

Corporate Governance Report

Last Update: July 4, 2023

Nippon Paper Industries Co., Ltd.

Toru Nozawa, President, Representative Director

Contact: 03-6665-1111

Securities Code: 3863

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

The corporate governance of Nippon Paper Industries Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company has established the “Corporate Governance Policy” as a basic guideline on corporate governance with the aim of contributing to the Corporate Group’s sustainable growth and medium- to long-term increases in corporate value, and has posted it on the Company’s website.

Corporate Governance Policy

<https://www.nipponpapergroup.com/english/ir/20220629ECGC.pdf>

The Company shall make the top priority of management further enhancing management transparency among its stakeholders including shareholders, in order to achieve fair management. To ensure separation between business execution and management supervision, the Company shall adopt the executive officer system and strive to strengthen the supervisory function of the Board of Directors. In addition, the Company shall, as the headquarters for managing the Group, promote its growth strategy, monitor businesses under its control, and promote legal compliance.

The Company shall work on further reinforcing corporate governance by providing the following policies:

- (1) The Company shall, having respect for shareholders’ rights, work to put in place an environment where its shareholders can exercise their rights in an appropriate manner and ensure the substantive equality of shareholders.
- (2) The Company shall recognize the importance of social responsibilities and public duties, appropriately collaborate with various stakeholders including shareholders, employees, customers, business partners, creditors, and local communities, and develop a corporate culture and climate for business to be operated in a sound manner based on strict self-discipline.

(3) The Company shall provide for its disclosure policy separately, make appropriate disclosures of corporate information including non-financial information, and strive to ensure the transparency of corporate management.

(4) The Company shall work on strengthening the functions of the Board of Directors based on fiduciary responsibility and accountability to shareholders. It shall promote the use of independent outside directors, establish voluntary committees to ensure the transparency of procedures concerning executive appointments and compensation in particular, and have independent outside directors as key members. It shall make analyses and evaluations on the effectiveness of the Board of Directors as a whole and strive to improve the functions of the Board of Directors.

(5) The Company shall have constructive dialogues with shareholders, in order to contribute to its sustainable growth and medium- to long-term increases in corporate value.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Contents are based on the revised code for June 2021, which includes information for the Prime market. The Company has implemented each principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

The Company has provided the “Corporate Governance Policy” (hereinafter referred to the “Company’s Policy”) and has disclosed it.

Corporate Governance Policy

<https://www.nipponpapergroup.com/english/ir/20220629ECGC.pdf>

Disclosures based on each principle are as follows:

[Principle 1-4 Policy for strategic holdings of stocks, etc.]

- See Article 11 of the Company’s Policy.

- The Company shall verify the effects of holding individual stocks for strategic purposes (hereinafter, “strategic holdings of stocks”) in terms of medium- to long-term economic rationale for holding, and maintaining and reinforcing comprehensive relationships with business partners, and make reports thereon to the Board of Directors on a regular basis every year.

- If the Company deems there to be no good reason to hold certain stocks after comprehensively taking into account the medium- to long-term economic rationale and effects of holding them, etc., the Company shall sell them in light of gains and losses, etc. from such stocks.

- As provided in Paragraph 3, Article 11 of the Company's Policy, the Company shall not agree to vote for proposals that impair the corporate value of the Company and the investee company. Specifically, the Company shall make a judgment particularly carefully to vote for or against proposals on the following topics.

- Proposal for appropriation of retained earnings (in case such proposal markedly lacks a balance between financial soundness and retained earnings)
- Proposal for election of directors and statutory auditors (in the event of the occurrence of a serious compliance violation, etc.)
- Proposal for organizational restructuring

[Principle 1-7 Management system for related party transactions]

- See Article 10 of the Company's Policy.

[Principle 2-4-1 Ensuring Diversity within the Company]

- The Company believes that the realization of diverse work styles and the promotion of creating organizations in which diverse human resources can fully demonstrate their potential will build a relationship in which both employees and the Company can grow together, leading to the sustainable development of the Company.

- With regard to the managerial appointment of women, foreign nationals, and mid-career employees, those recognized as having aptitude as a manager are appointed, after their potential, aptitude, work performance and others are comprehensively evaluated and assessed by an external specialty firm. They are not selected by gender, nationality, or recruitment route.

- From the perspective of the advancement of women, we developed the Action Plan for the Advancement of Women in April 2021 and are working to establish an effective environment to achieve our goals. Although it will take time to increase the ratio of women in managerial positions because the Company has previously employed only a small number of women, we are working to employ more women in regular positions and to increase workplaces where women are assigned. For details of the Action Plan and trend in the percentage of female employees in management, please refer to the ESG Data Book posted on the Company website.

ESG Data Book https://www.nipponpapergroup.com/english/csr/npg_esgdb2022_e_ALL.pdf

- With regard to mid-career employment, recently we have been working to make more efforts in this area, together with new graduate employment. Those with unique insight and experience from outside the Company as well as those expected to play an active role internally based on the premise that they will be cultivated after employment are actively employed. Currently, the ratio of mid-career employees to

managers of the Company is 4.9%. (as of September 2022) Our belief is that the participation and advancement of human resources with various types of insight and experience will lead to reinvigorating the organization and developing the Company. Based on this, we will work to further promote mid-career employees to managerial positions to increase the number of such employees from the current level by the fiscal year 2030.

- With regard to foreign nationals, the majority of managerial positions are held by local nationals in the Group's overseas subsidiaries. They are supporting the respective company management by cooperating with Japanese employees stationed locally. Foreign human resources are playing an active role in the Group's global expansion. At present, the ratio of foreign nationals to managers of the Company's overseas consolidated subsidiaries is approximately 90%. (as of September 2022) We will continue to maintain the current level.

- The Group's basic strategy in the Medium-Term Business Plan 2025 to realize 2030VISION is to accelerate the transformation of the business structure. In a society with a declining birthrate and an aging population, we will focus on developing and retaining human resources, as well as promoting the shift of human resources to growth businesses and strengthening employee engagement, in order to develop human resources.

- With respect to the establishment of an environment where diverse human resources can play an active role, in order to promote diversity and respond to changes in the environment such as the pandemic, the Company is developing its working environment and reviewing work systems to realize diverse work styles. We are also working to improve the operational efficiency and to review work styles in order to reduce total working hours. For details, please refer to the Integrated Report.

Integrated Report

https://www.nipponpapergroup.com/english/ir/npg_ir_2022_e_all.pdf

[Principle 2-6 Performance of functions as the asset owner of the corporate pension fund]

- The Company has established the Asset Management Committee, which receives reports on and monitors pension fund management.

- Members of the Asset Management Committee shall comprise persons with knowledge of financial markets and investing assigned from the accounting and finance departments, etc.

- The Company leaves the decision to select each investee company and exercise voting rights in such investee company to the entrusted financial institution to ensure there will be no conflict of interest between the Company and beneficiaries of the corporate pension fund.

[Principle 3-1 Disclosure of information]

(1) Corporate Group Philosophy and mid-term management plan

- See the Company's website.

Group Mission https://www.nipponpapergroup.com/english/about/group_mission/

Medium-Term Business Plan <https://www.nipponpapergroup.com/english/ir/policy/plan/>

(2) Corporate Governance Policy

- See "1. 1. Basic views" of this Report and Article 2 of the Company's Policy.

(3) Policy and procedures for deciding compensation, etc. of directors and statutory auditors

- For the policy, see Article 8 of the Company's Policy. Regarding compensation for directors, see also "II. 1. Director remuneration" of this Report.
- For procedures, see Article 9 of the Company's Policy. Regarding the Personnel & Remuneration Advisory Committee, see also "II. 1. Committee's Name, Composition, and Attributes of Chairperson" of this Report.

(4) Policy and procedures when nominating nominees as directors and statutory auditors and election and dismissal of the President

- For the policy when nominating nominees as directors and statutory auditors, see Articles 5 and 6 of the Company's Policy.
- For the procedures when nominating nominees as directors and statutory auditors, see Article 9 of the Company's Policy. Regarding the Personnel and Remuneration Advisory Committee, see also "II.1. Committee's Name, Composition, and Attributes of Chairperson" of this Report.
- The procedures for election and dismissal of the President shall be the same as the above-provided nomination procedures. The President of the Company shall be required to thoroughly fulfill the requirements for directors provided in Article 5 of the Company's Policy. Meanwhile, in the case where a question arises concerning the qualifications of the President, the Personnel and Remuneration Advisory Committee shall hold deliberations on the matter and the Board of Directors shall pass a resolution on whether or not to dismiss the President based on the report by the Committee.

(5) Individual reasons for appointing directors and statutory auditors

- Regarding the appointment of directors and statutory auditors, the Company has disclosed the reasons for nominating each nominee in the Reference Documents for the Ordinary General Meeting of Shareholders.

Notice of Convocation Annual General Meeting 2023

<https://www.nipponpapergroup.com/english/ir/Notice%20of%20Convocation%20Annual%20General%20Meeting%202023.pdf>

[Supplementary principle 3-1-3 Sustainability Initiatives]

- The Company's Board of Directors has deepened its consideration on sustainability-related issues and has formulated a basic policy on "Promotion of Sustainability Management" under 2030VISION. In view of the importance of environmental and social challenges related to sustainability, the Board of Directors shall strive to facilitate the sustainable development of society and enhance the corporate value of the Nippon Paper Group by promoting active efforts to resolve challenges while giving consideration to stakeholders.

- In the process of formulating 2030VISION, the Company discussed management issues that correspond to the four requirements of the Vision in the Group Mission and compiled them as the Group's materiality. In addition, we will promote sustainability management that pursues both corporate growth and social and environmental sustainability by adding the "promotion of business structure transformation," which 2030VISION works on, to materiality. The Group's materiality and SDGs are described in the Integrated Report.

- The Company signed and participated in the UN Global Compact in 2004. There are Ten Principles set forth by the UN Global Compact in four areas (Human rights, Labour, Environment and Anti-Corruption). Based on them, we are promoting sustainability management that pursues both social and environmental sustainability as well as the future growth of the Company by realizing the Group Mission and enhancing activities to fulfill our corporate social responsibility. 2030VISION clearly states we will promote sustainability management as a comprehensive biomass company shaping the future with trees.

- As one of the basic policies of 2030VISION, "Respond to rapid changes in the social landscape such as GHG reduction and environmental issues" is set out in relation to social issues. To promote sustainability management pursuing both social and environmental sustainability, together with corporate growth, the Group will strengthen its business base and contribute to building a carbon-neutral society. It will do this by reviewing its energy mix with a focus on decarbonization, maximizing forest value, and expanding products with full utilization of wood resources. The Company's responses to social issues addressed under 2030VISION are described in the Integrated Report and ESG Data Book.

- With regard to human capital, the Company upholds instilling pride in employees as a necessary condition of its Vision to realize the Group Mission. For that reason, with changes in the domestic environment surrounding human resources (including a declining population, declining birthrate and aging population), it views building an organization in which diverse human resources can fully demonstrate their potential to be a critical issue. We will allocate our workforce in line with the growth strategy in such ways that a diverse range of people with different personalities will be able to fully demonstrate their potential. By establishing an organizational structure that encourages this, and by strengthening employee engagement, we will aim to become an organization where both employees and the Company can grow together. Our basic stance on human resources and development of an environment to embrace diversity are described in the Integrated

Report and ESG Data Book.

- The Group is strengthening its intellectual property capabilities, recognizing intellectual property as an important management resource for achieving a competitive advantage. The Group states that it will “ensure new businesses and new materials make an early positive contribution” under the basic policy of 2030VISION. Considering this, we recently have been focusing on applying for patents in growth and new business fields. With global business development, the number of overseas patent applications is also increasing. Our research and development toward further growth and our intellectual property strategy are described in the Integrated Report.

Integrated Report

https://www.nipponpapergroup.com/english/ir/npg_ir_2022_e_all.pdf

ESG Data Book

https://www.nipponpapergroup.com/english/csr/npg_esgdb2022_e_ALL.pdf

- In April 2021, the Group endorsed the Task Force on Climate-related Financial Disclosures (TCFD) with the aim of disclosing appropriate information on its response to climate change issues.

- The Group drew up a vision of society against the backdrop of growing global awareness of ESG issues. We quantitatively and qualitatively evaluated how climate-related risks and opportunities affect our financial plans, mainly in the domestic paper and pulp business, using two scenarios: One in which temperature rise is limited to 1.5 °C and the other in which it rises by 4 °C or more.

Integrated Report https://www.nipponpapergroup.com/english/ir/npg_ir_2022_e_all.pdf

[Supplementary principle 4-1-1 Outline of delegation of authority to senior management]

- See Article 3, Paragraphs 1 and 2 of the Company’s Policy. Meanwhile, the Company has provided criteria for submitting agenda items to the Board of Directors’ Meeting in the Rules of the Board of Directors’ Meeting, and matters concerning management philosophy, management strategy, mid-term business plan, annual budget, other important policies, etc., in addition to resolutions based on provisions of laws/regulations and the Articles of Incorporation that shall be decided by the Board of Directors.

[Principle 4-9 Criteria for judging the independence of independent outside directors and their quality]

- See Article 5, Paragraph 2 of the Company’s Policy.

[Supplementary principle 4-10-1 Independence, Authority, Roles, Etc. of the Personnel & Remuneration Advisory Committee]

- To further enhance corporate governance, the Company has, as an advisory body of the Board of Directors, established a Personnel & Remuneration Advisory Committee which consists of a majority of

independent outside directors. The Personnel & Remuneration Advisory Committee receives inquiries from the Board of Directors on matters such as the selection process, qualifications, and reasons for nomination of Directors and Audit & Supervisory Board Member candidates, the criteria for determining the independence of independent outside officers, and the remuneration system for directors. The Committee further deliberates the appropriateness of such matters and reports based on the evaluation of the Company's business performance and others.

Deliberation by the Personnel & Remuneration Advisory Committee is conducted while obtaining appropriate involvement and advice from independent outside directors who are its members.

[Structure]

Chairperson: Toru Nozawa, President and Representative Director

Member: Koichiro Takahashi, General Manager of Personnel & General Affairs Division

Member: Makoto Fujioka, Outside Director

Member: Yoko Hatta, Outside Director

Member: Yutaka Kunigo, Outside Director

[Supplementary principle 4-11-1 Composition of the Board of Directors]

- See Article 4 of the Company's Policy.

- A skill matrix summarizing the expertise and experience that the Company expects each director to demonstrate is provided in the Reference Documents for the Ordinary General Meeting of Shareholders.

Notice of Convocation Annual General Meeting 2023

<https://www.nipponpapergroup.com/english/ir/Notice%20of%20Convocation%20Annual%20General%20Meeting%202023.pdf>

[Supplementary principle 4-11-2 Status of directors and statutory auditors who concurrently hold posts as officers of other listed companies]

- In the business report and the Reference Documents for the Ordinary General Meeting of Shareholders, the Company has disclosed important dual positions including individual directors and statutory auditors who concurrently hold posts at other listed companies.

Notice of Convocation Annual General Meeting 2023

<https://www.nipponpapergroup.com/english/ir/Notice%20of%20Convocation%20Annual%20General%20Meeting%202023.pdf>

- When nominating nominees for directors or statutory auditors, the Company makes it a rule to limit the number of posts concurrently held at other listed companies to four or less.

[Supplementary principle 4-11-3 Outline of results of analysis and evaluation of the effectiveness of the Board of Directors as a whole]

- In order that the Board of Directors itself can analyze and evaluate the effectiveness of the Board of Directors, the Secretariat of the Board of Directors' Meeting shall conduct a questionnaire survey to directors on the conduct of Board of Directors' Meetings and discussions therein, and report the results to the Board of Directors. The Board of Directors analyzes and evaluates the effectiveness of the Board of Directors through deliberations, etc. on reported contents and works to enhance the effectiveness of the Board of Directors based on the results thereof.

- The outline of results of analysis and evaluation of the effectiveness of the Board of Directors as a whole in the fiscal year 2022 is available on the Company's website.

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

[Supplementary principle 4-14-2 Policy for training directors and statutory auditors, etc.]

- See Article 7 of the Company's Policy.

[Principle 5-1 Policy for constructive dialogues with shareholders, etc.]

- See Article 13 of the Company's Policy.

- For details including activities and measures for constructive dialogues with shareholders, etc., see “ 2. IR activities” of this Report.

[Measures for Realizing Management that is Aware of Capital Costs and Share Prices]

Under its 2030VISION and Medium-Term Business Plan 2025, the Company is keenly aware that increasing corporate value is its top priority in meeting the expectations of its shareholders, and has set ROE targets as indicators to achieve more than a certain level of capital profitability.

As we are currently in a transitional period of business structure transformation, we have not been able to fully meet the expectations of our shareholders. However, we are making steady progress in business structure transformation, which is the theme of our Medium-Term Business Plan 2025, as seen in the sales composition in which the ratio of sales other than the paper and paperboard business exceeded 50% for the first time in the fiscal year 2022. We will also work to achieve the ROE target of 5.0% or more in the fiscal year 2025. In order to accelerate the transformation of the business structure, we will make appropriate investments to meet the increased market demand in growth fields, adequately taking financial discipline into consideration.

For details, please refer to the Company's website.

2030 Vision

https://www.nipponpapergroup.com/english/ir/NPI_Medium-Term%20Business%20Plan%202025_english_2.pdf

Medium-Term Business Plan 2025

<https://www.nipponpapergroup.com/english/ir/policy/plan/>

Nippon Paper Announces Revisions of Numeric Targets for "2030VISION" and "Medium-Term Business Plan 2025"

<https://www.nipponpapergroup.com/english/news/Nippon%20Paper%20Announces%20Revisions%20of%20Numeric%20Targets%20for%202030VISION%20and%20Medium-Term%20Business%20Plan%202025.pdf>

[Status of Dialogue with Shareholders]

- In the fiscal year 2022, the Company held one small meeting with institutional investors, with the President as the explainer, and one small meeting with institutional investors, with three Outside Directors as the explainers.
- In addition to the above, the Company held 94 meetings with shareholders in the fiscal year 2022.
- The staff in charge of IR mainly handled the meetings with shareholders. Depending on the purpose or other elements of the meetings, the General Manager of relevant divisions handled the meetings as necessary.
- Regarding the overview of the shareholders with whom we held dialogue in terms of their nationality, we held dialogue mainly with Japanese shareholders, but we also held dialogue with overseas investors. Investment styles include passive, value, long/short, and alternative. Shareholder counterparts include fund managers, analysts, personnel in charge of ESG and personnel in charge of voting rights.
- Major topics of dialogue include the Group's 2030VISION and Medium-Term Business Plan 2025, business performance, overseas operations, non-financial information and corporate governance.
- Opinions of shareholders gathered through dialogue are shared through "IR Weekly Reports," and reported to the Group Management Strategy Committee and other bodies as necessary.
- In the dialogue on corporate governance, several institutional investors continually expressed their views that the frequency of the Personnel & Remuneration Advisory Committee meetings, twice a year, was insufficient. Based on these opinions, the member and secretariat of the Personnel & Remuneration Advisory Committee examined and discussed this issue, and as a result, increased the frequency to four times a year since the fiscal year 2022.
- For details including initiatives and measures for constructive dialogue with shareholders, please refer to "III. 2. IR activities" of this report.

2. Capital Structure

| | |
|----------------------------|---------------------------|
| Foreign Shareholding Ratio | From 10% to less than 20% |
|----------------------------|---------------------------|

[Status of Major Shareholders]

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 15,953,800 | 13.77 |
| Custody Bank of Japan, Ltd. (Trust Account) | 8,864,700 | 7.65 |
| Nippon Paper Industries Co., Ltd. Employee Share Ownership | 3,229,329 | 2.79 |
| Nippon Life Insurance Company | 2,473,165 | 2.13 |
| Nippon Paper Industries Co., Ltd. Business Partners Share Ownership | 2,399,100 | 2.07 |
| TAIJU LIFE INSURANCE COMPANY LIMITED | 2,258,900 | 1.95 |
| Mizuho Bank Ltd. | 2,000,000 | 1.73 |
| DFA INTL SMALL CAP VALUE PORTFOLIO | 1,844,846 | 1.59 |
| The Norinchukin Bank | 1,700,065 | 1.47 |
| State Street Bank West Client Treaty 505234 | 1,552,500 | 1.34 |

| | |
|---|------|
| Controlling Shareholder (except for Parent Company) | — |
| Parent Company | None |

| |
|---------------------------|
| Supplementary Explanation |
| — |

3. Corporate Attributes

| | |
|--|------------------------------------|
| Listed Stock Market and Market Section | Tokyo Stock Exchange First Section |
| Fiscal Year-End | March |
| Type of Business | Pulp & Paper |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year | More than 1000 |
| Sales (consolidated) as of the End of the Previous Fiscal Year | 1 trillion yen or more |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 50 to less than 100 |

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

| |
|---|
| — |
|---|

5. Other Special Circumstances which may have Material Impact on Corporate Governance

| |
|---|
| — |
|---|

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

| | |
|-------------------|---------------------------------|
| Organization Form | Company with Statutory Auditors |
|-------------------|---------------------------------|

[Directors]

| | |
|---|---------------------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 12 |
| Term of Office Stipulated in Articles of Incorporation | 1 year |
| Chairperson of the Board | Company Chairperson |
| Number of Directors | 9 |
| Election of Outside Directors | Elected |
| Number of Outside Directors | 3 |
| Number of Independent Directors | 3 |

Outside Directors' Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | |
|----------------|--|--------------------------------|---|---|---|---|---|---|---|---|---|---|--|
| | | a | b | c | d | e | f | g | h | i | j | k | |
| Makoto Fujioka | A person who has job experience at another company | | | | | | | | Δ | | | | |
| Yoko Hatta | Other | | | | | | | | | | | | |
| Yutaka Kunigo | A person who has job experience at another company | | | | | | | | Δ | | | | |

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"Δ" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Statutory Auditor
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/Statutory Auditors are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|------|-------------------------------------|---|------------------------|
|------|-------------------------------------|---|------------------------|

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|----------------|-------------------------------------|---|---|
| Makoto Fujioka | ○ | The Company has designated Mr. Fujioka as an independent officer. | By 2015, he was an executive of Nihon Light Metal Co., Ltd., and the Company purchases some products from Nihon Light Metal. However, the amount is low. (The amount that the Company purchases is less than 1% of the total sales of Nihon Light Metal.) In addition, he served as Senior Managing Director of the Japan Association for Chemical Innovation until 2019. The Company pays a membership fee to the association; however, the amount is low (less than one million yen per year). Therefore, his independence is also assured. Mr. Fujioka was Assistant Vice-Minister 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 had also acted as an executive of a private company. He is expected to supervise and advise in his objective capacity on the execution of duties of the Company's other directors using his wide knowledge and international sense accumulated through his experience in both the public and private sectors. In addition, he does not fall under attribute information that could impact independence provided for by the Exchange. Hence, the Company does not deem that there could occur any conflict of interests with general shareholders. |
| Yoko Hatta | ○ | The Company has designated Ms. Hatta as an | 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 |

| | | | |
|---------------|---|--|---|
| | | independent officer. | international tax practices, etc., and her experience as the Company's outside statutory auditor (from June 2016 to June 2019) to supervise and advise in an objective capacity on the execution of duties by the Company's other directors. She does not fall under any item that could impact independence provided for by the Exchange. Hence, the Company does not deem that there could occur any conflict of interests with general shareholders. |
| Yutaka Kunigo | ○ | The Company has designated Mr. Kunigo as an independent officer. | <p>He was an executive of Tokyo Gas Co., Ltd. until 2017, and the Company purchases some products from Tokyo Gas. However, the amount is low. (The amount that the Company purchases is less than 1% of the total sales of Tokyo Gas.) Therefore, his independence is also assured.</p> <p>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 wide knowledge accumulated through his experience in managing the company as its executive. In addition, he does not fall under attribute information that could impact independence provided for by the Exchange. Hence, the Company does not deem that there could occur any conflict of interests with general shareholders.</p> |

| | |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

Committee's Name, Composition, and Attributes of Chairperson

| | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|-----------------------|---|---|
| Committee's Name | Personnel & Remuneration Advisory Committee | Personnel & Remuneration Advisory Committee |
| All Committee Members | 5 | 5 |
| Full-time Members | 0 | 0 |
| Inside Directors | 1 | 1 |
| Outside Directors | 3 | 3 |
| Outside Experts | 0 | 0 |
| Other | 1 | 1 |
| Chairperson | Inside Director | Inside Director |

Supplementary Explanation

See Article 9 of the “Corporate Governance Policy” of the Company.

<https://www.nipponpapergroup.com/english/ir/20220629ECGC.pdf>

The Personnel & Remuneration Advisory Committee convened four times in fiscal year 2022, and the attendance rate of each member was 100%. Matters for deliberation were as outlined below.

The Personnel & Remuneration Advisory Committee shall consist of the President and Representative Director, the General Manager of the Personnel & General Affairs Division and the Independent Outside Directors.

(1) Appointment of directors and statutory auditors

(i) Nominees for directors and statutory auditors (matters for resolution at the Ordinary General Meeting of Shareholders)

(ii) Nominees for Representative Directors, directors with executive functions, and executive officers (matters for resolution at the Board of Directors’ Meetings)

The appropriateness of the appointments, such as attributes and reasons for nomination, were examined.

(2) Remuneration of directors and statutory auditors

The appropriateness of remuneration was examined based on an evaluation of the Company’s business performance and other factors.

Besides the above, the appropriateness of remuneration exchanged opinions on the performance evaluation of the representative director and the succession plan.

The Personnel & Remuneration Advisory Committee serves as both the Nomination Committee and the Remuneration Committee.

[Statutory Auditors]

| | |
|--|-------------|
| Establishment of Board of Statutory Auditors | Established |
| Maximum Number of Statutory Auditors Stipulated in Articles of Incorporation | 4 |
| Number of Statutory Auditors | 4 |

Cooperation among Statutory Auditors, Accounting Auditors and Internal Audit Departments

Statutory Auditors and the accounting auditor have kept in close contact with each other by holding meetings as needed, in addition to regular meetings (four times a year), and discussing audit plans and audit reports.

In addition to receiving reports on audit results, etc. from the Management Audit Office, Statutory Auditors hold a monthly information exchange meeting.

The Management Audit Office attends a meeting between Statutory Auditors and the accounting auditor which is generally held on a monthly basis to share information on audit plans and results and facilitate cooperation. The Management Audit Office and the accounting auditor hold a meeting as needed regarding the evaluation of the status of development and operation of internal controls over financial reporting to share information and facilitate cooperation.

| | |
|---|-----------|
| Appointment of Outside Statutory Auditors | Appointed |
| Number of Outside Statutory Auditors | 2 |
| Number of Independent Statutory Auditors | 2 |

Outside Statutory Auditor's Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|----------------|-----------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Takafumi Okuda | Lawyer | | | | | | | | | | | | | |
| Nanako Aono | Certified Public Accountant | | | | | | | | | | | | | |

* Categories for "Relationship with the Company"

* "○" when the statutory auditor presently falls or has recently fallen under the category;

"△" when the statutory auditor fell under the category in the past

* "●" when a close relative of the statutory auditor presently falls or has recently fallen under the category;

"▲" when a close relative of the statutory auditor fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Statutory Auditor of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Statutory Auditor

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f,g, or h) (the Statutory Auditor himself/herself only)

k. Executive of a company, between which and the Company outside directors/Statutory Auditors are mutually appointed (the Statutory Auditor himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Statutory Auditor himself/herself only)

m. Others

Outside Statutory Auditor's Relationship with the Company (2)

| Name | Designation as Independent Statutory Auditor | Supplementary Explanation of the Relationship | Reasons of Appointment |
|----------------|--|---|---|
| Takafumi Okuda | ○ | The Company has designated Mr. Okuda as an independent officer. | Although he has never been engaged in corporate management directly, the Company determines that his abundant experience and deep knowledge that 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. He does not fall under an item that could impact independence provided for by the Exchange. Hence, the Company does not deem that there could occur any conflict of interests with general shareholders. |
| Nanako Aono | ○ | The Company has designated Ms. Aono as an independent officer. | The Company determines that her experience of serving as a director and statutory auditor at private sector companies in a wide range of fields and the deep knowledge that 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. She does not fall under an item that could impact independence provided for by the Exchange. Hence, the Company does not deem that there could occur any conflict of interests with general shareholders. |

[Independent Directors/Statutory Auditors]

| | |
|--|---|
| Number of Independent Directors/Statutory Auditors | 5 |
|--|---|

Matters relating to Independent Directors/Statutory Auditors

The Company designates, as independent officers, all outside officers who meet the requirements for an independent officer. When appointing the candidates for outside directors and outside statutory auditors, the Company judges their independence by taking into consideration whether they satisfy independence criteria provided by the Tokyo Stock Exchange and the requirements for externality (which mean they have not served as directors, employees, etc. of the Company and its subsidiaries in the past) provided for by laws/regulations, in addition to considering whether any conflict of interests occurs with general shareholders.

[Incentives]

| | |
|----------------------------------|---|
| Incentive Policies for Directors | Performance-linked Remuneration / Other |
|----------------------------------|---|

Supplementary Explanation

See “Disclosure of policy for determining remuneration amount and calculation methods” shown below.

Recipients of Stock Options

Supplementary Explanation

—

[Director Remuneration]

| | |
|--|--------------------------|
| Disclosure of Individual Directors' Remuneration | No Individual Disclosure |
|--|--------------------------|

Supplementary Explanation

Because there is no individual whose total remuneration amounts to 100 million yen or more, the Company does not disclose individual remuneration.

| | |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Remuneration structure

This is provided for as follows in Article 8 of the “Corporate Governance Policy” of the Company:

Corporate Governance Policy

<https://www.nipponpapergroup.com/english/ir/20220629ECGC.pdf>

(1) Regarding a director's monthly compensation, his/her base compensation shall be decided according to his/her job responsibilities at the Company. Of that, 70% shall be fixed and the remaining 30% shall be paid on a sliding scale based on the achievement of the mid-term management plan. The base compensation shall be determined by using objective external survey data and taking into consideration the Company's business performance, business size, business environment, etc. Performance indicators shall be set to function effectively as motivation for achieving performance targets, and reviewed as necessary according to changes in the business environment. In addition, directors shall contribute a certain amount of their monthly compensation to the Directors' Shareholding Association to acquire treasury shares. Meanwhile, they shall receive neither bonuses nor directors' retirement benefits.

(2) The Company shall pay stock-based compensation to directors by way of the Board Benefit Trust in order to further clarify the linkage between director compensation and its stock value and have them share with its shareholders not only the benefits of an increase in share prices but also the risks of a decline in share prices, thereby increasing their consciousness of the need to contribute to the improvement of the Company's business performance and to increasing in its corporate value over a medium- to long-term. For share-based compensation, treasury shares acquired through a trust with the monetary contributions from the Company and monetary equivalent of treasury shares converted at market value shall be given to directors through the trust. The number of shares to be provided shall be calculated based on the number of points according to job responsibilities. In principle, share-based compensation shall be paid upon retirement of directors. The composition ratio of fixed compensation, performance-linked compensation, and share-based compensation for directors shall be appropriately set in light of the purpose of each compensation.

(3) Regarding outside directors and outside statutory auditors, monthly compensation shall be fixed. Meanwhile, in view of their job responsibilities, contributions to the Directors' Shareholding Association shall be left to their discretion.

2. Procedures for deciding remuneration

This is provided for as follows in Article 9 of the "Corporate Governance Policy" of the Company:

Corporate Governance Policy <https://www.nipponpapergroup.com/english/ir/20220629ECGC.pdf>

(The undermentioned is cited from excerpts only from the parts regarding procedures for deciding remuneration:)

(1) The Company shall, as an advisory body to the Board of Directors, establish the Personnel & Remuneration Advisory Committee, whose key members are independent outside directors, to further enhance corporate governance.

(2) The Personnel & Remuneration Advisory Committee shall, with regard to the Company's officers' remuneration structure, etc., study their appropriateness, etc. upon receipt of inquiries from the Board of Directors and submit recommendations also based on evaluations of the Company's business performance, etc.

(3) The members of the Personnel & Remuneration Advisory Committee shall be composed of the President & Representative Director, Director & General Manager for Personnel & General Affairs Division and independent outside directors, and the Manager for the Personnel Department shall serve as the secretariat of the Committee.

(4) The Personnel & Remuneration Advisory Committee shall proceed with its studies while receiving appropriate involvement and advice from independent outside directors.

(5) The Board of Directors shall, after receiving recommendations from the Personnel & Remuneration Advisory Committee, make decisions on compensation for directors, etc.

3. Indicators of performance-based monthly compensation for directors

(1) Performance evaluation criteria are 70% for consolidated business performance and 30% for non-consolidated business performance

(2) Performance indicators are net sales and operating income.

4. Reasons for selecting said performance indicators

Net sales and operating income were selected as performance indicators, aiming to expand top-line growth and seek higher profitability, respectively.

5. Determination method for the amount of the said performance-based compensation

(1) The Personnel & Remuneration Advisory Committee shall deliberate on the amount of the performance-based compensation, with the appropriate involvement and advice of independent outside directors.

(2) The Board of Directors shall determine the amount of performance-based compensation, based on the opinions of the Personnel & Remuneration Advisory Committee.

6. Introduction of the Stock Compensation Plan

The Company resolved at the Board of Directors' Meeting held on May 15, 2019 to introduce a Stock Compensation Plan "Board Benefit Trust (BBT)" (hereinafter referred to as the "Plan") and the Plan was accepted at the 95th Ordinary General Meeting of Shareholders held on June 27, 2019.

[Outline of the Plan]

(i) Individuals eligible for the Plan: Directors (excluding outside directors) and executive officers, etc. who are not serving concurrently as directors

(ii) The maximum points to be awarded to individuals subject to the Plan: 80,000 points per fiscal year (including 25,000 points as the portion for directors) (one point shall be converted into one share of common stock of the Company when the Company Stock, etc. is delivered as described in (iii) below.)

(iii) Period for delivery of the Company Stock, etc., to individuals eligible for the Plan: Upon their retirement from office, in principle

For further details of the Plan, please refer to the Company's website:

https://www.nipponpapergroup.com/english/news/mt_pdf/20190515-3mmn_e765.pdf

[Supporting System for Outside Directors and/or Statutory Auditors]

The Company has provided outside directors with full information through means such as explanations of proposals at Board of Directors' Meetings as appropriate.

For outside statutory auditors, a staff member of Management Audit Office is appointed to assist statutory auditors under the basic policy of building the internal control system as the secretariat of the Board of Statutory Auditors.

At a Board of Statutory Auditors' Meeting to be held in advance of the Board of Directors' Meeting, the Company delivers proposals and gives prior explanations to outside statutory auditors.

In addition to sending materials for major meetings to outside directors and outside statutory auditors as needed, the Company ensures opportunities for them to attend meetings of the Management Execution Committee held once a month and the Group Management Strategy Committee, which deliberates on important matters concerning the Group including management strategy in each business field, to share monthly financial closing information among the corporate management, as stated in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions" below.

[Status of those who retired from position of President and Representative Director, etc.]

Names, etc. of senior advisors and corporate advisors who are former Presidents and Representative Directors, etc. (update)

| Name | Job title/position | Work responsibilities | Working arrangements/conditions (full-time/part-time, with or without remuneration, etc.) | Date of retirement from position of President, etc. | Term of office |
|------|--------------------|-----------------------|---|---|----------------|
| - | - | - | - | - | - |

The total number of senior advisors and corporate advisors, etc. who are former Presidents and Representative Directors, etc.

-

- The Company does not have a senior advisory system.
- An outline of the Company's corporate advisory system is as follows.
[The Corporate Advisory System]
- (1) Eligible persons: Persons who meet the following requirements may be appointed as Special Corporate Advisor, Senior Corporate Advisor or Corporate Advisor.
 - (i) Special Corporate Advisor: Persons who retired from position of Chairman or President
 - (ii) Senior Corporate Advisor: Persons who retired from position of Executive Vice President
 - (iii) Corporate Advisor: Persons who retired from executive positions other than the aforementioned positions
- (2) Work responsibility: Upon receiving consultation from President, provide advice based on experience and knowledge
- (3) Working arrangements/conditions: Part-time/with remuneration
- (4) Term of office
 - (i) Special Corporate Advisor: 2 years
 - (ii) Senior Corporate Advisor: 1 year
 - (iii) Corporate Advisor: 1 year

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company has established the Board of Directors as the organ to decide matters provided for in the basic policies of the Company and group management and laws/regulations and its Articles of Incorporation and other important management matters, as well as to oversee the status of business execution. The Board of Directors Meetings convened 13 times in fiscal year 2022, and directors' average attendance rate and the average attendance rate of statutory auditors was 100%

Regarding the business execution system, the Company has clarified responsibility and authority, and has expedited business execution by adopting the executive officer system.

In addition, to assist the President in executing business, the Company holds a meeting of the Management Execution Committee once a week and deliberates on important business. The membership of the said Committee is basically composed of the President or directors (excluding outside directors) and general managers who are not directors.

In addition, the Company includes among attendees of meetings of the Management Execution Committee, to be held once a month, managers of its mills in order to share monthly financial closing information among the corporate management. It also ensures opportunities for outside directors and outside statutory auditors to attend meetings of the Management Execution Committee.

Besides, to develop the Corporate Group as a whole, the Company holds meetings of the Group Management Strategy Committee as appropriate to deliberate on important matters concerning the Group including management strategy in each business field. Membership of the Committee is composed of inside directors from the President down and inside statutory auditors, Presidents of major companies of the Company Group and general managers who are not directors. It also ensures opportunities for outside directors and outside statutory auditors to attend meetings of the Group Management Strategy Committee.

The Company is a company with Board of Statutory Auditors. The Board of Statutory Auditors is composed of four members, of which three members are auditors with financial accounting oversight. Statutory auditors attend important meetings of committees including the Board of Directors' Meeting, and meetings of the Group Management Execution Committee and Management Strategy Committee, etc. to strictly oversee the execution of overall business by directors and conduct a rigorous audit on whether or not the Company's business as a whole is carried out in a lawful and appropriate manner.

The Board of Statutory Auditors presides over meetings of the "Nippon Paper Group Statutory Auditor Liaison Committee," discusses audit policy, auditing method, etc. with auditors of key group companies on a regular basis, reinforces links with them by exchanging information, and strives to improve group audits.

Regarding internal audits, the Management Audit Office (which consists of 13 members), reporting to the President, conducts internal audits of the Company and group companies and evaluates the status of development and operation of internal controls over financial reporting.

In addition, the Company has appointed Ernst & Young ShinNihon LLC as its accounting auditor under the Companies Act. There are no special interests between the accounting firm and managing members of the accounting firm who engage in audits of the Company, and the Company. The certified public accountants who conducted the audit of the 99th business term (business year ended March 2023) are as follows:

- Names of certified public accountants who conducted audits of the Company and name of accounting firm to which they belong are as follows:

| | | |
|-----------------------------|-----------------------------------|-----------------|
| Ernst & Young ShinNihon LLC | Designated and Engagement Partner | Kazuhiro Suzuki |
|-----------------------------|-----------------------------------|-----------------|

| | | |
|-----------------------------|-----------------------------------|-----------------|
| Ernst & Young ShinNihon LLC | Designated and Engagement Partner | Tatsuya Kushida |
|-----------------------------|-----------------------------------|-----------------|

| | | |
|-----------------------------|-----------------------------------|--------------------|
| Ernst & Young ShinNihon LLC | Designated and Engagement Partner | Takahiro Kawagishi |
|-----------------------------|-----------------------------------|--------------------|

- Members who assisted audit work: 19 certified public accountants and 28 others

(Note) Others include those who passed the certified public accountant examination, those in charge of system audits, etc.

3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with Board of Statutory Auditors. It has four statutory auditors, of which two are outside auditors.

The Company has nine directors at present, of which three are outside directors.

The Company's Board of Directors is composed of six directors, who are familiar with the Corporate Group's businesses, and three independent outside directors. One of the outside directors has experience of managing a company after serving as a government official, another has practical working experience at accounting firms and tax accountant corporations and the other outside director has experience of managing a company. They are expected to supervise and advise in their objective capacity on the execution of duties of the Company's directors using their wide knowledge and international sense. At Board of Directors' Meetings, the check-and-balance function operates effectively through discussions with frank opinions expressed by directors and statutory auditors including the five independent outside officers.

In addition, the Company has clarified where responsibility and authority lie, and has further enhanced the management oversight function by adopting the executive officer system and separating the supervisory function and the decision-making function of the Board of Directors over management as a whole and business execution of individual departments by executive officers.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meetings of Shareholders and Smooth Exercise of Voting Rights

| | Supplementary Explanations |
|--|--|
| Early Notification of General Meetings of Shareholders | The Notice of the 99th Ordinary General Meeting of Shareholders of Nippon Paper Industries Co., Ltd. held on June 29, 2023 was listed on the Company's website on May 30, 2023. |
| Allowing Electronic Exercise of Voting Rights | In addition to participation in the platform for the exercise of voting rights, shareholders can exercise voting rights through the website for exercising voting rights by electromagnetic means provided by the administrator of the shareholder registry. Starting from the 96th Ordinary General Meeting of Shareholders, "Smart Exercise," the website for exercising voting rights using a smartphone, has been introduced. |
| Participation in Electronic Voting Platform | In addition to participating in the platform for exercise of voting rights, the Company uses specialty company's services for promoting the exercise of voting rights by institutional investors. |

| | |
|---|--|
| Providing Convocation Notice in English | The Company provides convocation notices in English on the Company's website and the website of the Stock Exchanges on which the Company is listed. |
| Other | Convocation Notice, Resolution Notice and Extraordinary Report on the Results of the Exercise of Voting Rights are listed on the Company's website. https://www.nipponpapergroup.com/english/ir/shareholder/meeting/ |

2. IR Activities

| | Supplementary Explanations | Explanation by Representative |
|---|--|-------------------------------|
| Preparation and Publication of Disclosure Policy | The Company has formulated the "Disclosure Policy" and has posted it on its website. https://www.nipponpapergroup.com/english/ir/disclosure/policy/ | |
| Regular Investor Briefings for Analysts and Institutional Investors | After reporting its annual results and each quarterly account settlement, the Company holds IR briefings where financial highlights, management strategy, etc. are explained. An overview of the financial results and explanation of the management strategy, etc. were presented. When reporting its annual results and the second quarter accounts settlement, an explanation is given by a company representative. When releasing the first and third quarters accounts settlement, explanations are given by the director in charge of Accounting & Budgeting and IR. | Yes |
| Posting of IR Materials on Website | Information posted: financial results-related materials, Integrated Report, financial reports/quarterly statements, and shareholder newsletters (business reports) https://www.nipponpapergroup.com/english/ir/library/ | |
| Establishment of Department and/or Manager in Charge of IR | Person responsible for IR: Akira Sebe, General Manager of Corporate Planning Division /Department in charge: Corporate Planning Dept., Person in charge:Takanori Sano | |
| Other | <Activities for institutional investors and analysts> | |

| | | |
|--|--|--|
| | <p>1. Individual responses to interviews</p> <p>2. Meetings with business managers and senior management (to be held at home or abroad; the form of a meeting is one-on-one or a small meeting)</p> <p>3. Conferences at home or abroad</p> <p>4. Factory tours, etc.</p> <p>< Activities for individual investors (on an irregular basis) ></p> <p>1. Having an exhibition booth or making other presentations at IR events for individual investors</p> <p>2. Dispatching IR information by e-mail (to both institutional and individual investors)</p> <p><Organic links between relevant internal departments that support dialogues></p> <p>- Corporate Planning Department has meetings to share information and to consult on responses from time to time with Treasurer's Department, Accounting & Budgeting Department, General Affairs Department, and Public Relations Office, and has carried out dialogues with shareholders and IR activities after ensuring full coordination.</p> <p>- The Corporate Planning Department gathers and collates the necessary information for IR activities from Sales Divisions, the Accounting & Budgeting Department, Raw Materials & Purchasing Division and other related departments.</p> <p>< Feedback of shareholders' opinions></p> <p>- The Company sends "IR Weekly Reports" to business managers, senior management, and related Departments.</p> <p>- Reports are made to the Board of Directors, etc. as appropriate.</p> <p><Management of insider information></p> | |
|--|--|--|

| | | |
|--|--|--|
| | <p>- The Company thoroughly manages insider information based on the “Nippon Paper Group Regulations on Prevention of Insider Trading.”</p> <p>- The Company has set a fixed period before making public its financial results as a quiet period based on Paragraph 4 of the “Disclosure Policy.”</p> <p>https://www.nipponpapergroup.com/english/ir/disclosure/policy/</p> | |
|--|--|--|

3. Measures to Ensure Due Respect for Stakeholders

| | Supplementary Explanations |
|---|---|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | <p>The Company stipulates its basic views in the Nippon Paper Group Action Charter and Codes of Conduct.</p> <p>https://www.nipponpapergroup.com/english/about/charter/</p> |
| Implementation of Environmental Activities, CSR Activities etc. | <p>The Company established CSR Division as an organization that controls Nippon Paper Group’s CSR activities. It promotes CSR activities in coordination with various responsible departments including Environment, Raw Materials & Purchasing, Product Safety, and Industrial Health and Safety Departments. The status of its activities is reported on the Company’s website and in the Integrated Report and ESG Databook.</p> <p>The Company’s website https://www.nipponpapergroup.com/english/csr/</p> <p>Integrated Report https://www.nipponpapergroup.com/english/ir/npg_ir_2022_e_all.pdf</p> <p>ESG Data Book https://www.nipponpapergroup.com/english/csr/npg_esgdb2022_e_ALL.pdf</p> |
| Development of Policies on Information Provision to Stakeholders | <p>The Company has formulated and implemented the “Disclosure Policy.”</p> <p>https://www.nipponpapergroup.com/english/ir/disclosure/policy/</p> |
| Other | <p>[Promotion of the advancement of women]</p> <p>The Company will promote the advancement of women based on the action plan established in accordance with the law to promote the active engagement of women in society. Specific goals, activities and implementation timings are publicized on the Company’s website.</p> <p>https://www.nipponpapergroup.com/english/csr/npg_esgdb2022_e_ALL.pdf</p> |

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

Basic Views on Internal Control System

System to ensure that Company directors execute their duties in conformance with laws/regulations and its Articles of Incorporation / system to ensure the appropriateness of businesses of the Company and its subsidiaries

1. “System to ensure that Company directors execute their duties in conformance with laws/regulations and its Articles of Incorporation”

(1) The Board of Directors shall build an effective internal control system and a system to comply with laws/regulations and the Articles of Incorporation, so that the Company’s business may be executed in a proper and sound manner.

(2) The Board of Statutory Auditors shall conduct audits on the effectiveness and functions of the internal control system.

2. “System to ensure the appropriateness of businesses of the Company and its subsidiaries”

(1) System for storing and managing information on the execution of duties by directors

Statutory documents and other documents on the execution of duties by directors shall be stored and managed appropriately in accordance with document management rules.

(2) Regulations for managing risks of losses by the Company and its subsidiaries, and other systems therefor

Regarding risks associated with executing the business the Company and its group companies, necessary rules and guidelines are to be established at responsible departments according to the contents of individual risks, efforts are to be made to prevent risks through measures such as education and training based on manuals; and, in the event that risks occur, the parent company and subsidiaries shall prevent losses by the Corporate Group from expanding in an integrated manner, and the necessary system shall be put in place to minimize such losses.

(3) System to ensure directors execute their duties effectively on behalf of the Company and its subsidiaries

1) A system whereby each body and organization, such as the Board of Directors, performs duties effectively based on decision-making rules, including the Rules of the Board of Directors’ Meeting, the Rules for Final Approval, Job Authority Rules, etc., and duties are executed in an appropriate and effective manner shall be established.

2) The Company shall clarify where responsibility and authority lie by adopting the executive officer system and separating the supervisory function and the decision-making function of the Board of Directors over management as a whole and business execution of individual departments by executive officers.

3) The Company shall formulate mid-term plans for each business (by group company), clarify challenges and goals, and carry out thorough performance management by business year based thereon.

4) To develop the Corporate Group as a whole, the Company shall hold meetings of the Group Management Strategy Committee where appropriate to deliberate important matters, such as management strategies, by business field.

(4) System to ensure that job execution by employees of the Company and its subsidiaries conforms to laws/regulations and the Article of Incorporation.

1) The Company has established the “Nippon Paper Group Action Charter” and the “Nippon Paper Codes of Conduct” to ensure full awareness of legal compliance.

2) Management Planning Office shall conduct internal audits of the Company and its group companies based on the Internal Audit Rules.

3) The Company provides and operates the “Nippon Paper Group Help Line” as the Corporate Group’s whistle-blowing system.

(5) System to report to the Company on the execution of duties by directors of subsidiaries

1) To ensure the appropriate execution of the Group’s business, the Company shall provide the “Group Companies Management Basic Policy” and Associated Companies Operational Rules to conduct business management within the Group in an appropriate manner by applying to the Company for final approval through before-the-fact or after-the-fact reporting systems, etc.

2) Statutory Auditors shall preside over the Company’s Board of Statutory Auditors, as well as the “Nippon Paper Group Statutory Auditor Liaison Committee” composed of auditors of the Company’s key group companies, discuss audit policy, auditing method, etc. on a regular basis, reinforce links with them such as by exchanging information, and ensure appropriate execution of business within the Group.

3) The Company holds Presidents’ Meetings of associated companies periodically and receives reports on the status and challenges of key group companies.

(6) Matters related to the system regarding employees who should assist statutory auditors with their duties, on the said employees' independence from directors and on ensuring the effectiveness of instructions given to the said employees

1) The Company shall appoint assistants to statutory auditors from among the Company's employees to assist statutory auditors in the execution of their duties. Such appointments require prior agreement from the Board of Statutory Auditors.

2) In accordance with instructions of statutory auditors, employees assisting statutory auditors in executing their duties are to accept instructions for such duties on a preferential basis.

(7) The system for directors and employees to report to a statutory auditor, the system to report to other statutory auditors, and the system to ensure that audits by statutory auditors are conducted effectively

1) When a director, an executive officer, or an employee becomes aware of a serious violation of laws/regulations or the Article of Incorporation regarding job execution or misconduct, or a fact that could inflict a significant loss on the Company, he/she shall report it to the Board of Statutory Auditors without delay. Statutory auditors may, at any time, request reports from directors, executive officers, and employees.

2) Otherwise, in order that information on the Company is communicated to statutory auditors in an appropriate manner, the Company, while not limited to reports from directors, executive officers, and employees, shall put in place an environment where information may be exchanged closely with accounting auditors, corporate lawyers, etc.

3) Representative directors shall communicate with statutory auditors such as by having meetings with them as far as possible or by other means. In addition, at the request of statutory auditors, they shall ensure their attendance at important meetings.

4) At meetings of the "Nippon Paper Group Statutory Auditor Liaison Committee," statutory auditors shall receive explanations from group companies' auditors on the contents of reports received from officers and employees of such companies.

5) The department in charge of the Company's "Nippon Paper Group Help Line" shall report regularly to the Company's statutory auditors on the status of whistle-blowing from Corporate Group's officers and employees.

6) The Company shall provide rules for operating the "Nippon Paper Group Help Line," in which it is to be clearly stipulated that users of the whistle-blowing system should not suffer disadvantageous treatment and

also that those who give disadvantageous treatment to such users may have internal disciplinary measures imposed.

7) Based on audit plans provided by statutory auditors, the Company shall provide an annual budget for paying expenses, etc. incurred for executing the duties of statutory auditors.

8) When statutory auditors request the Company to make an advance payment of expenses based on Article 388 of the Companies Act regarding the execution of their duties, the Company shall process such expenses or debts promptly.

(8) System to ensure the reliability of financial reports of the Company and its subsidiaries

To ensure the reliability of financial reports, the Company shall put in place internal controls on financial reports and make appropriate use thereof based on rules for internal controls on financial reports. In addition, it shall continuously evaluate its effectiveness and implement necessary improvement measures.

(9) System of the Company and its subsidiaries to eliminate anti-social forces

The Company and its subsidiaries shall have no relationships with anti-social forces and groups. They shall respond firmly to any unreasonable request. In addition, they shall also respond in cooperation with external expert organizations as appropriate.

2. Basic Views on Eliminating Anti-Social Forces

Basic Policy for Eliminating Anti-Social Forces

The Company and its subsidiaries shall have no relationships with anti-social forces and groups. They shall respond firmly to any unreasonable request. In addition, they shall also respond in cooperation with external expert organizations as appropriate.

Status of implementing a system to eliminate anti-social forces

(1) Establishment of department responsible for responses

General Affairs Department shall be responsible for responses to anti-social forces.

(2) Collecting and sorting information

The department responsible for responses to anti-social forces shall collect information on undue claims and manage it in an integrated fashion. It shall accumulate, sort, and use information within the Company acquired as a result of having verified the customers of each department.

(3) Cooperating with external professional organizations

To cooperate with external professional organizations, such as police stations, Anti-gang Campaign Promotion Tokyoites Center, Metropolitan Area Violation Prevention Association, etc., the Company shall provide a contact system under normal circumstances for exchanging information.

Regarding individual cases, the Company shall consult with lawyers and take every legal measure.

(4) Status of putting in place response manuals and implementation of training activities

The Company shall establish “Guidelines for Elimination of Anti-social Forces” and provide specific measures including verification of customers. The Company shall promote awareness of the contents of the guidelines through training activities and eliminate anti-social forces on a company-wide basis.

V. Other

1. Adoption of Anti-Takeover Measures

| | |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

Supplementary Explanation

The Company had updated the Plan for Large-Scale Purchases of Shares, etc. of the Company (Take-Over Defense Measure) (hereinafter referred to as the “Plan”) with resolution of the General Meeting of Shareholders since the adoption of the Plan in 2007. However, the Board of Directors’ Meeting held on May 15, 2018 decided to abolish the Plan and not extend it. This decision was made after thorough and careful consideration based on opinions from our shareholders including institutional investors in Japan and overseas and changes in the external environment such as recent trends concerning anti-takeover measures. Accordingly, the Plan was abolished, upon expiration of the effective period, at the conclusion of the 94th Ordinary General Meeting of Shareholders held on June 28, 2018.

Even after abolishment of the Plan, the Company will continue to make efforts to enhance the corporate value of the Company, and ultimately the interests of all shareholders. In addition, in the case that Large-Scale Purchases of Shares, etc. of the Company is carried out, the Company will request the Large-Scale Purchaser to provide necessary and sufficient information so that shareholders can make a proper judgment as to the appropriateness of those Large-Scale Purchases and disclose opinions of the Board of Directors of the Company or implement other appropriate measures, based on the Financial Instruments and Exchange Act, Companies Act, and other applicable laws and regulations.

2. Other Matters Concerning to Corporate Governance System

Timely disclosure system

1. Collecting and managing information

Corporate information on the Corporate Group is obtained by the Company’s Corporate Planning Division, Personnel & General Affairs Division, Financial Division, and CSR Division, which take responsibility for managing it.

(1) The Company's corporate information

The Company's Corporate Planning Division, Personnel & General Affairs Division, Financial Division, and CSR Division managing it.

(2) Group companies' corporate information

After the group companies' departments in charge of information collection and management centralize information, they promptly report it to the Company's Corporate Planning Division and related departments.

Information received from group companies is managed by the Company's Corporate Planning Division and related departments that receive it.

(3) Financial closing information of the Company and group companies

Managed by the Company's Financial Division.

The Company's Corporate Planning Division and related departments that receive managerially important corporate information from the Company and group companies promptly report the said information to the information handling manager (General Manager of CSR Division). Simultaneously, it is also reported to Public Relations Office of CSR Division, which is the department in charge of public disclosures.

2. Determining need for timely disclosure of information

Based on Timely Disclosure Rules, etc. provided for by the Stock Exchange, the information-handling manager and Public Relations Office of CSR Division consult with the department in charge of the said information and related departments where appropriate and make judgments about the need for the timely disclosure of the information.

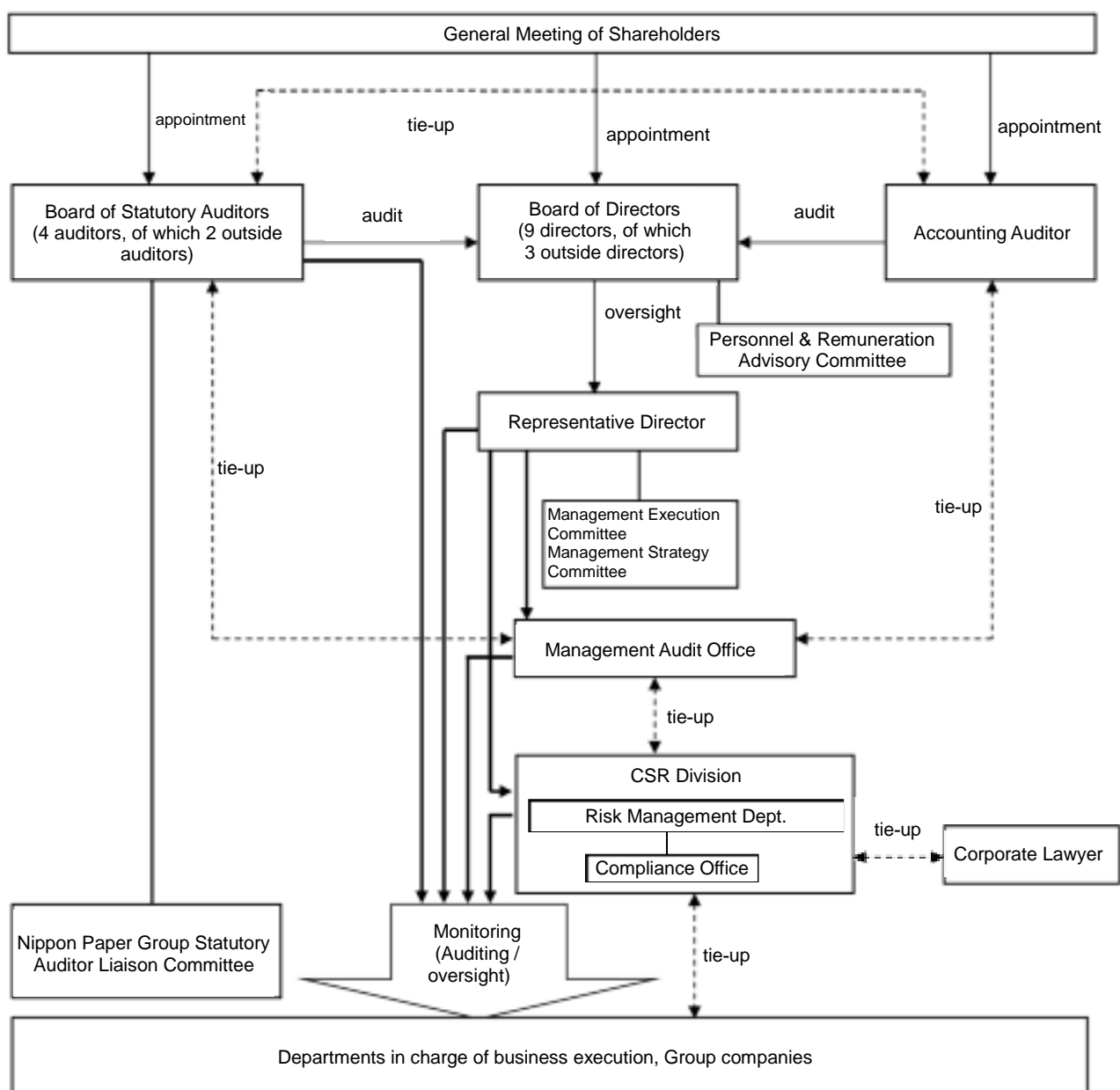
3. Disclosure of information

Regarding corporate information whose timely disclosure is deemed necessary, Public Relations Office of CSR Division makes disclosure without delay after the decision is made by the governing body in case of facts decided by the Company and the financial results and after approval by the President & Representative Director in case of material facts.

4. Proper management of insider information

The Company and the group companies ensure strict management of undisclosed corporate information and prevent insider trading based on the Regulations on Prevention of Insider Trading, etc. provided for by the respective companies.

[Reference 1] Chart of Corporate Governance System



[Reference 2] Chart Outlining Timely Disclosure System

