Stance

The Nippon Paper Group strives to create a vigorous organization in which its diverse human resources with different backgrounds can demonstrate their abilities and stimulate each other to deepen their knowledge.

Development of Our Human Resources in Pursuit of Our Vision

The Group emphasizes the values of Challenge, Fairness, and Teamwork in its Group Mission. Furthermore, initiatives under the Sixth Medium-Term Business Plan are pursued under two themes: to reorganize the production structure of the Paper Business and make maximum use of in-house facilities; and expand business in growth areas and commercialize new businesses early on.

We strive to cultivate leaders who push for such changes. When hiring employees, we look for people who constantly seek new challenges, who exercise fair judgment and act accordingly, who have the ability to work in an inclusive team, and who have the mental fortitude to overcome hardships. To develop employees into leaders, we are enhancing our human resource development system to create “autonomous human resources” who respond to situations by determining the right approach to a challenge and then overcoming it, while also seeking new challenges on the global stage.

Leader Development

We cultivate managerial-track employees through a mix of on-the-job training, scheduled transfers, and off-the-job training (stratified education and optional training).

Scheduled rotations to internal and external departments, as well as to affiliated companies, give such employees the ability to see matters from a wide variety of perspectives, so that they will not be limited to a single viewpoint. Our off-the-job training is a career development program that provides stratified education prior to managerial appointments while also offering opportunities to gain overseas experience. We provide additional training when employees are appointed or promoted to managerial positions and also offer elective training to cultivate candidates for executive positions.

Initiatives Aimed at Developing Human Resources

The Nippon Paper Group supports employee self-development and voluntary skills acquisition through means such as Group training, distance learning, and rewards for acquiring professional qualifications. In addition, stratified education is conducted jointly, throughout the Group, by Group members to promote the development of employees, especially for new hires and new managers. Training is pursued from a broad perspective. Stratified education at mills, for example, is conducted not just for each mill but together with neighboring mills.



Internal training session

Human Resources

Diversity

Promoting Diversity

The Nippon Paper Group works to promote diversity because it views the creation of workplaces wherein a wide range of people can express their individuality is essential to the continuous development of a company.

An Environment to Embrace Diversity

At Nippon Paper, we strive to establish an environment in which employees from diverse backgrounds can express their full potential, regardless of age or gender and whether or not they are balancing work with caring for family members. In April 2020, we introduced four new systems geared toward supporting those balancing work with childcare, nursing care, and other duties.

- System that allows employees to take the preserved leave in half-day units.
- System that allows employees to apply the preserved leave for short-term childcare.
- Providing financial assistance for non-household head employees when they are assigned to transfer alone.
- System to allow employees to take leave when accompanying their spouse’s overseas assignment.

We will continue to explore and implement initiatives toward the realization of diversity and flexible work styles.

Advancement of Women

The need to invigorate the organization, and the need to counter the effects of a declining birth rate on human resource recruitment, both underline the growing importance of providing women with opportunities to succeed in the workplace. In working to create an environment that enables women to advance their careers, in April 2016 the company established its Action Plan Based on the Japanese Government’s ‘Act on Promotion of Women’s Participation and Advancement in the Workplace’.

Action Plan for the Advancement of Women

1. To have women account for at least 25% of new graduate hires for career-track positions.
2. For career-track female employees hired eight to 12 fiscal years ago,* to achieve an average continuous employment rate that is at least 80% that of men.
3. To expand the range of roles performed by women at production sites, identify issues that could arise with the assignment of women to each workplace, to consider solutions to these issues, and to develop concrete plans for the workplaces to which women will be assigned.

* Women who joined the Company between FY2005/3 and FY2009/3.

Because a large proportion of our employees work at production sites, the number of women hired is low. This has resulted in relatively few women being available for promotion. Consequently, the percentage of women in managerial positions is low (2.43%; FY2020/3). At the moment, our focus is on expanding the number of female employees at each work site and doubling the number of female employees in management by the end of FY2021/3. We are now building a Companywide support network for our female career-track employees that transcends the boundaries of their workplaces as well as initiatives to assist with concerns regarding career development. In addition, we hold career training sessions for female career-track employees and their direct supervisors to share career-development issues.



Group training for members of female career-track employee support network

Occupational Safety and Health

→ Please refer to the following website:
https://www.nipponpapergroup.com/english/csr/npg_csrr2020_e_humanrights.pdf

Basic Stance

We can never assume that any workplace can be completely free of risk. Therefore, it is essential that every day we work to identify risks and then reduce them as much as we possibly can. In addition, we must maintain and improve the health of employees and create a comfortable work environment. This not only maintains sound management but also earns the trust of employees. This understanding led us to establish a labor safety and health system under our

Philosophy and Basic Policy on Safety and Health Measures, under which all employees and members of management unite as one to engage in efforts to ensure occupational safety and health.

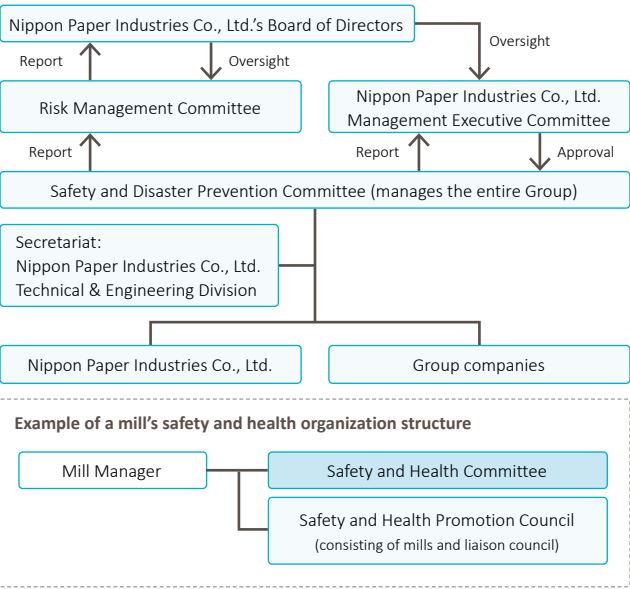
Philosophy and Basic Policy on Safety and Health Measures
<https://www.nipponpapergroup.com/english/csr/policies/>

Occupational Safety and Health Assurance System

The Nippon Paper Group has established the Risk Management Committee (see page 54), under the supervision of the Board of Directors of the Company. Under this committee, there is the Safety and Disaster Prevention Committee, chaired by the general manager of the Technical & Engineering Division. Its purpose is to supervise and promote health and safety, and to prevent disasters.

The Company regularly holds joint labor and management health and safety meetings, in which health and safety personnel from the head office, factories, and labor unions meet to discuss annual health and safety management plans.

Each factory and business site has its own Safety and Health Committee and Safety and Health Promotion Council. In case of a disaster, the Group has established a communication system between the mills and the head office as well as with the respective departments within the head office. Mechanisms are in place to share necessary information with the Safety and Disaster Prevention Committee and the top management.



Occupational Safety and Health Management System

In 2009, the Group established its own occupational safety and health management system (NPSS*) to pursue occupational safety and health management activities continuously at the organization level. The NPSS helps improve occupational health and safety standards by

coordinating health and safety plans for each business site in accordance with the Company’s policies regarding health and safety. The NPSS aims to prevent work-related accidents, improve worker health, and heighten comfort in the workplace.

* Nippon Paper Occupational Safety and Health Management System

Coexistence with Local Communities and Society

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2020_e_communities.pdf

Basic Stance and Promotion System

The Nippon Paper Group cultivates and manages large forests and has a large-scale production base, bestowing upon the Group a strong influence on the region and on local workers. Therefore, coexistence with local communities is essential to the sustainability of the Group.

As a member of society, the Group strives to contribute to the development of society as a whole. Accordingly, we will continue to provide indispensable products while adding to our list of activities that protect the environment, develop culture, and build local communities. These efforts contribute to building trust with society and lead to corporate activities that can be conducted in harmony with local communities.

Social contribution activities are conducted throughout the Group centered on Nippon Paper Industries' CSR Division. The mills and Group companies conduct a variety of their own activities as well so that they too can exist in harmony with local communities and society.

Philosophy and Principles for Social Contribution Activities
<https://www.nipponpapergroup.com/english/csr/policies/>

The Nippon Paper Group's Main Social Contribution Activities (Japanese only)
<https://www.nipponpapergroup.com/csr/society/activity/>

Marunuma Highland Tree-Planting 2019*

Nippon Paper Industries is advancing initiatives aimed at leaving thriving forests for future generations. As part of this effort, the Company has been holding yearly tree-planting activities at its Sugenuma Forest (Marunuma Highland) in Gunma Prefecture since May 2010. The Marunuma Highland Tree-Planting 2019, the eighth such annual event, took place in FY2020/3. Nearly 90 people from both inside and outside of the Nippon Paper Group participated.



Participants planting trees

Running of School of Friendship for Forests and Paper*

The School of Friendship for Forests and Paper is a hands-on course on the natural environment utilizing forests (approximately 90 thousand hectares) owned by the company 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 in October 2006. As of FY2020/3, the school has been conducted 24 times, for a total of 800 participants, including parents and children, and students from local schools.

Since FY2008/3, the Toyono School of Friendship for Forests and Paper has been held annually at 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.



Children listening to staff instructions

* While the programs were canceled FY2021/3 due to the spread of COVID-19, the Group will continue to engage in activities that strengthen its connection with forests.

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Eleven-Year Financial and Non-Financial Summary

Nippon Paper Industries Co., Ltd. and Consolidated Subsidiaries*¹
Fiscal Years Ended March 31

	Millions of yen										Thousands of U.S. dollars* ²	
	FY2010/3	FY2011/3	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2020/3
Profit/Loss (Fiscal Year)												
Net sales	¥1,095,233	¥1,099,817	¥1,042,436	¥1,025,078	¥1,081,277	¥1,052,491	¥1,007,097	¥ 992,428	¥1,046,499	¥1,068,703	¥1,043,912	\$ 9,577,174
Cost of sales	844,033	854,238	803,653	796,411	844,603	825,576	800,185	787,464	846,109	871,218	832,151	7,634,413
Operating income	43,149	35,608	36,524	25,145	28,536	23,656	22,623	23,764	17,613	19,615	35,048	321,541
Ordinary income	37,547	31,599	6,057	23,081	28,188	23,204	17,123	26,994	18,649	23,901	30,524	280,037
Profit (loss) attributable to owners of parent	30,050	(24,172)	(41,675)	10,652	22,770	23,183	2,424	8,399	7,847	(35,220)	14,212	130,385
Cash flows from operating activities	116,908	115,454	60,114	65,978	75,763	81,846	52,419	87,087	44,944	59,760	67,036	615,009
Cash flows from investing activities	(70,934)	(93,467)	(46,626)	(61,766)	(24,861)	(42,483)	16,270	(65,278)	(62,731)	(47,461)	(70,113)	(643,239)
Free cash flow	45,974	21,987	13,488	4,212	50,902	39,363	68,689	21,809	(17,787)	12,299	(3,077)	(28,229)
Financial Position (End of Fiscal Year)												
Total assets	¥1,500,246	¥1,560,592	¥1,527,635	¥1,497,729	¥1,480,894	¥1,495,622	¥1,390,918	¥1,388,885	¥1,429,892	¥1,390,814	¥1,363,469	\$12,508,890
Total current assets	450,529	515,392	546,344	507,335	505,417	484,498	502,912	486,205	490,479	515,407	496,871	4,558,450
Total property, plant and equipment	837,698	798,482	752,501	747,423	729,179	715,406	669,298	686,813	717,927	677,613	680,524	6,243,339
Other non-current assets	212,017	246,718	228,789	242,970	246,297	295,716	218,707	215,867	221,484	197,792	186,073	1,707,092
Total liabilities	1,040,267	1,151,829	1,160,983	1,101,269	1,054,309	1,005,881	966,233	953,974	986,493	995,470	976,892	8,962,312
Total net assets	459,978	408,762	366,652	396,460	426,584	489,740	424,685	434,911	443,398	395,343	386,577	3,546,578
Interest-bearing debt	762,899	832,347	838,285	830,220	775,597	731,834	703,831	678,504	693,562	688,703	689,937	6,329,697
Other												
Capital investment	¥ 35,587	¥ 46,591	¥ 57,172	¥ 53,323	¥ 47,162	¥ 48,518	¥ 46,899	¥ 51,289	¥ 72,765	¥ 60,338	¥ 70,636	\$ 648,037
Depreciation	81,943	78,639	74,352	64,903	63,181	61,374	57,672	55,083	57,892	60,422	58,705	538,578
Research and development expenses	6,985	6,855	6,484	6,348	5,690	5,431	5,555	5,622	6,013	6,694	6,051	
Per Share Data												
Profit (loss) attributable to owners of parent	¥ 264.03	¥ (208.73)	¥ (359.90)	¥ 92.00	¥ 196.67	¥ 200.27	¥ 20.95	¥ 72.57	¥ 67.80	¥ (304.34)	¥ 122.89	\$ 1.13
Cash dividends	80.00	60.00	30.00	40.00	40.00	50.00	60.00	60.00	60.00	30.00	40.00	0.37
Financial Indicators												
Operating income margin	3.9%	3.2%	3.5%	2.5%	2.6%	2.2%	2.2%	2.4%	1.7%	1.8%	3.4%	
Return on equity (ROE)	7.0%	(5.6)%	(10.9)%	2.8%	5.6%	5.1%	0.5%	2.0%	1.8%	(8.6)%	3.7%	
Return on assets (ROA)	3.2%	2.7%	1.2%	2.3%	2.7%	2.2%	2.0%	2.6%	1.9%	2.2%	2.7%	
Return on invested capital (ROIC)	4.0%	3.5%	1.5%	2.9%	3.3%	2.8%	2.4%	3.2%	2.3%	2.9%	3.5%	
Debt/equity ratio (times)	1.64	1.75	1.94	1.89	1.70	1.55	1.47	1.49	1.61	1.76	1.75	
ESG Indicators* ³												
Number of employees	14,210	13,834	13,407	13,052	13,107	12,771	11,741	13,057	12,881	12,943	12,592	
Greenhouse gas emissions generated and final disposal volume (Million t-CO ₂)* ⁴	—	—	—	—	7.28	7.18	7.12	7.17	6.99	6.83	6.26	
Percentage of female employees in management (Nippon Paper)	—	—	—	1.49%	1.48%	1.57%	1.60%	1.86%	2.47%	2.29%	2.43%	

*1 The Company underwent an absorption-type merger with parent company Nippon Paper Group and was publicly listed on April 1, 2013. As a result, the figures for FY2013/3 and prior represent consolidated results of the Company.

*2 Amounts in U.S. dollars are included solely for convenience and are translated at the rate of ¥109 = US\$1.00, the approximate rate of exchange on March 31, 2020.

*3 Data available on a yearly basis has been provided for comparison purposes.

*4 Scope: Consolidated and non-consolidated Group companies in Japan subject to the Act on Rationalizing Energy Use

- Interest-bearing debt = Short-term borrowings + Long-term debt
- Free cash flow = Cash flows from operating activities + Cash flows from investing activities
- Return on equity (ROE) = Profit (loss) attributable to owners of parent / [Average of beginning and end of year (Shareholders' equity + Accumulated other comprehensive income)] × 100
- Return on assets (ROA) = (Ordinary income + Interest expense) / Year-end total assets × 100
- Return on invested capital (ROIC) = (Ordinary income + Interest expense) / (Year-end shareholders' equity + Year-end accumulated other comprehensive income + Year-end balance of interest-bearing debt) × 100
- Debt/equity ratio = (Interest-bearing debt – Cash and deposits) / Shareholders' equity

Financial Strategies

Financial Policy

The Nippon Paper Group’s financial policy is to strengthen its cash flow-generation capabilities, through the effective capital procurement and investments toward the realization of sustainable growth, and to provide stable profit returns to shareholders while maintaining a sound financial position.

Capital Procurement Policy

In order to ensure the stable procurement of capital, the Nippon Paper Group employs diverse procurement methods and seeks to extend repayment terms and standardize repayment amounts.

Specifically, we procure capital through various sources when necessary, including borrowings from financial institutions and the issuance of commercial paper and corporate bonds, by estimating their amount based on the capital investment plan for the entire Group.

Moreover, in order to maintain the liquidity of fund procurements, we have concluded commitment line agreements of ¥50.0 billion in total with major financial institutions.

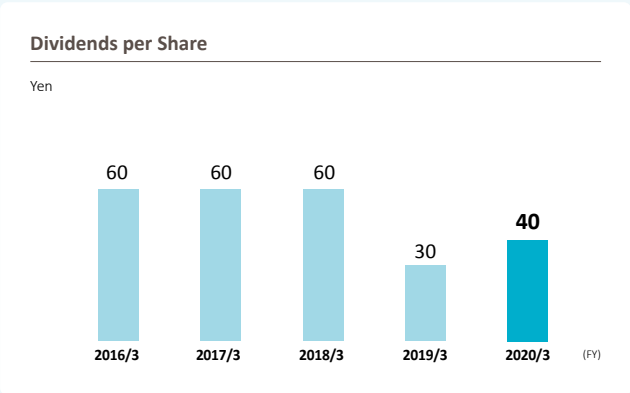
As an emergency response to the recent spread of COVID-19, since April 2020, we have taken further steps toward maintaining liquidity by increasing our short-term capital, including foreign currencies, and raising our balance of cash and deposits on hand.

For the acquisition of Orora Limited’s fiber based packaging business in Australia and New Zealand, we concluded a bridge loan agreement with a borrowing term of up to one year for flexible financing. We borrowed a total of ¥125.0 billion at the end of April 2020 and have finalized our permanent procurement through long-term borrowings.

Shareholder Return Policy

At the Nippon Paper Group, our basic policy on shareholder returns is to continuously provide stable dividends based on a comprehensive consideration of the status of business results, increases in internal reserves, and other factors and by taking into account the Group’s management soundness and increases in shareholder value over the long term.

With a view to further expanding our business and strengthening our management foundation through our internal reserves, we will strive to enhance our corporate value.



Policy on Ensuring Financial Stability

The Nippon Paper Group regards the (1) net debt/equity ratio, (2) debt repayment period, and (3) EBITDA as important indicators of its financial discipline, and considers the maintenance and improvement of stable credit ratings, by maintaining and improving financial discipline, as an important management issue. Please refer to page 17 for our targets under the Sixth Medium-Term Business Plan. The Nippon Paper Group’s current credit ratings are as follows.

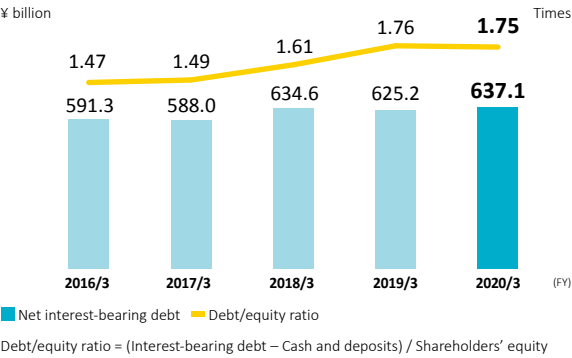
	Long-Term Debt	Short-Term Debt (CP)
Rating & Investment Information, Inc.	BBB+	a-2
Japan Credit Rating Agency, Ltd.	A	—

Establishment of Adjusted Net Debt/Equity Ratio

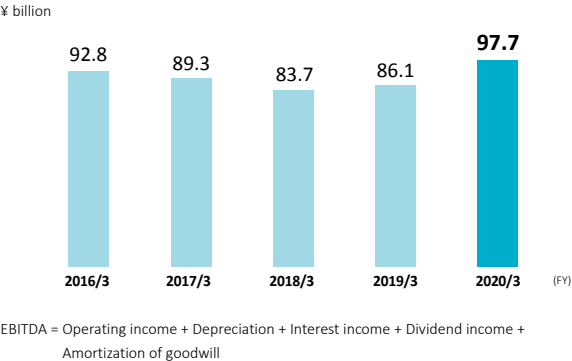
When the Orora Limited’s fiber based packaging business in Australia and New Zealand was acquired at the end of April 2020, we procured ¥60.0 billion through hybrid loans, for which 50% of the procured amount is approved as capital, from the perspective of maintaining our financial discipline.

Accordingly, as a management indicator, we have adopted the adjusted net debt/equity ratio, which takes into account the amount of capital procured through hybrid loans that are recognized as capital by credit rating agencies. As of June 2020, the net debt/equity ratio before adjustment for the hybrid loans was around 1.8 times, while the net debt/equity ratio after adjustment was around 1.6 times.

Net Interest-Bearing Debt and Debt/Equity Ratio



EBITDA



Financial Overview

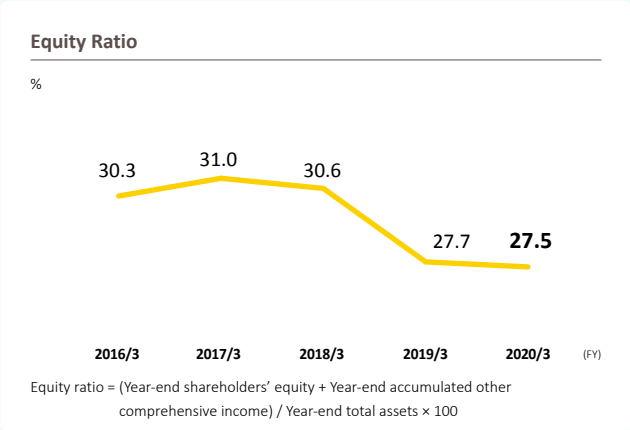
Financial Position

Consolidated total assets at the end of FY2020/3 were ¥1,363.5 billion, a decrease of ¥27.3 billion from ¥1,390.8 billion at the end of FY2019/3. The drop was mainly due to a ¥10.6 billion decline in cash and deposits, a ¥6.5 billion fall in notes and accounts receivable—trade attributable to holiday closures of financial institutions at the end of FY2019/3 and other factors, as well as a ¥5.1 billion decline in net defined benefit assets and a ¥3.3 billion slide in investments in securities due to the downturn in the stock price and other factors stemming from the impact of COVID-19.

Total liabilities decreased ¥18.6 billion from ¥995.5 billion at the end of FY2019/3, to ¥976.9 billion. The main reason for this decline was a ¥24.5 billion drop in notes and accounts payable—trade attributable to holiday closures of financial institutions at the end of FY2019/3.

Total net assets decreased ¥8.8 billion from ¥395.3 billion at the end of FY2019/3, to ¥386.6 billion. This was mainly caused by a ¥19.1 billion drop in accumulated other comprehensive income due to a downturn in the stock price, appreciation of the Japanese yen, and other factors stemming from the impact of COVID-19, which offset a ¥9.6 billion improvement in retained earnings owing to the increase in profit attributable to owners of parent and other factors.

As a result, the net debt/equity ratio was 1.75 times and the equity ratio was 27.5%.



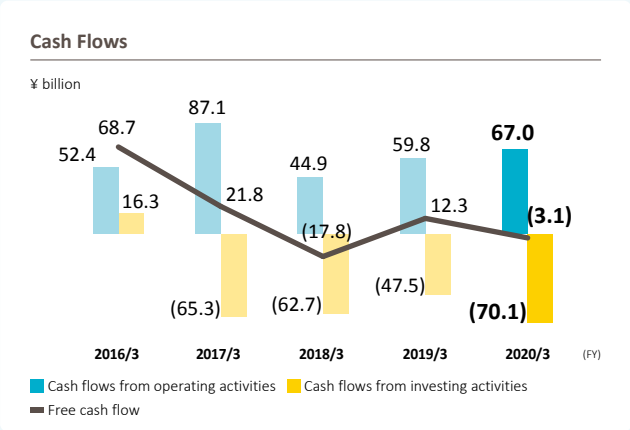
Cash Flows

Consolidated cash and cash equivalents (“cash”) decreased ¥10.6 billion compared with the end of FY2019/3, to ¥52.8 billion at the end of FY2020/3.

Net cash provided by operating activities was ¥67.0 billion. The main factors were profit before income taxes of ¥21.6 billion, depreciation of ¥58.7 billion, and net cash outflows of ¥11.5 billion due to changes in working capital (total changes in receivables, inventories, and payables).

Net cash used in investing activities was ¥70.1 billion. The main factor behind this result was net cash outflows of ¥67.7 billion due to purchases of non-current assets.

Net cash used in financing activities was ¥7.4 billion. This was mainly due to the decrease in short-term loans payable of ¥26.0 billion, repayment of long-term loans payable of ¥69.8 billion, proceeds from long-term loans payable of ¥107.0 billion for the redemption of bonds of ¥10.0 billion, and cash dividends paid of ¥4.6 billion.



Business and Other Risk Factors

The management of the Nippon Paper Group has identified the following as major risks due to their potentially significant impact on the financial position, business performance, and cash flows of consolidated Group companies.

Product Demand and Market Conditions

The Nippon Paper Group engages in its mainstay Paper and Paperboard Business, Daily-life Products Business, Energy Business, and Wood Products and Construction Related Business. The Group is at risk of fluctuations in demand for its products and product prices in the context of economic conditions and other factors. Such fluctuations could affect the Group’s business performance and financial position.

Manufacturing Conditions

The Nippon Paper Group’s production activity is based on the estimated demand and production capacity of existing facilities. The Group carries out regular preventive inspections and other maintenance checks, but is at risk of a reduction in supply capability due to fires, accidents, and other problems occurring at facilities, and interruptions in procurement, as well as the delivery of raw materials and fuel. Such fluctuations could affect the Group’s business performance and financial position.

Raw Material and Fuel Prices

The Nippon Paper Group engages in the manufacture and sale of products through purchases of raw materials and fuel such as wood chips, waste paper, heavy oil, coal, and chemicals. The Group is thus at risk of input price fluctuations in domestic and international markets. Such fluctuations could affect the Group’s business performance and financial position.

Litigation

The Nippon Paper Group takes the utmost care to comply with laws and regulations in the course of doing business, but is nonetheless at risk of litigation associated with criminal or civil affairs, taxation, antitrust law, product liability law, intellectual property rights, and environmental and labor issues. As a result, such litigation could affect the Group’s business performance and financial position.

Product Liability

While it has hitherto not been subject to any significant amount of compensation for product liability, the Nippon Paper Group may be liable for the payment of compensation for damages in the future. While the Group is covered under product-liability insurance, it may not be adequate to cover the amount of compensation for which the Group may be held liable.

Environment-Related Legal Risk

The Group is obligated to apply environment-related regulations in the course of doing business. Revisions and amendments to such regulations could limit production activities and result in additional costs, affecting the Group’s operating performance and financial condition.

Foreign Exchange

The Nippon Paper Group is at risk of foreign exchange rate fluctuations associated with import and export transactions. Because the Group’s imports of raw materials and fuel, such as wood chips, waste paper, heavy oil, coal, and chemicals, exceed its product exports, yen depreciation against the U.S. dollar has a negative impact on business performance. The Group hedges against this risk by means such as forward contracts in order to mitigate the impact of foreign exchange rate fluctuations on its business performance.

Stock Prices

The Nippon Paper Group holds marketable shares in partner and affiliated companies and is thus at risk of share price fluctuations that could affect the Group’s business performance and financial position.

Interest Rates

The Nippon Paper Group is at risk of interest rate fluctuations affecting its interest expense regarding interest-bearing debt, etc. Such fluctuations could affect the Group’s business performance and financial position.

Credit Risk

The Nippon Paper Group takes care to limit its credit risk, but tardy or uncollectible receivables due to deterioration in the financial condition or bankruptcy of customers could affect the Group’s business performance and financial position.

Business and Other Risk Factors

Impairment of Fixed Assets

The Nippon Paper Group owns fixed assets such as production facilities and land. Changes in the operating environment and other factors that result in a significant decline in future cash flows generated through these assets may lead to the incurrence of an impairment loss and affect the Group’s business performance and financial position.

Retirement Benefit Obligation

The Nippon Paper Group’s net defined benefit costs and liabilities are calculated based on mathematical assumptions such as the rate of return and the discount rate on pension assets. However, any circumstances requiring a change in the use of the actuarial method or an impairment to pension assets resulting from stagnation of the stock market and other factors may affect the business performance and financial position of the Group.

Reversal of Deferred Tax Assets

The Nippon Paper Group deems the future deductible amount and operating loss carryforwards as recoverable upon estimation of future taxable income and records them as deferred tax assets. However, changes in the operating environment and other factors that lead to a decline in taxable income, or a change in the tax regulations and other factors that lead to a revision in recoverability, may cause a reversal of deferred tax assets and affect the business performance and financial position of the Group.

Human Resource Recruitment and Labor-Related

The Nippon Paper Group considers its human resource strategy to be a key element of its business activities, and understands the importance of securing and developing the right human resources for the growth of its business going forward. The Group undertakes efforts to secure the most optimal and efficient workforce by actively recruiting and developing diverse employees and establishing a workplace environment that promotes flexible and diverse work styles. However, the inability to secure appropriate human resources may result in restrictions to the Group’s business operations, which may affect the business performance and financial position of the Group.

While the Group conducts measures to minimize labor-related risks, such as through appropriate labor management according to laws and regulations, the occurrence of labor-related compliance violations (employment issues, harassment, human rights infringements, etc.) may lead to lawsuits or impair society’s trust in the Nippon Paper Group, and affect the business performance and financial position of the Group.

Natural Disasters and Infectious Diseases

The occurrence of an earthquake or large-scale natural disaster and the outbreak of an infectious disease in the vicinity of the Nippon Paper Group’s production and sales bases may impact its production, sales, and other business activities. This may lead to the loss of business opportunities due to a production stoppage, additional costs to recommence operations, and/or damage to products and raw materials, which may affect the business performance and financial position of the Group.

Information Systems

The Nippon Paper Group implements rigorous security measures for its information systems and has set forth its rules concerning the handling of personal information, and made it known to its executives, employees, and business partners as part of its efforts to strengthen its management structure. However, information leakage due to unauthorized access to computers and/or the breach of data due to criminal acts may lead to the payment of compensation for damages and the impairment of the trust placed in the Nippon Paper Group by society, thereby affecting the business performance and financial position of the Group.

Overseas Business

The Nippon Paper Group manufactures pulp and paper and operates forestry plantations and other businesses in North America, South America, Scandinavia, China, Southeast Asia, Australia, and other overseas locations. The development of business overseas entails a number of risks, including changes to laws and regulations by local governments, labor disputes, and the impact of political uncertainty on economic activities. While the Group takes preventive measures, such as through the sharing of information with external law firms, the occurrence of such risks may affect the business performance and financial position of the Group.

M&As and Business Alliances

The Nippon Paper Group engages in M&As and business alliances with the aim of realizing sustainable growth by creating new business opportunities. The Group conducts a thorough examination of the business strategies and synergistic effects before engaging in such transactions, and works to maximize its results after concluding such agreements. However, changes in the operating environment and other factors may lead to the underachievement of results, and in turn affect the business performance and financial position of the Group.

Other Risks Associated with Changes in Business Conditions, etc.

The Nippon Paper Group is subject to the risk of changes in business and economic conditions and other similar circumstances arising from contingencies, which could affect the Group’s business performance and financial position.

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31, 2019 and 2020

		Millions of yen	Thousands of U.S. dollars
	FY2019/3	FY2020/3	FY2020/3
Assets			
Current assets			
Cash and deposits	¥ 63,455	¥ 52,846	\$ 484,826
Notes and accounts receivable—trade	234,671	228,178	2,093,376
Merchandise and finished goods	87,025	86,985	798,028
Work in process	20,518	19,087	175,110
Raw materials and supplies	70,351	65,715	602,890
Other	39,933	44,589	409,073
Allowance for doubtful receivables	(550)	(530)	(4,862)
Total current assets	515,407	496,871	4,558,450
Non-current assets			
Property, plant and equipment			
Buildings and structures	504,094	509,606	4,675,284
Accumulated depreciation	(368,097)	(373,790)	(3,429,266)
Buildings and structures, net	135,997	135,815	1,246,009
Machinery, equipment and vehicles	2,217,462	2,222,315	20,388,211
Accumulated depreciation	(1,930,080)	(1,946,441)	(17,857,257)
Machinery, equipment and vehicles, net	287,382	275,873	2,530,945
Land	199,435	197,676	1,813,541
Mountain forests and plantations	26,146	25,953	238,101
Construction in progress	22,096	37,803	346,817
Other	47,230	49,121	450,651
Accumulated depreciation	(40,674)	(41,719)	(382,743)
Other, net	6,555	7,401	67,899
Total property, plant and equipment	677,613	680,524	6,243,339
Intangible assets	11,137	8,996	82,532
Investments and other assets			
Investments in securities	159,198	155,891	1,430,193
Net defined benefit assets	6,215	1,095	10,046
Deferred tax assets	4,492	4,776	43,817
Other	17,452	15,975	146,560
Allowance for doubtful receivables	(703)	(662)	(6,073)
Total investments and other assets	186,655	177,077	1,624,560
Total non-current assets	875,406	866,598	7,950,440
Total assets	¥ 1,390,814	¥ 1,363,469	\$ 12,508,890

		Millions of yen	Thousands of U.S. dollars
	FY2019/3	FY2020/3	FY2020/3
Liabilities			
Current liabilities			
Notes and account payable—trade	¥ 145,132	¥ 120,593	\$ 1,106,358
Short-term loans payable	224,227	191,719	1,758,890
Current portion of bonds	10,000	15,000	137,615
Accrued income taxes	5,156	5,363	49,202
Other	93,349	101,531	931,477
Total current liabilities	477,866	434,209	3,983,569
Long-term liabilities			
Bonds payable	50,000	35,000	321,101
Long-term loans payable	401,474	444,677	4,079,606
Deferred tax liability	27,600	18,569	170,358
Allowance for environmental costs	14,780	14,947	137,128
Net defined benefit liability	13,776	18,361	168,450
Other	9,970	11,128	102,092
Total long-term liabilities	517,603	542,683	4,978,743
Total liabilities	995,470	976,892	8,962,312
Net assets			
Shareholders' equity			
Common stock	104,873	104,873	962,138
Capital surplus	216,414	216,414	1,985,450
Retained earnings	35,265	44,847	411,440
Treasury stock, at cost	(1,427)	(1,838)	(16,862)
Total shareholders' equity	355,125	364,296	3,342,165
Accumulated other comprehensive income			
Net unrealized holding gain on other securities	21,274	16,804	154,165
Net deferred gain (loss) on hedges	(2,283)	(7,631)	(70,009)
Translation adjustments	15,419	14,095	129,312
Remeasurements of defined benefit plans	(4,377)	(12,332)	(113,138)
Total accumulated other comprehensive income	30,033	10,936	100,330
Non-controlling interests	10,184	11,344	104,073
Total net assets	395,343	386,577	3,546,578
Total liabilities and net assets	¥1,390,814	¥1,363,469	\$12,508,890

Consolidated Financial Statements

Consolidated Statements of Operations

Fiscal Years Ended March 31, 2019 and 2020

		Millions of yen	Thousands of U.S. dollars
	FY2019/3	FY2020/3	FY2020/3
Net sales	¥1,068,703	¥1,043,912	\$9,577,174
Cost of sales	871,218	832,151	7,634,413
Gross profit	197,485	211,760	1,942,752
Selling, general and administrative expenses			0
Freightage-related expenses	66,169	65,811	603,771
Sales-related expenses	49,571	47,802	438,550
Salaries and allowances	34,499	35,072	321,761
Other	27,629	28,025	257,110
Total selling, general and administrative expenses	177,870	176,711	1,621,202
Operating income	19,615	35,048	321,541
Other income			
Interest income	444	454	4,165
Dividend income	2,066	1,732	15,890
Equity in earnings of affiliates	10,641	4,230	38,807
Rent income	1,465	1,308	12,000
Other	3,036	2,707	24,835
Total other income	17,655	10,434	95,725
Other expenses			
Interest expenses	7,391	6,345	58,211
Foreign exchange losses	1,707	1,768	16,220
Other	4,269	6,845	62,798
Total other expenses	13,368	14,958	137,229
Ordinary income	23,901	30,524	280,037
Extraordinary income			
Gain on liquidation of subsidiaries and affiliates	—	2,519	23,110
Gain on sales of property, plant and equipment	1,987	790	7,248
Other	3,197	299	2,743
Total extraordinary income	5,185	3,609	33,110
Extraordinary loss			
Impairment loss	14,252	2,971	27,257
Loss on retirement of non-current assets	2,088	2,933	26,908
Loss on valuation of investment securities	625	2,562	23,505
Loss on reorganization of production structure	18,330	—	—
Provision for environmental measures	13,700	—	—
Other	7,733	4,018	36,862
Total extraordinary loss	56,730	12,485	114,541
Profit (loss) before income taxes	(27,644)	21,648	198,606
Income taxes—current	4,454	6,275	57,569
Income taxes—deferred	644	(1,745)	(16,009)
Total income taxes	5,098	4,530	41,560
Income (loss) before minority interests	(32,742)	17,118	157,046
Profit attribute able to non-controlling interests	2,477	2,905	26,651
Profit (loss) attributable to owners of parent	¥ (35,220)	¥ 14,212	\$ 130,385

Consolidated Statements of Comprehensive Income

Fiscal Years Ended March 31, 2019 and 2020

		Millions of yen	Thousands of U.S. dollars
	FY2019/3	FY2020/3	FY2020/3
Income (loss) before minority interests	¥(32,742)	¥ 17,118	\$157,046
Other comprehensive income (loss)			
Net unrealized holding gain (loss) on other securities	(1,718)	(4,221)	(38,725)
Net deferred gain (loss) on hedges	(189)	(6,125)	(56,193)
Translation adjustments	(7,124)	(2,548)	(23,376)
Remeasurements of defined benefit plans, net of tax	(3,000)	(7,781)	(71,385)
Share of other comprehensive income of affiliates accounted for using the equity method	(1,062)	1,613	14,798
Total other comprehensive income (loss)	(13,096)	(19,064)	(174,899)
Comprehensive income (loss)	¥(45,838)	¥ (1,946)	\$ (17,853)
(Details)			
Comprehensive income (loss) attributable to owners of parent	¥(48,825)	¥ (4,884)	\$ (44,807)
Comprehensive income (loss) attributable to non-controlling interests	2,986	2,938	26,954

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

Fiscal Years Ended March 31, 2019 and 2020

	Number of shares of issued common stock (Shares)	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2018	116,254,892	¥104,873	¥216,420	¥ 73,506	¥(1,414)	¥393,386
Changes of items during the period						
Cash dividends paid				(3,473)		(3,473)
Profit (loss) attributable to owners of parent				(35,220)		(35,220)
Purchase of treasury stock					(13)	(13)
Disposition of treasury stock			(0)		0	0
Changes in scope of consolidation				452		452
Change in ownership interest of parent due to transactions with non-controlling interests			(6)			(6)
Change in treasury stock due to changes in equity in affiliates accounted for by equity method					0	0
Changes in items other than shareholders' equity, net						
Total changes of items during the period		—	(6)	(38,240)	(13)	(38,260)
Balance at March 31, 2019	116,254,892	¥104,873	¥216,414	¥ 35,265	¥(1,427)	¥355,125
Balance at April 1, 2019	116,254,892	¥104,873	¥216,414	¥ 35,265	¥(1,427)	¥355,125
Changes of items during the period						
Cash dividends paid				(4,630)		(4,630)
Profit (loss) attributable to owners of parent				14,212		14,212
Purchase of treasury stock					(411)	(411)
Disposition of treasury stock			(0)		0	0
Change in treasury stock due to changes in equity in affiliates accounted for by equity method					0	0
Changes in items other than shareholders' equity, net						
Total changes of items during the period		—	(0)	9,582	(411)	9,170
Balance at March 31, 2020	116,254,892	¥104,873	¥216,414	¥ 44,847	¥(1,838)	¥364,296

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2019	\$962,138	\$1,985,450	\$323,532	\$(13,092)	\$3,258,028
Changes of items during the period					
Cash dividends paid			(42,477)		(42,477)
Profit (loss) attributable to owners of parent			130,385		130,385
Purchase of treasury stock				(3,771)	(3,771)
Disposition of treasury stock		(0)		0	0
Change in treasury stock due to changes in equity in affiliates accounted for by equity method				0	0
Changes in items other than shareholders' equity, net					
Total changes of items during the period	—	(0)	87,908	(3,771)	84,128
Balance at March 31, 2020	\$962,138	\$1,985,450	\$411,440	\$(16,862)	\$3,342,165

Millions of yen						
Accumulated other comprehensive income					Non-controlling interests	Total net assets
Net unrealized holding gain on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
¥23,243	¥(1,566)	¥23,338	¥ (1,376)	¥ 43,638	¥ 6,373	¥443,398
						(3,473)
						(35,220)
						(13)
						0
						452
						(6)
						0
(1,968)	(717)	(7,918)	(3,000)	(13,605)	3,811	(9,793)
(1,968)	(717)	(7,918)	(3,000)	(13,605)	3,811	(48,054)
¥21,274	¥(2,283)	¥15,419	¥ (4,377)	¥ 30,033	¥10,184	¥395,343
¥21,274	¥(2,283)	¥15,419	¥ (4,377)	¥ 30,033	¥10,184	¥395,343
						(4,630)
						14,212
						(411)
						0
						0
(4,470)	(5,347)	(1,324)	(7,954)	(19,097)	1,159	(17,937)
(4,470)	(5,347)	(1,324)	(7,954)	(19,097)	1,159	(8,766)
¥16,804	¥(7,631)	¥14,095	¥(12,332)	¥ 10,936	¥11,344	¥386,577

						Thousands of U.S. dollars
Accumulated other comprehensive income						
Net unrealized holding gain on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
\$195,174	\$(20,945)	\$141,459	\$ (40,156)	\$ 275,532	\$ 93,431	\$3,627,000
						(42,477)
						130,385
						(3,771)
						0
						0
(41,009)	(49,055)	(12,147)	(72,972)	(175,202)	10,633	(164,560)
(41,009)	(49,055)	(12,147)	(72,972)	(175,202)	10,633	(80,422)
\$154,165	\$(70,009)	\$129,312	\$(113,138)	\$ 100,330	\$104,073	\$3,546,578

Consolidated Financial Statements

Consolidated Statements of Cash Flows

Fiscal Years Ended March 31, 2019 and 2020

		Millions of yen	Thousands of U.S. dollars
	FY2019/3	FY2020/3	FY2020/3
Operating activities			
Profit (loss) before income taxes	¥(27,644)	¥ 21,648	\$ 198,606
Depreciation	60,422	58,705	538,578
Amortization of goodwill	2,036	1,840	16,881
Increase (decrease) in allowance for doubtful receivables	100	(59)	(541)
Increase (decrease) in net defined benefit liability	(3,763)	(1,431)	(13,128)
Increase (decrease) in allowance for environmental costs	14,466	166	1,523
Interest and dividend income	(2,511)	(2,187)	(20,064)
Interest expense	7,391	6,345	58,211
Equity in (earnings) losses of affiliates	(10,641)	(4,230)	(38,807)
Loss (gain) on sales of investment securities	(3,106)	(220)	(2,018)
Loss (gain) on valuation of investment securities	625	2,562	23,505
Loss (gain) on liquidation of subsidiaries and affiliates	—	(2,519)	(23,110)
Impairment loss	14,252	2,971	27,257
Loss on disposal of non-current assets	2,088	2,933	26,908
Loss on reorganization of production structure	18,330	—	—
Decrease (increase) in receivables	(13,594)	6,231	57,165
Decrease (increase) in inventories	(11,821)	6,571	60,284
Increase (decrease) in payables	2,633	(24,331)	(223,220)
Other	10,497	1,281	11,752
Subtotal	59,761	76,275	699,771
Interest and dividends received	5,072	4,554	41,780
Interest paid	(7,606)	(6,770)	(62,110)
Payments for supplementary retirement benefits	(389)	(166)	(1,523)
Income taxes paid	2,923	(6,856)	(62,899)
Net cash provided by (used in) operating activities	¥ 59,760	¥ 67,036	\$ 615,009

		Millions of yen	Thousands of U.S. dollars
	FY2019/3	FY2020/3	FY2020/3
Investing activities			
Purchases of non-current assets	¥(72,022)	¥(67,676)	\$(620,881)
Proceeds from sales of non-current assets	3,813	1,227	11,257
Purchases of investments in other securities	(1,294)	(1,191)	(10,927)
Proceeds from sales of investments securities	22,559	572	5,248
Payments for investments in capital of subsidiaries and affiliates	(1)	(977)	(8,963)
Payments for business withdrawal	(90)	—	—
Decrease (increase) in short-term loans receivable	413	(1,279)	(11,734)
Payments of long-term loans receivable	(699)	(849)	(7,789)
Collection of long-term loans receivable	130	104	954
Other	(270)	(43)	(394)
Net cash provided by (used in) investing activities	(47,461)	(70,113)	(643,239)
Financing activities			
Increase (decrease) in short-term loans payable	(62,133)	(26,016)	(238,679)
Proceeds from long-term loans payable	129,239	106,978	981,450
Repayment of long-term loans payable	(70,030)	(69,838)	(640,716)
Redemption of bonds	—	(10,000)	(91,743)
Purchase of treasury shares	(13)	(411)	(3,771)
Proceeds from share issuance to non-controlling shareholders	660	—	—
Cash dividends paid	(3,480)	(4,634)	(42,514)
Dividends paid to non-controlling interests	(2)	(1,778)	(16,312)
Finance lease principal payments	(959)	(1,684)	(15,450)
Other	(0)	(11)	(101)
Net cash provided by (used in) financing activities	(6,720)	(7,397)	(67,862)
Effect of exchange rate changes on cash and cash equivalents	(1,135)	(135)	(1,239)
Increase (decrease) in cash and cash equivalents	4,443	(10,609)	(97,330)
Cash and cash equivalents at beginning of year	59,003	63,455	582,156
Increase due to inclusion of certain subsidiaries in consolidation	8	—	—
Cash and cash equivalents at end of period	¥ 63,455	¥ 52,846	\$ 484,826

Consolidated Subsidiaries and Equity-Method Affiliates

(As of March 31, 2020)

Consolidated Subsidiaries

Paper and Paperboard Business	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Tokai Industrial Paper Supply Co., Ltd.	Japan	350	65.00	Containerboards
Nippon Paper Papyrus Co., Ltd.	Japan	3,949	100.00	Printing and industrial paper
NP Trading Co., Ltd.	Japan	1,000	100.00	Purchase and sale of paper and pulp
Kitakami Paper Co., Ltd.	Japan	10	99.85	—
Kokuei Paper Co., Ltd.	Japan	100	100.00	Cutting and sale of paper
SUN-OAK CO., LTD.	Japan	75	100.00	Cutting and sale of paper
Paper Australia Pty. Ltd. (and its 10 subsidiaries)	Australia	(AUD1,000) 662,280	100.00	Printing paper
Juho Thermal Oy	Finland	(EUR1,000) 7,651	100.00	Thermal paper
Siam Nippon Industrial Paper Co., Ltd.	Thailand	(THB1,000) 1,100,000	55.00	Machine glazed paper
Nippon Paper Industries USA Co., Ltd.	U.S.A.	(USD1,000) 53	100.00	—
Dyna Wave Holding Asia	The British Cayman Islands	(HKD1,000) 1	100.00	—

Daily-Life Products Business	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Paper Crecia Co., Ltd.	Japan	3,067	100.00	Sanitary paper for household and commercial use
Crecia-Kasuga Co., Ltd.	Japan	450	80.00	Sanitary paper for household and commercial use
Flowric Co., Ltd.	Japan	172	100.00	Concrete admixture
Nippon Seitai Corporation	Japan	424	100.00	Kraft paper bags for heavy-duty packaging
Kyouei Seitai K.K.	Japan	40	60.19	Kraft paper bags for heavy-duty packaging
Nippon Dynawave Packaging Company, LCC	U.S.A.	(USD1,000) 200,000	100.00	Liquid packaging boards and pulp

Energy Business	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Paper Ishinomaki Energy Center Ltd.	Japan	6,000	70.00	Energy sales

Wood Products and Construction Related Business	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Paper Lumber Co., Ltd.	Japan	440	100.00	Lumber and construction materials
IWAKUNI-KAIUN CO., LTD.	Japan	20	100.00	Shipping business
NIPPON PAPER UNITEC CO., LTD.	Japan	40	100.00	Construction and repairs
Kokusaku Kiko Co., Ltd.	Japan	60	100.00	Construction and repairs
Nippon Paper Ishinomaki Technology Co., Ltd.	Japan	40	100.00	Construction and repairs
N&E Co., Ltd.	Japan	450	70.00	Medium density fiberboard (MDF)
Daishowa Uniboard Co., Ltd.	Japan	490	100.00	Melamine decorative particle board
Nanei Co., Ltd.	Japan	30	100.00	Wood chips
Nichimoku Fancy Materials Co., Ltd.	Japan	50	100.00	Construction materials
Amapá Florestal e Celulose S.A. (and its one subsidiary)	Brazil	(BRL1,000) 329,144	100.00	Afforestation
Nippon Paper Resources Australia Pty. Ltd.	Australia	(AUD1,000) 26,500	100.00	Afforestation

Other Businesses	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Paper Development Co., Ltd.	Japan	710	100.00	Leisure business
Nippon Paper Logistics Co., Ltd.	Japan	10	100.00	Logistics-related consulting
NIPPON PAPER LOGISTICS CO., LTD.	Japan	70	100.00	Logistics services
Kyokushin Transport Corporation	Japan	80	100.00	Logistics services
Nanko Unyu Co., Ltd.	Japan	160	100.00	Logistics services
Sakurai Co., Ltd.	Japan	120	54.77	Office products
Hotoku Co., Ltd.	Japan	25	100.00	Logistics services
GAC CO., LTD.	Japan	48	100.00	Printing and processing business

Equity-Method Affiliates

	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Shin Tokai Paper Co., Ltd.	Japan	3,135	35.00	Containerboards
KYODO PAPER HOLDINGS CO., LTD.	Japan	2,381	30.75	Paper and paper products
Phoenix Pulp & Paper Public Company Ltd.	Thailand	(THB1,000) 2,462,811	30.00	Paper and pulp
Daishowa Paper Converting Co., Ltd.	Japan	235	44.68	Laminated paper and paper containers, business communication paper
DIXIE JAPAN LTD.	Japan	100	44.41	Paper cups for beverages
Nippon Tokan Package Co., Ltd.	Japan	700	45.00	Containerboards and paper containers
LINTEC Corporation	Japan	23,249	30.97	Adhesive products
Nippon Paper Mega Solar Komatsushima, LLC	Japan	1	50.00	Operation of solar power generation facility and sale of electricity
Suzukawa Energy Center Ltd.	Japan	1,591	20.00	Energy sales
CHIYODA SVAC CO., LTD.	Japan	200	32.50	Real estate transactions

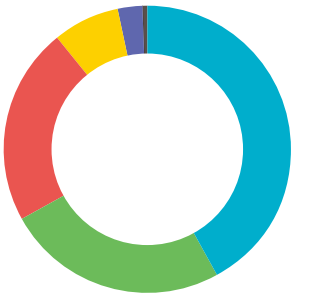
Company Profile / Stock Information (As of March 31, 2020)

Company Name	Nippon Paper Industries Co., Ltd.
Head Office	4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo 101-0062, Japan
Establishment	August 1, 1949
Number of Employees	5,324 non-consolidated 12,592 consolidated
Capital	¥104,873 million
Shares	Number of shares authorized to be issued 300,000,000 shares Number of shares issued 116,254,892 shares (including 349,789 shares of treasury stock)
Number of Shareholders	97,186

Major Shareholders	Name	Shares Held	Shareholding Ratio (%)*
	Ichigo Trust Pte. Ltd.	13,493,600	11.64
	The Master Trust Bank of Japan, Ltd. (Trust Account)	8,149,800	7.03
	Japan Trustee Services Bank, Ltd. (Trust Account)	8,093,400	6.98
	Mizuho Bank, Ltd.	4,341,855	3.75
	Nippon Paper Industries Co., Ltd. Employee Share Ownership	3,023,829	2.61
	JPMorgan Securities Japan Co., Ltd.	2,616,665	2.26
	Nippon Life Insurance Company	2,473,165	2.13
	Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,374,900	2.05
	Taiju Life Insurance Co., Ltd.	2,258,900	1.95
	Nippon Paper IndustriesCo., Ltd. Business Partners Share Ownership	1,948,700	1.68

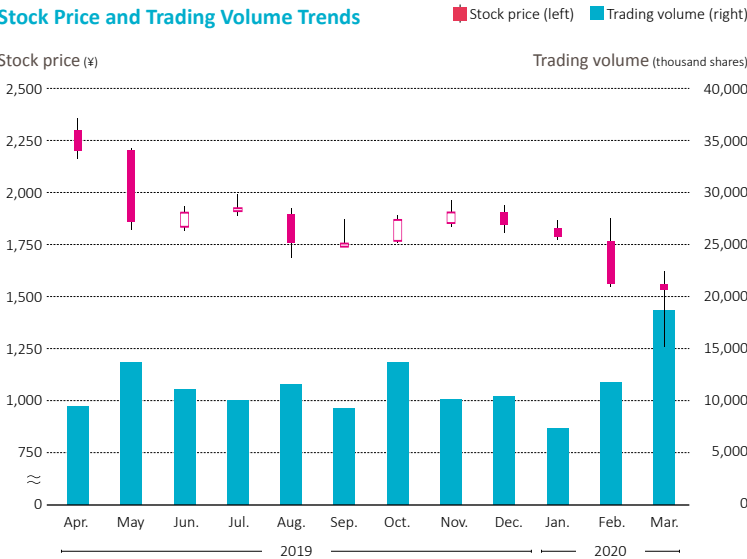
* The shareholding ratio was calculated after deducting 349,789 shares of treasury stock.

Percentage of Shares Held by Shareholder Type



Financial institutions	42.09%
Foreign investors	25.13%
Individuals and others	22.11%
Other domestic corporations	7.60%
Securities companies	2.75%
Government and municipalities	0.02%
Treasury stock	0.30%

Stock Price and Trading Volume Trends



Sustainability Report

The Nippon Paper Group has been issuing a sustainability report every year to disclose information on its CSR-related activities to all stakeholders. *Sustainability Report 2020* —which, along with the online version of this integrated report, is provided on our website— was prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards and discusses the Group Mission and other matters in the “Special Feature” section.

Page 1	Editorial Policy	Page 15	Management Responsibility	Page 56	Responsibility to Customers
Page 2	Message from the President	Page 28	Forest Management and Raw Material	Page 65	Human Rights, Employment and Labor Responsibility
Page 6	Special Feature	Page 39	Procurement Responsibility	Page 80	Responsibility to Communities
Page 13	Business Overview and Production Locations	Page 56	Environmental Responsibility	Page 87	External Evaluation

Online Resources

Nippon Paper Group’s Website
<https://www.nipponpapergroup.com/english/>



Sustainability Report
<https://www.nipponpapergroup.com/english/csr/>



Securities Report (Japanese only)
(EDINET code: E11873)



Corporate Governance Report
<https://www.nipponpapergroup.com/english/ir/202000701ecg.pdf>



External Evaluations
(Nippon Paper Industries has been recognized by the following key ESG indices and ratings)



2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



The Development Bank of Japan (DBJ) has awarded Nippon Paper its highest environmental rating, citing its particularly advanced environmental initiatives. Environmental rating acquisition date: November 2018



Sumitomo Mitsui Banking Corporation has awarded Nippon Paper the AAA rating, its highest rating for ESG and SDG evaluation-type financing.