

ANNUAL REPORT 2015

For the Fiscal Year Ended March 31, 2015

NIPPON PAPER INDUSTRIES CO., LTD.



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ANNUAL REPORT 2015

SHAPING THE FUTURE WITH **TREES**

Securities Code: 3863



Nippon Paper Industries Co., Ltd.

(Securities Code 3863)

Shaping the Future with

The Nippon Paper Group conducts diversified businesses that support people's lives and industries with technologies for expanding the possibilities of paper and for the sustainable and effective use of wood resources.

We will grow with our stakeholders as we work to build a sustainable society through our businesses.



Transf

Our Business

The key themes of the Fifth Medium-Term Business Plan, which covers the three years from April 2015, are strengthening our competitiveness in existing businesses, expanding business in growth areas, and nurturing and expanding new businesses.

With the improvement of our financial structure to a certain level

orming

Structure

under the Fourth Medium-Term Business Plan, we are now able to make bold, growth-oriented investments. We will concentrate management resources in growth areas and new businesses, whether they are in Japan or overseas, to accelerate our business structure transformation as a comprehensive biomass company.

Creating **V**alue for the Future

The Nippon Paper Group is putting together a balanced business portfolio as a comprehensive biomass company.

Our businesses include development of forest resources, including plantation; lumber and construction materials; paper made from wood fiber; chemicals utilizing wood components;

and wood biomass power generation utilizing unused woody biomass. Furthermore, with products such as cellulose nanofiber that has high potential as a next-generation material, we will create new value that will be necessary for the society of the future.



The Nippon Paper Group will realize a sustainable society “with trees.”

In May 2015, we finalized and announced our Group Mission expressing our long-term management philosophy to maintain our essential presence in society. Our mission is to contribute to better living and cultural progress everywhere we do business. The Group Mission also includes our vision, the values that we want managers and employees to share, and the new company slogan.

Our slogan is “Shaping the future with trees.” By creating new value as a comprehensive biomass company, we will contribute to the realization of a sustainable society.

Based on this management philosophy, we formulated the Fifth Medium-Term Business Plan. Our aim in this plan is to enhance the competitiveness of our core businesses, including our pulp and paper business, to create a structure that enables us to secure stable profits. At the same time, we will aggressively invest funds in expansion and creation of businesses in growth fields, and the Group will work in unison to transform our business structure and position us for the next stage of growth.

The Nippon Paper Group is determined to achieve its management targets, and we look forward to the continued support of our stakeholders.

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

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Notice regarding the consolidated financial information appearing in this annual report

Nippon Paper Industries Co., Ltd. (hereinafter “the Company”), merged with Nippon Paper Group, Inc., as of April 1, 2013, and took over the Company’s consolidated financial statements. The scope of consolidation for the Company has no substantial change from that of Nippon Paper Group, Inc., before the merger. Accordingly, the consolidated financial information until the fiscal year ended March 31, 2013, appearing in this annual report represents that of Nippon Paper Group, Inc.

Disclaimer

Statements in this annual 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 annual report. Actual business performance may differ significantly from these forecasts due to changes in a variety of factors.

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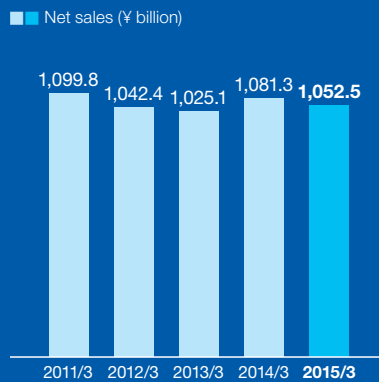
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FY2015/3 Highlights

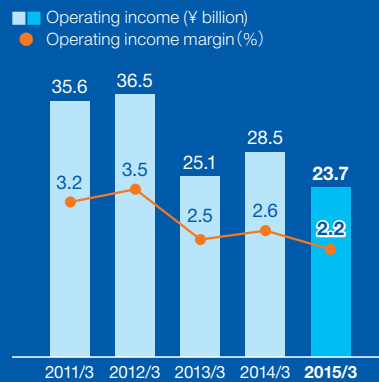
In the fiscal year ended March 31, 2015, the Japanese economy recovered moderately, with improvement in corporate earnings and employment conditions. In the pulp and paper industry, domestic shipments of paper and paperboard decreased from the previous fiscal year, reflecting the decline after the consumption tax hike in April 2014 and the subsequent weak recovery trend. In addition, the rise in raw material and fuel prices due to the rapid depreciation of the yen in the second half of the period pressured earnings, contributing to the challenging operating environment.

Facing these conditions, the Nippon Paper Group carried out cost reductions, adjusted inventories with further production cuts and other measures, and worked to maintain the price level after the adjustments implemented in the previous fiscal year. The Group also sold land and other assets. Below is a summary of results for the past five years.

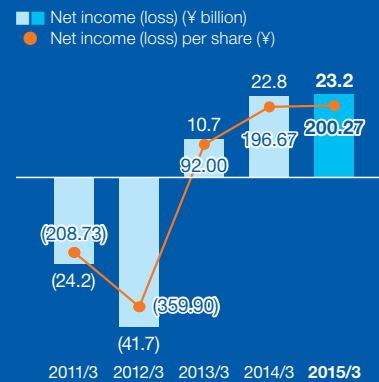
Net Sales



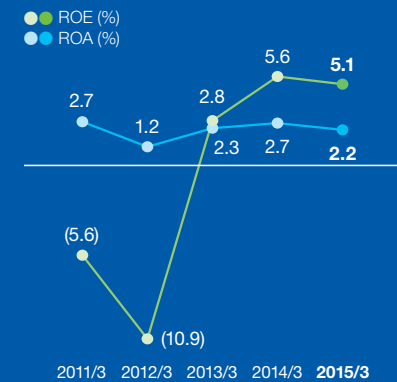
Operating Income & Operating Income Margin



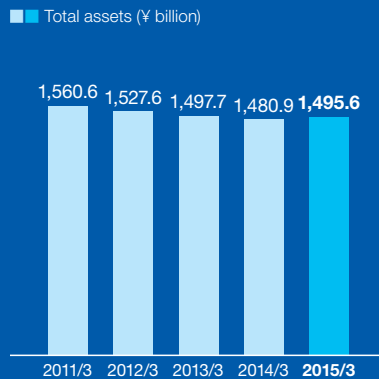
Net Income (Loss) & Net Income (Loss) per Share



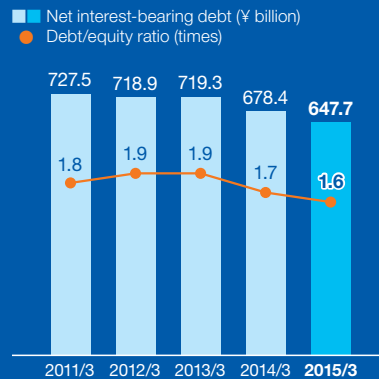
ROE & ROA



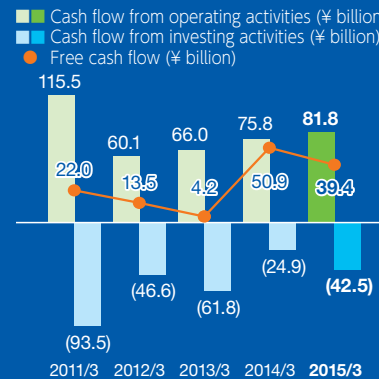
Total Assets



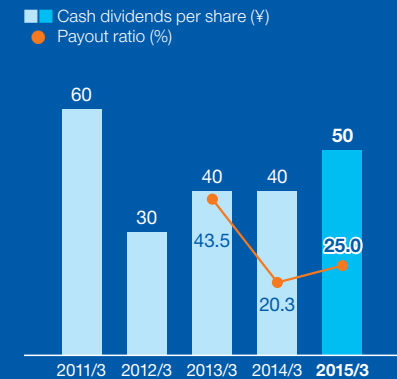
Net Interest-Bearing Debt & Debt/Equity Ratio



Cash Flow



Cash Dividends per Share & Payout Ratio



Share of Paper Market in 2014

28.6%

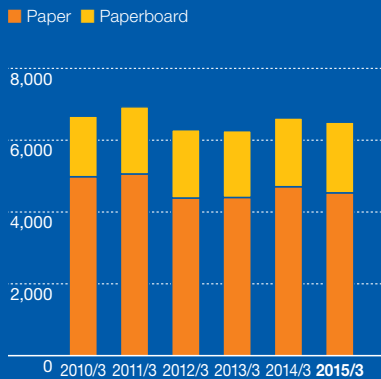
(Source: Japan Paper Association)

Share of Paperboard Market in 2014

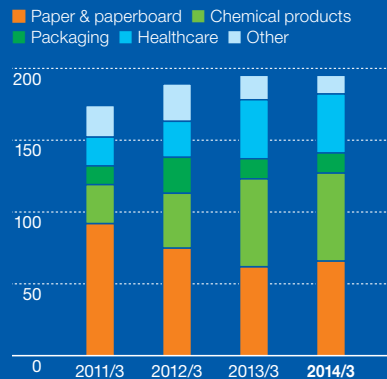
15.3%

(Source: Japan Paper Association)

Production of Nippon Paper Group (kt)



Number of Patent Applications by the Nippon Paper Group



Material Balance of Domestic Pulp and Paper Business

(FY ended March 31, 2014)

Input	
Raw materials	
Woodchips	4,370 thousand BDt
Logs	29 thousand BDt
Pulp	372 thousand ADt
Wastepaper	3,198 thousand ADt
Water consumption	775 million tonnes
Energy	
Electricity	1,046 GWh
Petroleum	179 thousand kl
Coal	2,098 thousand tonnes
Gas	97 thousand tonnes
Other non-fossil fuels	1,388 thousand tonnes
Black liquor*	3,267 thousand tonnes

*A by-product of producing pulp from wood chips.

Output	
Paper products	
Paper and household	4.26 million tonnes
Paperboard	1.70 million tonnes
Pulp	39 thousand tonnes

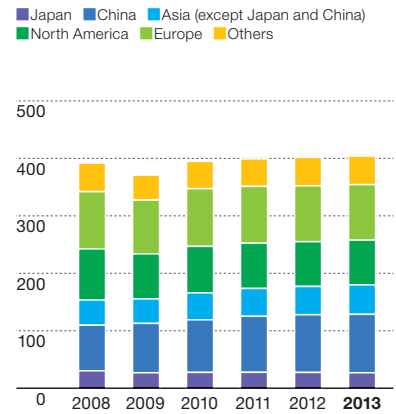
Industry Data

Worldwide

Paper & Paperboard Consumption

Year-on-year **0.5%**
(Source: RISI)

Paper & Paperboard Consumption (Millions of tonnes)



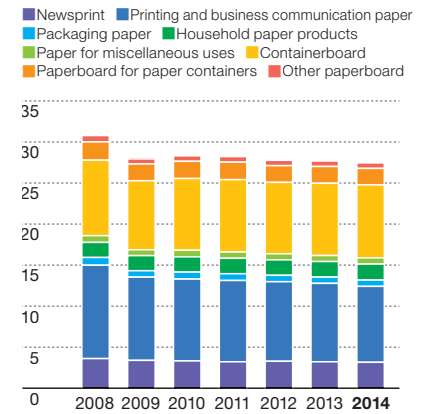
(Source: RISI)

Domestic

Paper & Paperboard Consumption

Year-on-year **(0.8)%**
(Source: Japan Paper Association)

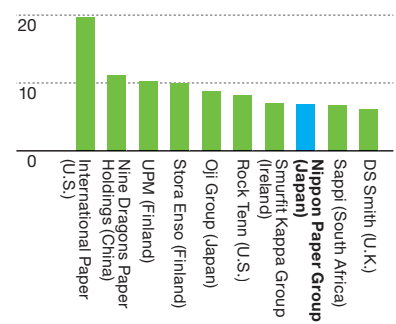
Paper & Paperboard Consumption (Millions of tonnes)



(Source: Japan Paper Association)

Paper Companies by Production Volume

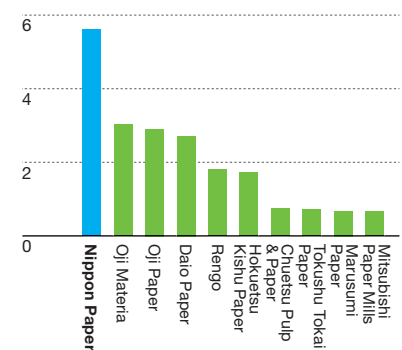
(Top 10 companies in 2013) (Millions of tonnes)



(Source: RISI)

Paper Companies by Production Volume

(Top 10 companies in 2014) (Millions of tonnes)



(Source: Japan Paper Association)



We will transform our business structure in a balanced way by diversifying our business while securing sustainable growth and the trust of society.

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

Please talk about the Company's performance and challenges in FY2015/3, your first year as president.

In FY2015/3, the last year of the Fourth Medium-Term Business Plan, the drop in demand after the consumption tax increase lasted longer than expected, and raw material and fuel costs increased with the depreciation of the yen. Unfortunately, as a result of these and other factors, we fell well short of the profit targets we had set in the Fourth Medium-Term Business Plan.

However, we made progress in various areas during the Fourth Medium-Term Business Plan. In addition to successfully achieving the ¥25.0 billion income improvement target in the medium-term revitalization plan, we transitioned from a pure holding company to an operating holding company structure, took steps to expand sales and increase production in the chemical and healthcare products businesses, and implemented measures to promote the energy business. We also reduced net interest-bearing debt as planned, resulting in a net debt-equity ratio of 1.55 times at the end of March 2015. Financially, we have recovered to the level before the Great East Japan Earthquake in March 2011, and established the foundation for transforming our business structure.

While we made progress in strengthening the profitability of our paper business and overseas business, we still have much more to do. But we were able to raise prices of printing paper in Japan, and are making the necessary investments and restructuring operating bases in our overseas business.

So all things considered, I think the Fifth Medium-Term Business Plan got off to a good start.

In my first year as president, I have repeatedly exchanged ideas with the management of key operating bases and Group companies to share the future direction of the Nippon Paper Group with employees. I have also been very busy visiting business partners and customers. With such a hectic schedule, I did not have enough time for dialogue with investors, but I plan to talk more with them, including overseas investors, going forward.

FY2015/3 Consolidated Results

	(¥ billion)		
	FY2015/3	FY2014/3	YoY Change
Net sales	1,052.5	1,081.3	-28.8
Operating income	23.7	28.5	-4.8
Ordinary income	23.2	28.2	-5.0
Net income	23.2	22.8	0.4

In the Fifth Medium-Term Business Plan, “enhance competitiveness in existing businesses” and “transform our business structure” are once again major themes. Can you explain the key initiatives to achieve the plan’s targets?

I am proud that the Nippon Paper Group has supported society and culture through papermaking. No matter how much information technology may advance, it will never entirely replace paper. The mission of the paper industry, which supports every industry and family life, will not change, and neither will my belief that we should carry on that mission. For the time being, paper and paperboard will remain the Group’s core businesses. Although it is mature, the Japanese market is the world’s third largest, and is the market we will focus on. We will also generate growth in the markets of Asia and Oceania. And we will secure stable earnings by thoroughly cutting costs while maintaining quality and operating stability.

At the same time, we will make investments to transform our business structure by effectively reallocating management resources – people, goods, money and information – to develop business in promising growth fields, including energy, chemicals, healthcare and packaging.

FY18/3 Target Figures

Net sales	¥1,110.0 billion
(FY15/3 result)	¥1,052.5 billion
Overseas sales ratio	20%
(FY15/3 result)	13%
Operating income	¥50.0 billion
(FY15/3 result)	¥23.7 billion

ROA* Targets

Medium-term target	5.0%
FY18/3	3.7%
(FY15/3 result)	2.2%

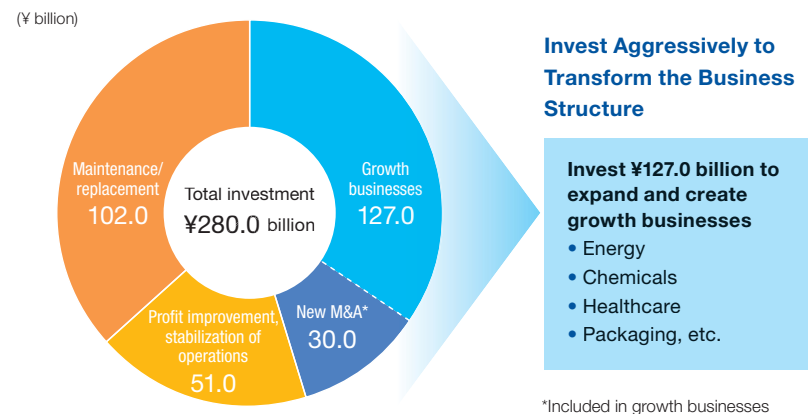
*ROA: (Ordinary income + Interest expense) ÷ Total assets

Assumptions				
US\$: ¥120				
Dubai crude (\$/BL):				
FY16/3	→	FY17/3	→	FY18/3
\$60	→	\$70	→	\$80

Please explain your plan to allocate ¥280 billion for investment during the Fifth Medium-Term Business Plan. Also, what is the rationale for setting ROA as a management benchmark?

To expedite our business structure transformation, we will aggressively invest capital to expand and create growth businesses. We expect to have ¥280 billion available for investment over the next three years. Out of that, ¥127 billion will be invested in growth areas such as energy, chemicals, healthcare and packaging. We have decided on the rough amounts we plan to spend on individual projects such as the construction of a power generation plant using a mixed fuel of coal and biomass in Ishinomaki. We also plan to set aside ¥30 billion of the ¥127 billion for new mergers and acquisitions.

Most companies focus on return on equity, but we have set ROA as our management target. While our net debt-to-equity ratio is back to the level it was before the 2011 earthquake, we still need to be careful to maintain financial stability. That’s why we decided that rather than pursuing ROE, which is affected by financial leverage, it would make more sense for us to set the goal of improving ROA as a simple way of showing efficient use of assets. We intend to review all of the assets on our balance sheet. Specifically, we will concentrate on replacing and increasing the efficiency of assets based on how well they align with our corporate mission and strategy. By reassessing our existing assets and businesses, and divesting non-essential assets, we will build an effective asset structure to achieve our medium-term ROA target of 5.0%.



How will the recently formulated Group Mission guide the Nippon Paper Group as it transforms into a comprehensive biomass company?

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

What defines Nippon Paper is the consistent contribution we have made to people's lives and culture through the functions of the paper industry. Just as paper was once said to be a barometer of culture, contribution to cultural progress by making paper from wood resources has been the basis of the Nippon Paper Group. We are now applying technology to use wood resources in a more sophisticated way to develop businesses that support better living with energy, healthcare, biochemicals and packaging. We used the phrase "everywhere it does business" in our mission statement to emphasize that the Group will focus on all of

these business areas whether in Japan or overseas.

Realizing a sustainable world will be a priority issue for corporate management from now on, and I think the Nippon Paper Group has a big advantage because we can structure a balanced mix of businesses as a "comprehensive biomass company" using renewable wood resources. The contribution of paper to living and culture is universal, and our commitment to paper is also a matter of pride for us. By broadening the range of our products and services as a "comprehensive biomass company," we will enhance our value as a business group that is essential to society.

VALUE

Challenge, Fairness, Teamwork

Among the values we want our employees to emphasize, we put "challenge" first to share our sense of crisis — that we cannot keep doing business as we did in the past. We have been taking on new challenges while keeping in mind what each of us must do to increase our readiness for the business transformation. This includes personnel shifts. So I trust that our employees also have a high level of awareness.

The second value we listed is "fairness." This value is important as a standard for judging how we should act. I believe that having fairness as the basis of our actions will lead to trust from customers and the vitality of the organization.

Next comes "teamwork." We have changed the Group structure in a short period of time to optimize our organization for adaptability to the changes in our business environment. Now that we are finally at the point where the Group can make united efforts, I would like our employees to look at our other businesses and the future with an awareness of their role within the larger organization of the Group. From that standpoint, we chose "teamwork."

SLOGAN

Constantly creating new value and contributing to better living and cultural progress, as a comprehensive biomass company shaping the future with trees.

Our slogan, which represents our near-term policy that factors in the business environment, specifies that our future is "with trees," as I have said. It expresses to everyone in and outside the Nippon Paper Group that we will continue to provide a wide range of products and services that make the most of the outstanding properties of wood resources, as we strive to maximize the value of sustainable forest resources for the future.



Please close with a message to stakeholders, such as your enthusiasm for leading the implementation of the Fifth Medium-Term Business Plan based on the Group Mission.

The Nippon Paper Group's identity lies in its connection "with trees." I am proud that we have the advantage of being a step or two ahead in terms of sustainable business activities, a requirement of society. I believe that making Nippon Paper a fulfilling place to work with all Group employees sharing common goals will result in maximum value for all stakeholders. In addition, we will emphasize transparent management that is conscious of the Corporate Governance Code, and will focus even more on decision-making and stronger supervision of management through open discussions with outside directors and corporate auditors.

As for returns to shareholders, we paid dividends totaling ¥50 per share (an interim dividend of ¥20 plus a year-end dividend of ¥30) for FY2015/3, an increase of ¥10 from the previous fiscal year. For FY2016/3, we plan to increase that amount by a further ¥10, for a total of ¥60 per share (interim and year-end dividends of ¥30 each).

Our employees will make concerted efforts to achieve our operating income target of ¥50 billion in FY2018/3. I hope that our stakeholders will continue to watch the Nippon Paper Group's progress with anticipation.

Fifth Medium-Term Business Plan

— Creating New Value —

Feature

Fifth Medium-Term Business Plan

Creating New Value

The Nippon Paper Group has launched its Fifth Medium-Term Business Plan covering the three years ending March 31, 2018.

The Group continues to face a severe operating environment even after completing the revitalization plan in the Fourth Medium-Term Business Plan. In the next three years, we will focus on enhancing competitiveness in our existing businesses, which form the foundation for earnings, reallocating management resources to growth businesses and new businesses, and transforming our business structure.

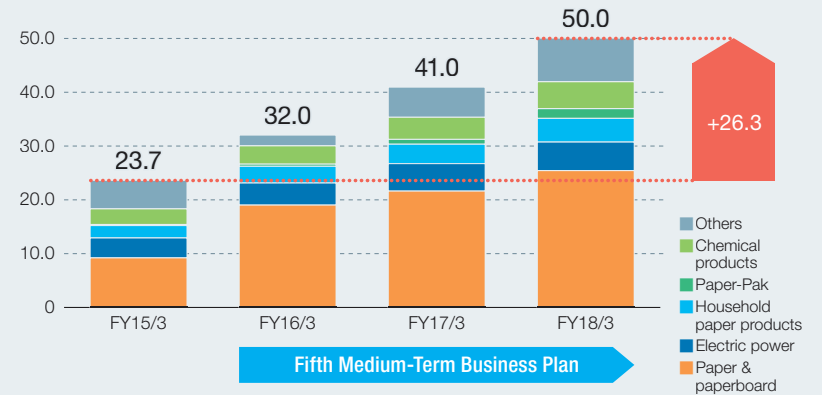
As a comprehensive biomass company that will shape the future with trees, we will create new value and contribute to better living and cultural progress.

Outline of Fifth Medium-Term Business Plan



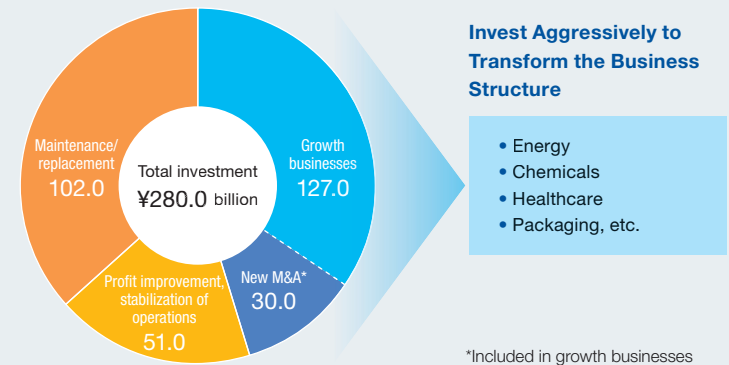
Toward Achievement of FY18/3 Operating Income Target of ¥50 Billion

Operating income target: Breakdown by business (¥ billion)



Invest ¥127.0 Billion to Expand and Create Growth Businesses

Outline of the Fifth Medium-Term Business Plan: Investment Allocation (¥ billion)



Our targets for the fiscal year ending March 31, 2018 are net sales of ¥1,110.0 billion, operating income of ¥50.0 billion and ROA of 3.7%.

In the paper and paperboard business, our core earnings base, we will respond to higher material and fuel prices resulting from the depreciation of the yen by reducing costs in addition to raising product prices and increasing sales volume. In existing overseas business in Australia and elsewhere, we will implement rationalization measures including mill closures and change our product lineup. Given that expansion and creation of growth businesses will become more important, we will actively invest in priority fields to transform our business structure.

We will deal with key tasks and make

investments for growth in each business.

Domestic Paper and Paperboard Business

Maintain prices and market share, and expand exports and industrial applications

Enhance the competitiveness of the domestic paper & paperboard business to establish a solid earnings foundation

Key Tasks	1 Maintain top share of newsprint and printing paper	2 Strengthen sales of industrial paper and containerboard
	3 Improve the distribution system	4 Increase cost competitiveness
Major Investments	Profit improvement, stabilization of operations, fuel conversion, improvement of system efficiency, distribution measures: ¥28.9 billion	

Chemicals Business

Strengthen competitiveness by expanding production of dissolving pulp and functional chemicals and shifting to high-value-added products

Build business toward sales of ¥50.0 billion and operating income of ¥5.0 billion

Key Tasks	1 Strengthen competitiveness of Gotsu Mill	2 Expand sales and increase production
	3 Expand sales of high-value-added products	4 Seek out M&A opportunities
Major Investments	Strengthen competitiveness of Gotsu Mill: ¥5.5 billion	

Energy Business

Aim for startup of coal/biomass thermal power generation facilities in 2018

Accelerate efforts to quickly scale up business to sales of ¥50.0 billion

Key Tasks	1 Steadily execute Komatsushima (solar) and Yatsushiro (biomass) projects	2 Start commercial operation of Ishinomaki thermal power generation facility
	3 Quickly work out specifics of plans now under consideration (e.g., Akita thermal power generation facility)	4 Develop biomass fuels
Major Investments	Ishinomaki Mill (planned in March 2018) and Akita Mill (now under review with targeted startup during FY2019/3)	

Paper-Pak Business

Apply technology from liquid packaging business to develop new products

Target sales of ¥45.0 billion by upgrading production and sales

Key Tasks	1 Enhance cost competitiveness of commodity-type products	2 Expand sales
	3 Strengthen product development	
Major Investments	Increase Paper-Pak production capacity, automate finishing lines: ¥2.9 billion	

Household Paper Products Business

Expand healthcare products aimed at seniors

Upgrade production and sales to support increase in Healthcare sales to ¥20.0 billion

Key Tasks	1 Increase production at Kyoto Mill, Nippon Paper Crecia	2 Increase sales personnel and expand sales routes
	3 Reinforce product development	4 Develop overseas business and promote exports
Major Investments	Production capacity increase at Kyoto Mill, Nippon Paper Crecia: ¥5.0 billion	

Overseas Business

Strengthen cost competitiveness and invest in production of high-value-added products

Make all overseas subsidiaries profitable and expand presence in Southeast Asia

Key Tasks	1 Implement thorough rationalization, reduce costs, and stabilize operations	2 Change product lineup and promote new businesses
Major Investments	AP, JTOY, NPIUSA, SCG Fibrous Chain: ¥12.8 billion	

In the Fifth Medium-Term Business Plan, we will accelerate our business structure transformation by selling and replacing assets, divesting businesses and pursuing M&A, and by creating new value from our unique technologies.

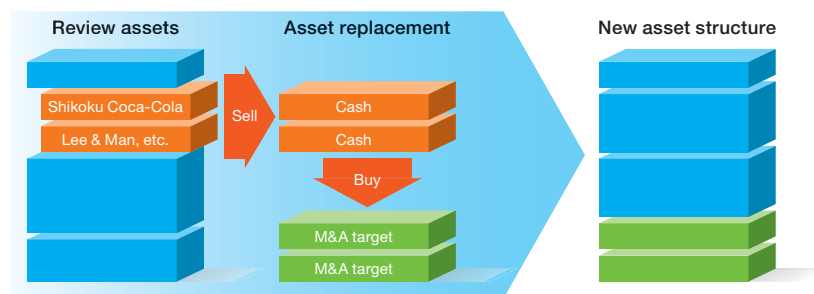
Increase Efficiency of Assets

Review of Assets

We will review assets (inventories, land, stocks), minimize inventories, group other assets into those that can generate profit by using them and those that can generate profit by selling them, and conduct replacement of assets.

M&A for Transformation of Our Business Structure

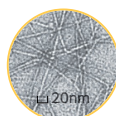
We will replace assets and improve overall asset efficiency by using the proceeds from asset sales for acquisition of businesses that fit our strategy to increase growth potential and profitability.



Create Markets Using Our Unique Technologies: Cellulose Nanofiber

What is Cellulose Nanofiber (CNF)?

CNF is made from wood-derived fiber (pulp) that has been micro-refined to the nano level of several hundredths of a micron and smaller. CNF is the world's most advanced biomass material.



Cellulose nanofiber

Commercial Launch of Functional Sheet Using CNF

We are developing and launching healthcare products including the Poise® and Acty® series using a functional sheet containing a CNF compound that possesses excellent deodorizing properties. With these products, we will create a new market for CNF.

Future Potential

The Ministry of Economy, Trade and Industry (METI) has set the goal of making CNF and related materials a ¥1 trillion market by 2030. For example, using CNF in automotive components can make them significantly lighter, indicating the potentially large size of this market in the field of composite materials. Nippon Paper will add human resources to accelerate its efforts for commercialization of CNF.

Business Section

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The Nippon Paper Group at a Glance

Pulp and Paper

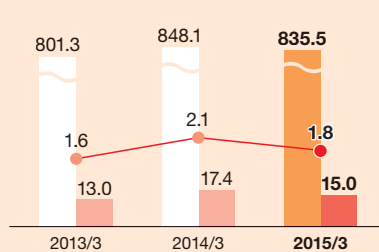
FY2015/3 Operating Results

Net sales share **79.4%**

Net sales	¥835.5 billion (down ¥12.6 billion year-on-year)
Operating income	¥15.0 billion (down ¥2.4 billion year-on-year)

Results

- Net sales (¥ billion)
- Operating income (¥ billion)
- Operating income margin (%)



Description of Business

Various paper, paperboard and household paper products in the segment lead the domestic industry in production, sales volume and quality. We are working to reorganize our production structure. At the same time, we are proactively developing overseas markets especially in Asia and Oceania.

Main Products and Services

Paper

- Newsprint
- Printing and publication paper
- Business communication paper
- Packaging paper

Paperboard

- Containerboard
- White paperboard
- Chipboard
- Base paper for building materials

Household paper products

- Facial tissue
- Bathroom tissue
- Adult diapers

Specialty and high-performance products

- Filter paper
- Thin paper
- Tobacco-related paper

Paper-Related

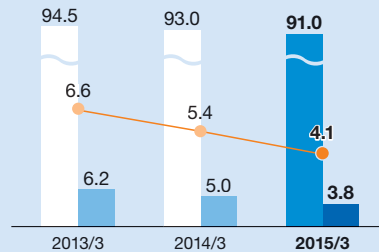
FY2015/3 Operating Results

Net sales share **8.6%**

Net sales	¥91.0 billion (down ¥2.0 billion year-on-year)
Operating income	¥3.8 billion (down ¥1.3 billion year-on-year)

Results

- Net sales (¥ billion)
- Operating income (¥ billion)
- Operating income margin (%)



Description of Business

In the segment, two business domains are promoted: the paper processing business delivers value-added products made of paper, and the chemical products and functional materials business utilizes various technologies and expertise entailing the advanced use of wood and papermaking byproducts.

Main Products and Services

Processed paper products

- Liquid-packaging cartons
- Filling machines and maintenance services
- Paper bags
- Adhesive paper

Chemical products and functional materials

- Dissolving pulp
- Chemical products
- Functional films
- Drafting and copying media

Wood Products and Construction Related

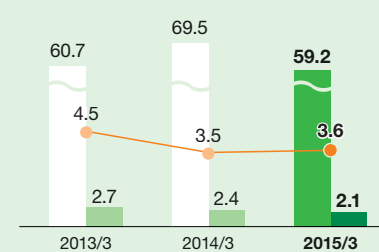
FY2015/3 Operating Results

Net sales share **5.6%**

Net sales	¥59.2 billion (down ¥10.3 billion year-on-year)
Operating income	¥2.1 billion (down ¥0.3 billion year-on-year)

Results

- Net sales (¥ billion)
- Operating income (¥ billion)
- Operating income margin (%)



Description of Business

In the segment, three business domains are engaged: the lumber business that developed out of our efforts to procure wood for papermaking, the construction materials business that works lumber into value-added products, and the civil engineering and construction business that originated from the plant-maintenance units of our paper mills.

Main Products and Services

- Lumber
- Construction materials
- Civil engineering

Other

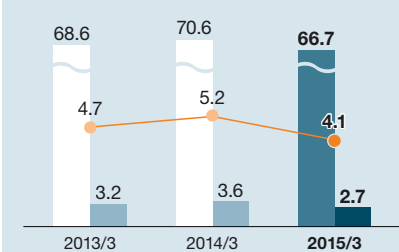
FY2015/3 Operating Results

Net sales share **6.3%**

Net sales	¥66.7 billion (down ¥3.9 billion year-on-year)
Operating income	¥2.7 billion (down ¥0.9 billion year-on-year)

Results

- Net sales (¥ billion)
- Operating income (¥ billion)
- Operating income margin (%)



Description of Business

In the segment, a variety of businesses that generate synergies with the core businesses of the Group are engaged, including the beverages business; the sports and leisure business, which draws on the Group's real estate assets; and the logistics business, which provides support to the pulp and paper business.

Main Products and Services

- Beverages
- Warehousing and transportation
- Sports and leisure

Pulp and Paper

Paper Business

We will take on new challenges for quality and development to achieve stable growth.

Shinichi Sato

Senior Managing Executive Officer
General Manager of Printing Paper
Sales Division



► FY2015/3 Performance

In FY2015/3, sales volume of newsprint and printing paper declined as businesses curbed print media advertising expenses and weak consumer sentiment after the consumption tax increase persisted longer than expected. Sales of business communication paper, for which demand is relatively stable, also fell. We placed priority on maintaining prices, and therefore cut production from the beginning of summer and improved inventory turnover. In the second half of the period, we implemented price hikes through the end of the year in response to the rise in raw material prices due to the sharp depreciation of the yen. As a result, we were able to set a course for improvement of earnings.

► Implementing the Fifth Medium-Term Business Plan

In the previous medium-term business plan, we completed a “revitalization plan,” and we believe that now is the time to refocus our technological resources on quality and development. To respond to the trust and expectations of our customers, we will continue to take on new challenges to provide value that can only be found in paper.

At the same time, we will deal with the contraction of the domestic market by expanding exports, mainly to Asia. We will achieve solid results in overseas markets, where Japanese paper is highly regarded for its stable quality and its unique texture. The mission of the paper business is to secure steady profits with these domestic and overseas initiatives and to support the business transformation of the whole Group.

Paperboard Business

With our strengths in production and sales, we will focus on capturing solid demand in Japan and overseas.

Satoru Muto

Executive Officer
General Manager of Containerboard
Sales Division



► FY2015/3 Performance

Sales volume of containerboard, which accounts for more than 70 percent of sales in this paperboard business, grew steadily in FY2015/3. In addition to solid demand, sales growth was driven by our customer-focused sales system, which differentiates us from other companies by meeting user needs such as thinner, lighter containerboard and multicolor printing. We also raised prices in response to the increase in raw material and fuel prices at the end of the previous fiscal year, and achieved a profit by maintaining those price levels.

We have built a strong position as a containerboard maker with a “market-in” sales system that identifies needs in a timely manner and a production network that covers all of Japan with advantageous locations. In particular, our ability to manufacture linerboard that meets requests for functions such as printing surface and strength is highly appreciated by customers.

► Implementing the Fifth Medium-Term Business Plan

Even with the shift to e-commerce, when goods move, boxes move. We expect our markets to remain strong, led by the food and beverage sector, our core market, and the fast-growing home-delivery and mail-order sectors. Using our competitive strengths – advantageous locations, high quality and highly productive machines – we will expand sales to corrugated box manufacturers and also to nationwide end users. In addition, we are looking to expand exports to rapidly growing emerging countries as we aim for sales of 10,000 tons per month, and intend to raise the operating rate of containerboard machines to 100% in the last year of the Fifth Medium-Term Business Plan.

Pulp and Paper

Household Paper Products Business

We will expand investment in the growing healthcare business and develop new products.

Yasunori Nanri

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


FY2015/3 Performance

Demand for tissues, toilet paper and other household paper products dropped sharply after the consumption tax increase in April 2014. However, we worked to generate sales by enhancing sales promotions, including a 50th anniversary promotional campaign for the Kleenex® and Scottie® brands, and introducing high-value-added products in a wet tissue series. For Poise® light incontinence products for active seniors, we implemented measures to increase the number of people who know and use the products, including television commercials and interactive sales by merchandisers.

Implementing the Fifth Medium-Term Business Plan

We will focus resources on the healthcare products business, which has good growth prospects, to achieve our medium-term sales target of ¥20 billion. While completing a capacity expansion at the Kyoto Mill, our main production facility, we will reinforce our sales operations by making the best use of the Group's human resources. In fall 2015, we will launch new products in the Poise® and Acty® series that contain Nippon Paper's cellulose nanofiber (CNF) for strong deodorant properties. By offering these and other products, we will meet the needs of the growing population of seniors in Japan.

In addition to focusing on the brands we have nurtured in this business that offer lasting comfort and enrich people's lives, we will also work to achieve solid growth in the healthcare business.

Energy Business

Our current projects are progressing as planned and we are studying initiatives for further business expansion.

Yoichi Horikawa

General Manager of
Energy Business Division


FY2015/3 Performance

The introduction of feed-in tariffs for renewable energy in 2012 and the planned deregulation of electricity retail sales in 2016 have spurred activity in the electric power industry, including the entry of electricity providers from other industries. We are making preparations for the launch of solar, biomass and coal-fired power generation businesses. In February 2015, our mega-solar power plant in Komatsushima, Tokushima Prefecture went into commercial operation.

In addition, we continued to actively sell surplus electricity from our existing facilities.

Implementing the Fifth Medium-Term Business Plan

Following the start of operation at a biomass power generation facility at the Yatsushiro Mill in June 2015, we plan to complete a coal-fired thermal power plant at Fuji Mill Suzukawa in May 2016. At the Ishinomaki Mill, a mixed-fuel coal and biomass power generation project is under way, and is scheduled to go into operation in March 2018. We are also conducting a feasibility study for a power generation business at the Akita Mill. Furthermore, as we consider the launch of power generation projects such as wind power generation and biomass power generation utilizing our assets of people, land and facilities, we are also moving forward with commercialization of a biomass fuel.

We will steadily carry out the Fifth Medium-Term Business Plan and expand this business to achieve our future sales target of ¥50 billion as early as possible.

Paper-Related

Paper-Pak Business

Our growth strategy is focused on developing highly original products and expanding into emerging markets overseas.

Tetsuya Oichi
Executive Officer
General Manager of
Paper-Pak Division



FY2015/3 Performance

With the consumption tax increase in April 2014, demand for milk and other beverages shifted to lower-priced products. That trend, combined with unfavorable summer weather, resulted in a sharp decline in demand. Adding to these challenging conditions were rising prices of imported base paper and other materials due to the weak yen. We carried out a price hike to respond to the deterioration of profit margins, but could not fully offset the large impact of the drop in demand. As a result, FY2015/3 was a very challenging year in terms of both sales volume and earnings.

In these circumstances, we rolled out the new products “NP-PAK+R” and the non-aluminum FUJIPAK container, and strengthened efforts to increase exports, which led to orders from a major user.

Implementing the Fifth Medium-Term Business Plan

While demand for milk is not expected to grow, we will bolster our competitiveness as a Group by thoroughly cutting costs for commodity products and shifting toward in-house production of base paper. At the same time, we will carry out further efforts to promote business overseas, where we see expanding business opportunities.

Fifty years after Nippon Paper began its liquid-packaging business, we are now at a turning point where we need to also focus on developing original products. In addition to increasing added value from various standpoints, including the 3 R's (reduce, reuse, recycle) and portability, we intend to broaden the scope of this business to areas such as non-beverage applications and paper packaging, and work to expand these products globally.

Chemicals Business

As a comprehensive biomass company, we will grow the chemical products business using wood resources.

Masahiko Ota
Managing Executive Officer
General Manager of
Chemicals Division



FY2015/3 Performance

Demand continued to expand moderately overall in FY2015/3. Dissolving pulp (DP) for overseas markets was weak due to global price stagnation, but sales volume and prices increased on strong demand in the Japanese market. Although sales of lignin products were affected by slumping demand for ready-mixed concrete, sales and income for the chemical products business overall increased as a result of firm sales of automotive paint products, price corrections for various products and other factors. In addition, a new production facility for high-value-added cellulose powder for food and other applications commenced commercial operation, resulting in a more stable supply structure.

Implementing the Fifth Medium-Term Business Plan

Our chemical products business has an 80-year history, and provides a diverse range of products backed by our strong technological platform. Going forward, we will focus on improving marketing and sales and expanding the business by increasing sales of existing products and developing in new fields. In production, we will expand the Gotsu Mill as our main domestic factory. This facility manufactures a variety of functional chemical products, including DP, high-value-added cellulose derivatives, yeast and nucleic acid products using sugar found in wood, and lignin products. We will also actively seek opportunities for mergers and acquisition where we can create synergy with existing businesses. Outside Japan, we will leverage our quality and technological advantages to expand exports and will consider local production in pursuit of further growth.

Wood Products and Construction Related / Other

Wood Products and Construction Related

In FY2015/3, the number of new housing starts plummeted by more than 10% from the previous year, resulting in decreased sales and profits for this business. With a challenging operating environment expected again in FY2016/3, we will further promote measures already in progress to expand our handling of domestic lumber and wood chips for fuel.

Other

Sales in the beverages business in FY2015/3 were affected by unfavorable weather including typhoons and heavy rain in summer, the peak demand period, and competition also intensified. As a result, sales and profits declined. In April 2015, we signed an agreement with Coca-Cola West Co., Ltd. to transfer all of the shares of Shikoku Coca-Cola Bottling Co., Ltd. The transfer was completed in May 2015.

New Business Topics

Launch of New Business for CfFA® High-Quality Fly Ash (Admixture for Concrete)

In July 2014, Nippon Paper, ZEROTECHNO Co., Ltd. and others established the Nippon Paper-ZEROTECHNO Tohoku Limited Liability Partnership, which is now carrying out installation of production equipment for CfFA® at the Ishinomaki Mill, with the start of operation targeted in January 2016. This new business will manufacture and supply CfFA® from coal ash generated in coal boilers at the Ishinomaki Mill. Mixing in fly ash enables concrete to maintain long-term durability, and can extend its service life, which is generally 40 years, to 60 to 100 years.

CfFA® is stable and easy to use, and thus its use in high-quality concrete applications is expected to expand. In November 2014, a sample provided was used in tunnel lining work in construction of the Kamaishi-Yamada Road on National Route 45. The concrete was properly cured after installation, and was confirmed to have increased denseness.



Management Section

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Directors and Corporate Auditors (As of June 26, 2015)



Chairman and Representative Director

Yoshio Haga

Number of the Company's shares held:
26,025 shares

Brief History

1949 Born
1974 Joined Jujo Paper Co., Ltd.
2008 Appointed President and Representative Director of Nippon Paper Group, Inc. (NPG)
President and Representative Director of Nippon Paper Industries Co., Ltd. (NPI)
2014 Appointed Chairman and Representative Director of NPI (current position)



President and Representative Director

Fumio Manoshiro

Number of the Company's shares held:
13,635 shares

Brief History

1953 Born
1975 Joined Jujo Paper Co., Ltd.
2009 Appointed Director of NPG
2013 Appointed Director of NPI
2014 Appointed President and Representative Director of NPI (current position)

Responsibility and important positions:

- Chief Executive Officer



Vice President and Representative Director

Shuhei Marukawa

Number of the Company's shares held:
11,907 shares

Brief History

1951 Born
1975 Joined Jujo Paper Co., Ltd.
2008 Appointed Director of NPG
2013 Appointed Director of NPI
2015 Appointed Vice President and Representative Director (current position)

Responsibility and important positions:

- Executive Vice President and Executive Officer
- General Manager of CSR Division
- In charge of Personnel & General Affairs Division



Director

Kazufumi Yamasaki

Number of the Company's shares held:
9,531 shares

Brief History

1955 Born
1980 Joined Sanyo-Kokusaku Pulp Co., Ltd.
2012 Appointed Director of NPG
2013 Appointed Director of NPI (current position)

Responsibility and important positions:

- Managing Executive Officer
- General Manager of Research & Development Division
- In charge of Technical & Engineering Division and Energy Business Division
- Director of Nippon Paper Papyrus Co., Ltd.



Director

Akihiro Utsumi

Number of the Company's shares held:
4,079 shares

Brief History

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

Responsibility and important positions:

- Executive Officer
- General Manager of Personnel & General Affairs Division



Director

Toru Nozawa

Number of the Company's shares held:
4,460 shares

Brief History

1959 Born
1981 Joined Jujo Paper Co., Ltd.
2014 Appointed Director of NPI (current position)

Responsibility and important positions:

- Executive Officer
- General Manager of Corporate Planning Division and in charge of Subsidiaries and Affiliated Companies
- Director of Nippon Paper Creca Co., Ltd.
- Director of Paper Australia Pty Ltd
- Audit & Supervisory Board Member of Lintec Corporation



Director

Hirofumi Fujimori

Number of the Company's shares held:
1,427 shares

Brief History

1955 Born
1987 Joined Sanyo-Kokusaku Pulp Co., Ltd.
2015 Appointed Director of NPI (current position)

Responsibility and important positions:

- Executive Officer
- General Manager of Financial Division



Outside Director

Yoshimitsu Aoyama

Number of the Company's shares held:
0 shares

Brief History

1939 Born
1977 Professor, Faculty of Law, The University of Tokyo
1999 Vice President, The University of Tokyo
2001 Professor Emeritus, The University of Tokyo
2007 Chairman, Legislative Council of the Ministry of Justice
2013 Appointed Director of NPI (current position)

Responsibility and important positions:

- Chairman, Automotive Dispute Resolution Center
- Head Director of Shinano Tsuzoku Daigaku-Kai



Senior Corporate Auditor

Hiroshi Matsuo

Number of the Company's shares held:
1,221 shares

Brief History

1952 Born
1970 Joined Kokusaku Pulp Co., Ltd.
2014 Appointed Corporate Auditor of NPI (current position)



Standing Corporate Auditor

Mitsuo Nagoshi

Number of the Company's shares held:
3,024 shares

Brief History

1954 Born
1978 Joined Sanyo-Kokusaku Pulp Co., Ltd.
2014 Appointed Corporate Auditor of NPI (current position)



Outside Corporate Auditor

Seiichi Fusamura

Number of the Company's shares held:
0 shares

Brief History

1947 Born
1971 Assistant Judge, Kyoto District Court
2006 President, Saitama District Court
2009 Chief Justice, Sendai High Court
2011 Chief Justice, Nagoya High Court
2012 Appointed Corporate Auditor of NPI (current position)

Responsibility and important positions:

- Lawyer
- Chairman, Public Security Examination Commission of the Ministry of Justice
- Chairman of the Labor Relations Commission, Tokyo Metropolitan Government



Outside Corporate Auditor

Kunio Sakamoto

Number of the Company's shares held:
0 shares

Brief History

1948 Born
1994 Registered as Certified Public Accountant and started practicing
2005 Partner, Ernst & Young Japan (currently Ernst & Young ShinNihon LLC)

2010 Senior Partner, Ernst & Young ShinNihon LLC
2012 Appointed Corporate Auditor of NPI (current position)

Responsibility and important positions:

- Certified Public Accountant and President, Kunio Sakamoto Certified Tax Accountant Office

Note: The above "Number of the Company's shares held" is the number as of March 31, 2015.

Corporate Governance

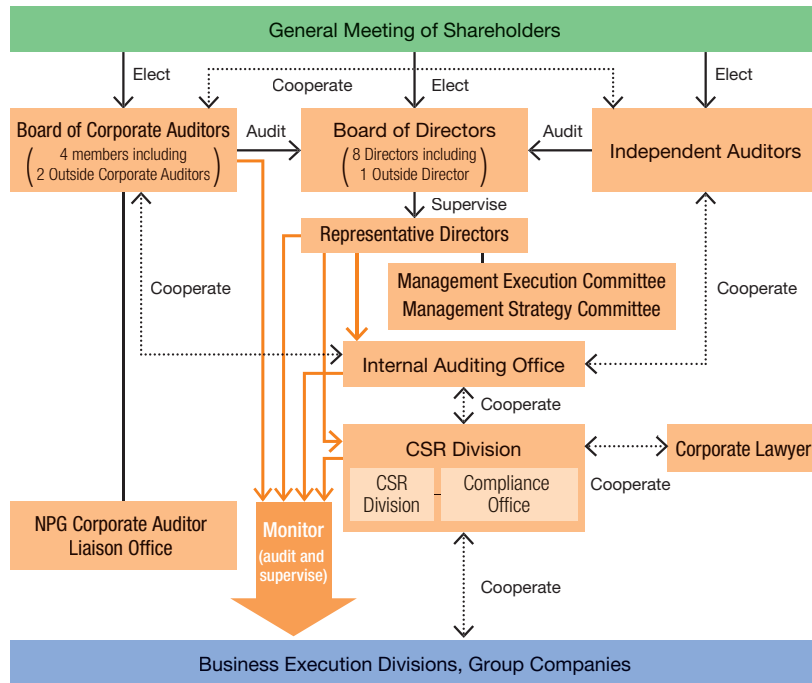
Basic Structure for Corporate Governance

The Company prioritizes fair management with enhanced transparency toward shareholders and other stakeholders.

With its reorganization as of April 1, 2013, the Company shifted from a pure holding company to an operating holding company. The Company maintained and continued its growth strategy promotion function, monitoring (auditing and supervising) function, and compliance promotion function as the controller of management of the Group, building on its experience as a pure holding company. To ensure separation of management functions from business execution as an operating holding company, the Company introduced the executive officer system. In June 2013, it also introduced an Outside Director to further enhance the management supervision function.

Through these measures, the Company will work to further strengthen corporate governance.

Corporate Governance Structure (As of July 1, 2015)



Board of Directors

The Board of Directors determines basic policies for the management of the Company and the Nippon Paper Group, matters related to stipulations in laws, regulations and the Articles of Incorporation of the Company and other important managerial matters. The board also supervises the business execution of the Group.

Management Execution Committee and Management Strategy Committee

The Management Execution Committee meets once a week to assist the business execution of the President and deliberate on important business execution matters. The Management Strategy Committee meets as necessary to deliberate on management strategies by business segment and other important matters related to the Group.

Board of Corporate Auditors

Corporate auditors attend important meetings such as meetings of the Board of Directors, the Management Execution Committee and the Management Strategy Committee, strictly supervise directors' business executions and strictly audit the Company's overall business activities to ensure their legality and fairness.

The Board of Corporate Auditors presides over the NPG Corporate Auditor Liaison Office 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.

Internal Auditing Office

The Internal Auditing Office, which is directly under the President's control and consists of 14 members, conducts an internal audit of the Company and each company of the Group and a comprehensive evaluation of the internal control reporting system regarding financial reporting. The internal audits are conducted in terms of legality and fairness from fair and independent perspectives.

Corporate Governance Summary

Type of Organization	Company with a Board of Corporate Auditors
Chairman of Board of Directors	Yoshio Haga
Number of Directors*	8 (including 1 outside director)
Number of Corporate Auditors*	4 (including 2 outside corporate auditors)
Appointment of Independent Officers*	3 (1 outside director and 2 outside corporate auditors)
Board of Directors Meetings in FY2015/3	Number of meetings: 13 Attendance rate of outside directors: 100% Attendance rate of outside corporate auditors: 100%
Board of Corporate Auditors Meetings in FY2015/3	Number of meetings: 13 Attendance rate of outside corporate auditors: 100%
Decision on Compensation, etc. of Directors	Base compensation is set according to responsibilities, with 70% paid in a fixed amount and 30% increasing or decreasing according to the previous year's results. Total amount of compensation paid in FY2015/3: ¥458 million
Decision on Compensation, etc. of Corporate Auditors	Total amount of compensation paid in FY2015/3: ¥61 million
Independent Accounting Auditor	Ernst & Young ShinNihon LLC

*Information is as of July 1, 2015

Basic Policy Concerning the Control of a Company

Although the Company believes that the persons who control the decisions on the financial and business policies of the Company should be the ones who contribute to ensuring and improving the Company's corporate value and the common interests of shareholders, the final decision on the ideal persons to control a company should be left to the shareholders.

However, among large-scale purchases and offers to purchase the stock of the Company, there are cases that could harm the common interests of shareholders. Some are clearly harmful to our corporate value and the common interests of shareholders in light of their purposes and post-acquisition management policies. Some entail the risk of shareholders actually being forced to sell their stock. Some do not provide enough time and/or information for shareholders to check and assess the purchase conditions and/or the Board of Directors of Company to present an alternative proposal to shareholders. Some require negotiation with the purchaser to make the proposed purchase conditions more favorable.

The Company judges such persons who try to conduct a harmful acquisition to be inappropriate to control the decisions on the financial and business policies of the Company.

As a measure to prevent control of decisions on the financial and business policies of the Company by persons judged to be inappropriate in light of the policies described above, the Company introduced a countermeasure policy (anti-takeover measures) for large-scale purchases of the Company's stock to

secure the time and information necessary for shareholders to properly judge whether to accept a large-scale acquisition by a purchaser or for the Board of Directors of the Company to present an alternative proposal to shareholders.

The renewal of this policy was voted on and approved at the Ordinary General Meeting of Shareholders on June 26, 2015.

IR Activities

The Company promotes IR activities, aiming for fair and timely information disclosure to shareholders and other investors. Through such opportunities as shareholders' meetings, briefings and one-on-one meetings, we explain the current status of management and operations directly to shareholders and investors, listen to their opinions and requests and reflect them in our management in line with the Nippon Paper Group Action Charter.

With the exception of quiet periods, the Company responds positively to requests for individual meetings with institutional investors and analysts throughout the year, being cognizant of maintaining fairness in the provision of information.

Activities during FY2015/3

Operating results briefing	1
Operating results conference calls	3
Individual meetings	248

Socially Responsible Investment (SRI)

Based on evaluation of the Group's social contribution by external entities, the Company has been selected for inclusion in Socially Responsible Investment indices by investment trusts.

In May 2014, the Company was again selected as a member of the Ethibel EXCELLENCE Investment Register, which is the investment universe of Forum ETHIBEL. In addition, the Company was also selected as a part of Euronext Vigeo World 120 index by Euronext and Vigeo in December 2014. The Company was evaluated and recognized as performing above average in the global pulp and paper industry.

The Nippon Paper Group makes efforts to hire and develop diverse human resources to approach various fields with a global perspective and to develop its business sustainably. Based on the recognition of the increasing importance of promoting an active role for women, the Company is aiming to double the percentage of women in management-track positions by FY2021/3.

General Meeting of Shareholders

To ensure attendance by as many shareholders as possible, the Company holds its annual general meeting of shareholders at a convenient venue in Tokyo. We facilitate the execution of voting rights for shareholders by sending a convocation notice in English and establishing a service that allows shareholders to exercise their rights online. We also hold regular briefings for institutional investors and analysts to explain the outline of operating results and medium- to long-term management strategies.

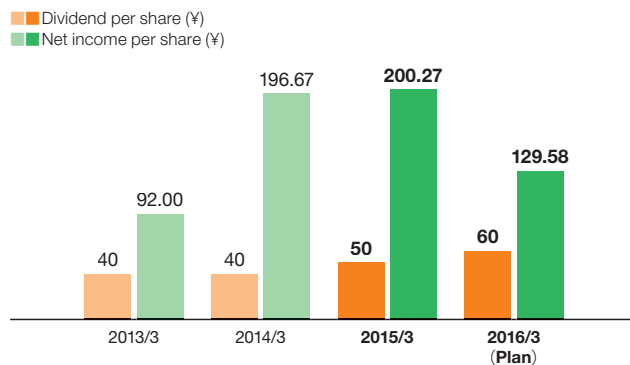
91st Ordinary General Meeting of Shareholders (Held on June 26, 2015)

Number of shareholders who exercised voting rights		26,707	
Percentage of voting rights exercised		76.7%	
Proposals	Proposal 1	Appropriation of surplus	Approved
	Proposal 2	Election of eight directors	Approved
	Proposal 3	Renewal of Countermeasure Policy (Anti-Takeover Measures) for Large-Scale Purchases of the Company's Stock	Approved

Basic Policy for Profit Distribution to Shareholders

The Company strives to reinforce its management base, improve profitability and secure the sustainable growth of its corporate value to fulfill the expectations of shareholders.

Our basic dividend distribution policy is to provide steady cash dividend payments when possible based on a comprehensive assessment of the Group's performance while ensuring retained earnings and pay interim and year-end dividends, in principle. Interim dividends are determined by resolution of the Board of Directors and year-end dividends are determined at the general meeting of shareholders.



Comments from Outside Directors

Enhancing Corporate Governance as a Legal Expert



Yoshimitsu Aoyama
Outside Director

For Nippon Paper, a manufacturer, improvement of productivity at the mills that make the paper and the accuracy of management's judgment at the head office are inseparable, like the wheels of a cart. In my opinion, the purpose of corporate governance is to make sure those wheels are well aligned to increase corporate value and return the resulting profits to shareholders and other stakeholders, as well as to promote the creation of fulfilling workplaces. Outside directors are expected to play a part in corporate governance by monitoring management decisions through the eyes of an outsider and serving as a safety valve to prevent errors.

I took the position of director at Nippon Paper as a legal expert. I view my role as sharing matters such as our response to the revised Companies Act and the Corporate Governance Code with all the directors, asking about the Company's position, and offering advice on changing things that should be changed. In the Fifth Medium-Term Business Plan, the Company set out its management objective of business structure transformation as well as clear numerical performance targets. I will work hard to fulfill my responsibility as an outside director to help the Company achieve its goals.

Ensuring Transparency by Adding Outside Perspectives

As a judge, I have seen numerous civil disputes involving businesses in general. Since I've been trained to look at things objectively, I think I am able to make proactive suggestions to the Company from the standpoint of a third party. When I worked at the Ministry of Justice, I was involved in the revision of the Commercial Code and the enactment of the Companies Act, and one of the major themes I have dealt with is how corporate governance should be conducted.

The details of governance may differ from one company to the next, but one common element is the move toward bringing in outside perspectives to ensure transparency. With respect to transparency, I think it is important to maintain a dialogue with all stakeholders, and to explain proactively and clearly the issues the company is facing, and how it plans to solve them.

The job of making paper is, in a sense, an endeavor that supports Japanese culture. I will try to get shareholders and investors to support Nippon Paper, which has an important role in society.



Seiichi Fusamura
Outside Corporate Auditor

Sustainability Section

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Promotion of CSR Activities

Basic Stance

With our sustainable growth as a comprehensive biomass company, the Nippon Paper Group works to meet the expectations and requirements of stakeholders and fulfill corporate social responsibilities from a variety of perspectives.

CSR Management Promotion Framework

Nippon Paper established the CSR Department to oversee the CSR activities of the Group as a whole. The CSR Department works closely with the various divisions and departments in promoting CSR activities based on the shared values embodied in the Action Charter.

Meeting Social Responsibilities through Business Activities



Participation in the United Nations Global Compact

Taking a broad view of the various issues posing increasingly serious challenges at the global level, detecting changes in those issues, and working with other companies, international organizations, governmental institutions, labor organizations, and NGOs in countries around the world to find solutions are critical. That is why in November 2004 Nippon Paper announced its support for the United Nations Global Compact, which sets out 10 Principles with respect to human rights, labor, the environment, and anti-corruption.



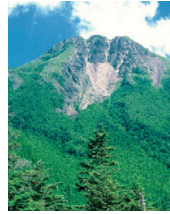
Network Japan
WE SUPPORT

Environmental Initiatives

Basic Stance

The Nippon Paper Group makes effective use of wood as a renewable resource to supply a range of products to the world. Large amounts of energy and water are used in the manufacturing process for these products, so one of our important social responsibilities is to reduce the environmental impact of our business activities.

We conduct our business activities based on our Environmental Charter and are committed to increasing the efficiency of equipment and operations at every stage of the value chain. To achieve the targets set in our Environmental Action Plan, we are addressing wider environmental issues including global warming, resource depletion, and air and water pollution.



Suganuma, a company-owned forest (Mount Nikko Shirane)

The Nippon Paper Group's Initiatives

Promotion of Modal Shifts in Transport

Our green logistics efforts are focused mainly on the two core initiatives of increasing load efficiency and shortening transportation distance to reduce CO₂ emissions.

By modifying the layout of logistics facilities at the Ishinomaki Mill, we established a round-trip transport configuration that utilizes containers on trains operated by Japan Freight Railway Company, which had previously been used only for shipping products to the Tokyo area, to transport raw materials to the Ishinomaki Mill, resulting in a reduction of CO₂ emissions. This project received a Green Partnership special award in the 2014 Excellent Green Logistics Commendation Program sponsored by the Ministry of Transport and the Ministry of Economy, Trade and Industry (METI).

Establishing a Sustainable Supply Chain

The Nippon Paper Group is a strong advocate of sustainable raw material procurement that takes into consideration environmental and social concerns. Our procurement of wood resources rests on the principles of legality and sustainability, and on that basis we emphasize clear identification of the origin of wood and the maintenance of full accountability.

Since 2005, the Nippon Paper Group has been promoting environmentally and socially responsible material procurement and dialogue with stakeholders as fundamental policies. We also show consideration for human rights and labor throughout the supply chain as part of our effort to build a reliable raw material procurement system.

Initiatives for Society

Basic Stance

We respect human rights in all aspects of our business activities. At the same time, we foster workplaces that make the most of diverse human resources. We emphasize fair evaluation and compensation as well as education and training programs that help employees reach their full potential.

Providing stable supplies of products is our basic responsibility to earn the trust of customers and benefit society. With this in mind, we work to secure the highest product and service quality as well as reliability to ensure customer satisfaction while also considering the environment throughout the product life cycle.

The Nippon Paper Group's Initiatives

Customer Engagement

We practice proactive communication in everything from routine sales activities to quality patrols by technical staff in order to identify customer needs across a wide range of areas.

The Paper-Pak Division, for example, conducts training programs for dairy and beverage companies, its customers, to provide them with information on how to properly use filling machines. At the same time, the division listens to customer feedback, which it uses to improve its products.

Employee Engagement

The Nippon Paper Group is creating workplaces that support diverse human resources. In utilizing a diverse workforce, a partner to secure mutual growth, we focus on fair evaluation and compensation as well as education and training programs that help employees reach their full potential.

To foster globally competent employees, we have an open study abroad program in which we send employees to study at overseas universities, and a dispatch program in which employees are sent to overseas sites affiliated with the Nippon Paper Group. Moreover, to respond to the accelerated pace of global expansion, Nippon Paper Industries is establishing a Global Human Resources Bank consisting of employees who have experience either working or studying abroad, or advanced foreign language skills.

Environmental and Social Data

Environmental Data

Major Environmental Performance Data¹

		Unit	FY2012/3	FY2013/3	FY2014/3
Energy	Fossil energy input	Million GJ	88	91	97
	Non-fossil energy input ²	Million GJ	69	66	77
	CO ₂ emissions from fossil energy	Million tonnes of CO ₂	6.55	6.63	7.29
Water consumption		Million tonnes	870	953	883
Waste water	Amount discharged	Million tonnes	843	905	907
	COD/BOD	Thousand tonnes	46.9	54.0	56.0
	SS	Thousand tonnes	16.8	21.3	22.0
Gas emissions	SO _x	Thousand tonnes	3.37	3.50	3.34
	NO _x	Thousand tonnes	7.05	7.95	9.03
	Soot and dust	Thousand tonnes	1.25	1.04	1.52
Waste	Amount generated	Thousand tonnes	688	737	769
	Final waste disposal	Thousand tonnes	44	49	79

Notes: 1. Paper Australia Pty. Ltd. was added to the data collection scope in FY2014/3.
2. Energy from biomass and waste

Social Data

Employment Indicators

	Unit	FY2012/3	FY2013/3	FY2014/3
Number of Employees on a Consolidated Basis ¹	Persons	13,407	13,052	13,107
Male	Persons	12,072	11,516	11,677
Female	Persons	1,335	1,536	1,430
The rate of employment of people with disabilities ²	%	1.86 ⁵	1.91	1.78
Number of new graduates hired ³	Persons	83	106	150
Female	Persons	10	9	15
Number of mid-career recruits ³	Persons	100	189	123
Female	Persons	14	20	13
Average years of employment	Year	21.2	20.9	21.0
Percentage of female employees in management	%	1.35 ⁵	1.49	1.48
Percentage of overseas management positions filled by women ⁴	%	—	12.3	16.0

Notes: 1. Fiscal year-end data
2. Data coverage: Nippon Paper Industries Co., Ltd.
3. Data coverage: consolidated subsidiaries in Japan
4. Refers to managers of sections or higher level organizational units (section managers, department managers, etc.)
5. In FY2013/3, Nippon Paper Industries Co., Ltd. merged with Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. To present the year-to-year change, FY2012/3 figures for Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. have been combined with those for Nippon Paper Industries Co., Ltd.

Work-Life Balance Indicators

	Unit	FY2012/3	FY2013/3	FY2014/3
Total number of working hours ¹	Hours	1,759 ²	1,821 ³	1,831
The rate of annual paid leave taken ¹	%	65.2 ²	69.3 ²	70.9
Number of employees who took childcare leave ²	Persons	27	25	29
Male	Persons	2	0	1
Female	Persons	25	25	28
Childcare leave usage rate of eligible female employees		89%	96%	90%

Notes: 1. Data coverage: regular employees from Nippon Paper Industries Co., Ltd.
2. Data coverage: consolidated subsidiaries
3. In FY2013/3, Nippon Paper Industries Co., Ltd. merged with Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. To present the year-to-year change, FY2012/3 figures for Nippon Daishowa Paperboard Co., Ltd., NIPPON PAPER-PAK CO., LTD., and Nippon Paper Chemicals Co., Ltd. have been combined with those for Nippon Paper Industries Co., Ltd.

Financial Section

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Consolidated Six-Year Summary

Nippon Paper Industries Co., Ltd., and Consolidated Subsidiaries (Note 1)
(Fiscal Year Ended March 31, 2010 to Fiscal Year Ended March 31, 2015)

	Millions of yen						Thousands of U.S. dollars (Notes 2)
	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2015/3
Fiscal year							
Net sales	¥1,095,233	¥1,099,817	¥1,042,436	¥1,025,078	¥1,081,277	¥1,052,491	\$8,770,758
Cost of sales	844,033	854,238	803,653	796,411	844,603	825,576	6,879,800
Operating income	43,149	35,608	36,524	25,145	28,536	23,656	197,133
Ordinary income	37,547	31,599	6,057	23,081	28,188	23,204	193,367
Net income (loss)	30,050	(24,172)	(41,675)	10,652	22,770	23,183	193,192
Capital investment	35,587	46,591	57,172	53,323	47,162	48,518	404,317
Depreciation	81,943	78,639	74,352	64,903	63,181	61,374	511,450
Free cash flow	45,974	21,987	13,488	4,212	50,902	39,363	328,025
End of fiscal year							
Total assets	¥1,500,246	¥1,560,592	¥1,527,635	¥1,497,729	¥1,480,894	¥1,495,622	\$12,463,517
Total current assets.....	450,529	515,392	546,344	507,335	505,417	484,498	4,037,483
Total property, plant and equipment.....	837,698	798,482	752,501	747,423	729,179	715,406	5,961,717
Other noncurrent assets	212,017	246,718	228,789	242,970	246,297	295,716	2,464,300
Total liabilities.....	1,040,267	1,151,829	1,160,983	1,101,269	1,054,309	1,005,881	8,382,342
Total net assets.....	459,978	408,762	366,652	396,460	426,584	489,740	4,081,167
Interest-bearing debt	762,899	832,347	838,285	830,220	775,597	731,834	6,098,617
Per share data							
	Yen						U.S. dollars
Net income (loss)	¥ 264.03	¥ (208.73)	¥ (359.90)	¥ 92.00	¥ 196.67	¥200.27	\$ 1.67
Net assets	3,940.06	3,496.49	3,135.48	3,391.59	3,652.76	4,198.10	34.98
Cash dividends.....	80.00	60.00	30.00	40.00	40.00	50.00	0.42
Ratios							
							%
Operating income margin	3.9%	3.2%	3.5%	2.5%	2.6%	2.2%	
Net income (loss) to net sales	2.7	(2.2)	(4.0)	1.0	2.1	2.2	
Equity ratio	30.4	25.9	23.8	26.2	28.6	32.5	
Return on equity (ROE)	7.0	(5.6)	(10.9)	2.8	5.6	5.1	
Return on invested capital (ROIC)	4.0	3.5	1.5	2.9	3.3	2.8	
Return on assets (ROA)	3.2	2.7	1.2	2.3	2.7	2.2	
Debt/equity ratio (times).....	1.6	1.8	1.9	1.9	1.7	1.6	
Number of employees	14,210	13,834	13,407	13,052	13,107	12,771	

Notes:

- Nippon Paper Group, Inc. and Nippon Paper Industries Co., Ltd. (hereinafter the "Company"), conducted an absorption-type merger and the Company was listed on the Tokyo Stock Exchange on April 1, 2013. Therefore, the business results of the Nippon Paper Group up to the fiscal year ended March 31, 2013 appearing in this report represent those of Nippon Paper Group, Inc.
- Amounts in US dollars are included solely for convenience and are translated at a rate of ¥120 = US\$1.00, the approximate rate of exchange on March 31, 2015.

- 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) = Net income (loss) / [Average of beginning and end of year (Shareholders' equity + Accumulated other comprehensive income)] × 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
- Return on assets (ROA) = (Ordinary income + Interest expense) / Total assets × 100
- Debt/equity ratio = (Interest-bearing debt – Cash and deposits) / Shareholders' equity

Financial Overview

Financial Position

Consolidated total assets increased ¥14,728 million from ¥1,480,894 million at March 31, 2014 to ¥1,495,622 million at March 31, 2015. The increase was mainly due to an increase in investments in securities.

Current assets decreased ¥20,919 million from a year earlier to ¥484,498 million.

Property, plant and equipment decreased ¥13,773 million from a year earlier to ¥715,406 million because the Company kept capital investment within the scope of depreciation.

Other noncurrent assets increased ¥49,419 million from a year earlier to ¥295,716 million. This was mainly due to a rise in the market value of investments in securities.

Current and long-term liabilities decreased ¥48,428 million from a year earlier to ¥1,005,881 million, partly due to the repayment of interest-bearing debt.

Net assets were up ¥63,156 million to ¥489,740 million. This was mainly due to increases in retained earnings and net unrealized holding gain on other securities.

Cash Flows

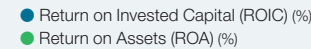
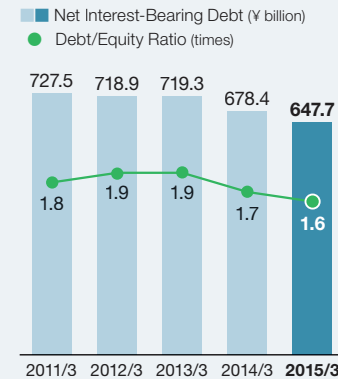
Consolidated cash and cash equivalents (“cash”) decreased ¥13,147 million from the end of March 2014 to ¥84,002 million at the end of March 2015.

Net cash provided by operating activities increased ¥6,083 million year-on-year to ¥81,846 million.

Net cash used in investing activities increased ¥17,622 million year-on-year to ¥42,483 million. The main factors in this change were a decrease in proceeds from sales of investments in other securities and an increase in purchases of investments in other securities, offset by proceeds from sales of noncurrent assets.

Net cash used in financing activities decreased ¥12,743 million year-on-year to ¥52,744 million, mainly reflecting the Company’s repayment of interest-bearing debt.

Trends in Nippon Paper Group’s cash flow indicators are presented at right.



	2011/3	2012/3	2013/3	2014/3	2015/3
Equity ratio (%)	25.9	23.8	26.2	28.6	32.5
Equity ratio based on market capitalization (%)	13.1	13.1	11.3	15.2	14.0
Interest-bearing debt/cash flow (times)	7.2	13.9	12.6	10.2	8.9
Interest coverage ratio (times)	10.2	5.1	5.4	6.4	7.7

Notes:

- All indicators are calculated based on consolidated financial figures.
- Market capitalization is calculated by multiplying the closing share price at year-end by the number of shares outstanding at year-end, not including treasury shares.
- Calculations that include operating cash flow use cash flow from operating activities as recorded in the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheets on which the Company is paying interest. Calculations that include interest paid use interest expense as recorded in the consolidated statements of cash flows.

- Equity ratio = (Year-end shareholders' equity + Year-end accumulated other comprehensive income) / Year-end total assets × 100
- Equity ratio based on market capitalization = Market capitalization / Year-end total assets × 100
- Interest-bearing debt/cash flow = Interest-bearing debt / Operating cash flow
- Interest coverage ratio = Operating cash flow / Interest paid

Business and Other Risk Factors

The Group has identified the following factors as risks that could affect Nippon Paper Group's business performance and financial position:

(1) Product demand and market conditions

Nippon Paper Group engages in the mainstay pulp and paper, paper-related, wood products and construction related, and other businesses. 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.

(2) Manufacturing conditions

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.

(3) Foreign exchange

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 (wood chips, 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.

(4) Raw material and fuel prices

Nippon Paper Group purchases raw materials and fuels such as wood chips, waste paper, heavy oil, coal and chemicals to manufacture and sell products such as paper, pulp and others. 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.

(5) Stock prices

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. Such fluctuations could also affect retirement benefit expenses because of their impact on pension assets.

(6) Interest rates

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.

(7) Overseas business

Nippon Paper Group manufactures pulp and paper and operates forestry plantations and other businesses overseas in North America, South America, Scandinavia, China, Southeast Asia and Australia, etc. Although the Group takes the utmost care to minimize overseas business risk, unforeseen circumstances in those locations could affect the Group's business performance and financial position.

(8) Litigation

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.

(9) Impairment of fixed assets

Nippon Paper Group owns fixed assets such as production facilities and land and is at risk of a fall in the value of these assets, which could affect the Group's business performance and financial position.

(10) Natural disasters

In the wake of major natural disasters, including earthquakes, occurring near production and sales sites, Nippon Paper Group's performance and financial position could be negatively affected by unanticipated costs associated with repairing damage to production equipment or facilities and distribution infrastructure, as well as opportunity losses from production shutdowns and damage to products, merchandise and raw materials.

(11) Credit risk

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.

(12) Other risks associated with changes in business conditions, etc.

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, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014/3	2015/3	2015/3
Assets			
Current assets			
Cash and deposits.....	¥ 97,247	¥ 84,100	\$ 700,833
Notes and accounts receivable-trade	201,713	193,481	1,612,342
Merchandise and finished goods	81,465	86,898	724,150
Work in process.....	16,884	18,204	151,700
Raw materials and supplies	52,899	57,952	482,933
Deferred tax assets.....	16,273	12,650	105,417
Other	39,194	31,626	263,550
Allowance for doubtful receivables	(261)	(416)	(3,467)
Total current assets	505,417	484,498	4,037,483
Noncurrent assets			
Property, plant and equipment			
Buildings and structures.....	491,774	492,409	4,103,408
Accumulated depreciation.....	(348,323)	(354,000)	(2,950,000)
Buildings and structures, net.....	143,450	138,409	1,153,408
Machinery, equipment and vehicles.....	2,164,286	2,176,031	18,133,592
Accumulated depreciation.....	(1,849,355)	(1,875,709)	(15,630,908)
Machinery, equipment and vehicles, net	314,930	300,322	2,502,683
Land	223,863	223,696	1,864,133
Mountain forests and plantations	21,295	20,951	174,592
Construction in progress.....	14,649	21,221	176,842
Other	69,644	69,309	577,575
Accumulated depreciation.....	(58,655)	(58,504)	(487,533)
Other, net.....	10,989	10,805	90,042
Total property, plant and equipment ...	729,179	715,406	5,961,717
Intangible assets.....	21,804	18,992	158,267
Investments and other assets			
Investments in securities	201,973	252,079	2,100,658
Net defined benefit asset	1,562	4,643	38,692
Deferred tax assets.....	9,614	8,928	74,400
Other	12,524	11,915	99,292
Allowance for doubtful receivables	(1,182)	(842)	(7,017)
Total investments and other assets ...	224,493	276,724	2,306,033
Total noncurrent assets	975,477	1,011,123	8,426,025
Total assets.....	¥ 1,480,894	¥ 1,495,622	\$ 12,463,517

	Millions of yen		Thousands of U.S. dollars
	2014/3	2015/3	2015/3
Liabilities			
Current liabilities			
Notes and account payable-trade	¥ 130,997	¥ 127,856	\$ 1,065,467
Short-term loans payable.....	292,326	264,898	2,207,483
Accrued income taxes	4,561	3,141	26,175
Other	81,348	79,936	666,133
Total current liabilities.....	509,234	475,832	3,965,267
Long-term liabilities			
Bonds payable.....	48,000	63,000	525,000
Long-term loans payable	432,719	401,799	3,348,325
Deferred tax liability.....	16,031	33,961	283,008
Accrued environmental costs.....	783	539	4,492
Net defined benefit liability.....	37,650	21,154	176,283
Other	9,889	9,594	79,950
Total long-term liabilities	545,075	530,049	4,417,075
Total liabilities	1,054,309	1,005,881	8,382,342
Net assets			
Shareholders' equity			
Common stock.....	104,873	104,873	873,942
Capital surplus.....	217,105	217,104	1,809,200
Retained earnings.....	77,994	97,172	809,767
Treasury stock, at cost.....	(1,336)	(1,356)	(11,300)
Total shareholders' equity	398,636	417,794	3,481,617
Accumulated other comprehensive income			
Net unrealized holding gain on other securities	7,814	24,345	202,875
Net deferred gain on hedges.....	1,325	2,314	19,283
Translation adjustments	21,567	37,108	309,233
Remeasurements of defined benefit plans	(6,463)	4,405	36,708
Total accumulated other comprehensive income	24,244	68,173	568,108
Minority interests in consolidated subsidiaries	3,703	3,771	31,425
Total net assets.....	426,584	489,740	4,081,167
Total liabilities and net assets.....	¥ 1,480,894	¥ 1,495,622	\$ 12,463,517

Consolidated Financial Statements

Consolidated Statements of Operations

Fiscal Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014/3	2015/3	2015/3
Net sales	¥1,081,277	¥1,052,491	\$8,770,758
Cost of sales	844,603	825,576	6,879,800
Gross profit	236,674	226,915	1,890,958
Selling, general and administrative expenses			
Freightage related expenses	63,418	62,796	523,300
Sales related expenses	66,085	64,179	534,825
Salaries and allowances	44,607	43,174	359,783
Other	34,025	33,108	275,900
Total selling, general and administrative expenses	208,137	203,259	1,693,825
Operating income	28,536	23,656	197,133
Other income			
Interest income	371	324	2,700
Dividend income	1,961	1,761	14,675
Equity in earnings of affiliates	6,704	4,583	38,192
Foreign exchange gains	947	1,873	15,608
Rent income	1,431	1,487	12,392
Other	3,720	2,688	22,400
Total other income	15,138	12,719	105,992
Other expenses			
Interest expense	11,259	10,292	85,767
Other	4,227	2,879	23,992
Total other expenses	15,486	13,171	109,758
Ordinary income	28,188	23,204	193,367
Extraordinary income			
Gain on sales of noncurrent assets	5,854	19,416	161,800
Other	3,664	680	5,667
Total extraordinary income	9,519	20,097	167,475
Extraordinary loss			
Loss on retirement of noncurrent assets	2,053	2,166	18,050
Business restructuring expenses	1,356	1,438	11,983
Impairment loss	1,352	1,096	9,133
Other	2,446	1,675	13,958
Total extraordinary loss	7,209	6,375	53,125
Income before income taxes and minority interests in consolidated subsidiaries	30,498	36,925	307,708
Income taxes—current	6,210	4,207	35,058
Income taxes—deferred	1,939	9,465	78,875
Total income taxes	8,150	13,673	113,942
Income before minority interests	22,348	23,252	193,767
Minority interests in consolidated subsidiaries	(422)	68	567
Net income	¥ 22,770	¥ 23,183	\$ 193,192

Consolidated Statements of Comprehensive Income

Fiscal Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014/3	2015/3	2015/3
Income before minority interests	¥22,348	¥23,252	\$193,767
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	2,960	16,264	135,533
Net deferred gain (loss) on hedges	(1,043)	893	7,442
Translation adjustments	6,007	5,198	43,317
Remeasurements of defined benefit plans, net of tax	—	10,222	85,183
Share of other comprehensive income of affiliates accounted for using the equity method	11,591	11,464	95,533
Total other comprehensive income	19,516	44,042	367,017
Comprehensive income	¥41,864	¥67,295	\$560,792
(Details)			
Comprehensive income attributable to shareholders	¥42,049	¥67,112	\$559,267
Comprehensive income attributable to minority interests	(184)	182	1,517

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

Fiscal Years Ended March 31, 2014 and 2015

	Number of shares of issued common stock (Shares)	Shareholders' equity					Accumulated other comprehensive income							Total net assets
		Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Net deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	
Balance at April 1, 2013	116,254,892	¥ 49,143	¥ 183,639	¥ 72,942	¥ —	¥ 305,725	¥ 6,166	¥ 1,810	¥ 18,827	¥ (8,490)	¥ —	¥ 18,314	¥ 3,676	¥ 327,715
Balance at beginning of year of the Company (surviving company of the absorption-type merger).....		(49,143)	(183,639)	(72,942)	—	(305,725)	(6,166)	(1,810)	(18,827)	8,490	—	(18,314)	(3,676)	(327,715)
Balance at beginning of year on the consolidated financial statements assumed by the Company		104,873	217,106	60,705	(1,308)	381,376	4,708	1,810	—	4,811	—	11,330	3,753	396,460
Changes of items during the period														
Cash dividends paid.....		—	—	(4,633)	—	(4,633)	—	—	—	—	—	—	—	(4,633)
Net income		—	—	22,770	—	22,770	—	—	—	—	—	—	—	22,770
Purchase of treasury stock.....		—	—	—	(33)	(33)	—	—	—	—	—	—	—	(33)
Disposition of treasury stock.....		—	(0)	—	5	4	—	—	—	—	—	—	—	4
Changes in scope of consolidation.....		—	—	(847)	—	(847)	—	—	—	—	—	—	—	(847)
Change in treasury stock due to changes in equity in affiliates accounted for by equity method		—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Changes in items other than shareholders' equity, net		—	—	—	—	—	3,106	(485)	—	16,756	(6,463)	12,914	(50)	12,864
Total changes of items during the period.....		—	(0)	17,289	(27)	17,260	3,106	(485)	—	16,756	(6,463)	12,914	(50)	30,124
Balance at March 31, 2014	116,254,892	¥104,873	¥ 217,105	¥ 77,994	¥(1,336)	¥ 398,636	¥ 7,814	¥ 1,325	—	¥ 21,567	¥ (6,463)	¥ 24,244	¥ 3,703	¥ 426,584
Balance at April 1, 2014	116,254,892	¥104,873	¥ 217,105	¥ 77,994	¥(1,336)	¥ 398,636	¥ 7,814	¥ 1,325	—	¥ 21,567	¥ (6,463)	¥ 24,244	¥ 3,703	¥ 426,584
Cumulative effects of changes in accounting policies		—	—	1,784	—	1,784	—	—	—	—	—	—	5	1,790
Restated balance.....		104,873	217,105	79,779	(1,336)	400,421	7,814	1,325	—	21,567	(6,463)	24,244	3,708	428,375
Changes of items during the period														
Cash dividends paid.....		—	—	(5,790)	—	(5,790)	—	—	—	—	—	—	—	(5,790)
Net income		—	—	23,183	—	23,183	—	—	—	—	—	—	—	23,183
Purchase of treasury stock.....		—	—	—	(23)	(23)	—	—	—	—	—	—	—	(23)
Disposition of treasury stock.....		—	(0)	—	4	3	—	—	—	—	—	—	—	3
Change in treasury stock due to changes in equity in affiliates accounted for by equity method		—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Changes in items other than shareholders' equity, net		—	—	—	—	—	16,530	988	—	15,540	10,868	43,929	63	43,992
Total changes of items during the period.....		—	(0)	17,392	(19)	17,373	16,530	988	—	15,540	10,868	43,929	63	61,365
Balance at March 31, 2015	116,254,892	¥104,873	¥ 217,104	¥ 97,172	¥(1,356)	¥ 417,794	¥24,345	¥ 2,314	¥ —	¥ 37,108	¥ 4,405	¥ 68,173	¥ 3,771	¥ 489,740

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Net deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	
Balance at April 1, 2014	\$873,942	\$1,809,208	\$649,950	\$(11,133)	\$3,321,967	\$ 65,117	\$11,042	—	\$179,725	\$(53,858)	\$202,033	\$30,858	\$3,554,867
Cumulative effects of changes in accounting policies	—	—	14,867	—	14,867	—	—	—	—	—	—	42	14,917
Restated balance.....	873,942	1,809,208	664,825	(11,133)	3,336,842	65,117	11,042	—	179,725	(53,858)	202,033	30,900	3,569,792
Changes of items during the period													
Cash dividends paid.....	—	—	(48,250)	—	(48,250)	—	—	—	—	—	—	—	(48,250)
Net income	—	—	193,192	—	193,192	—	—	—	—	—	—	—	193,192
Purchase of treasury stock.....	—	—	—	(192)	(192)	—	—	—	—	—	—	—	(192)
Disposition of treasury stock.....	—	(0)	—	33	25	—	—	—	—	—	—	—	25
Change in treasury stock due to changes in equity in affiliates accounted for by equity method	—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Changes in items other than shareholders' equity, net	—	—	—	—	—	137,750	8,233	—	129,500	90,567	366,075	525	366,600
Total changes of items during the period.....	—	(0)	144,933	(158)	144,775	137,750	8,233	—	129,500	90,567	366,075	525	511,375
Balance at March 31, 2015	\$873,942	\$1,809,200	\$809,767	\$(11,300)	\$3,481,617	\$202,875	\$19,283	—	\$309,233	\$36,708	\$568,108	\$31,425	\$4,081,167

Note: On April 1, 2013, Nippon Paper Industries Co., Ltd. merged with and absorbed its parent company, Nippon Paper Group, Inc., and assumed the consolidated financial statements of Nippon Paper Group, Inc.

Consolidated Financial Statements

Consolidated Statements of Cash Flows

Fiscal Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014/3	2015/3	2015/3
Operating activities			
Income (loss) before income taxes and minority interests in consolidated subsidiaries.....	¥ 30,498	¥ 36,925	\$ 307,708
Depreciation	63,181	61,374	511,450
Amortization of goodwill	2,284	2,352	19,600
Increase (decrease) in allowance for doubtful receivables	(205)	136	1,133
Increase (decrease) in net defined benefit liability	(391)	(2,628)	(21,900)
Increase (decrease) in accrued environmental costs	244	(244)	(2,033)
Interest and dividend income.....	(2,333)	(2,086)	(17,383)
Interest expense.....	11,259	10,292	85,767
Equity in (earnings) losses of affiliates	(6,704)	(4,583)	(38,192)
Net loss (gain) on sales of noncurrent assets	(5,854)	(19,416)	(161,800)
Net loss on disposal of noncurrent assets	2,053	2,166	18,050
Business restructuring expenses	1,356	1,438	11,983
Impairment loss	1,352	1,096	9,133
Decrease (increase) in receivables	(230)	8,853	73,775
Decrease (increase) in inventories	1,069	(10,443)	(87,025)
Increase (decrease) in payables	(9,499)	(3,911)	(32,592)
Other	153	13,891	115,758
Subtotal	88,233	95,211	793,425
Interest and dividends received	4,703	4,808	40,067
Interest paid	(11,771)	(10,624)	(88,533)
Payments for supplementary retirement benefits	(8)	(1,262)	(10,517)
Income taxes paid	(5,392)	(6,285)	(52,375)
Net cash provided by (used in) operating activities.....	¥ 75,763	¥ 81,846	\$ 682,050

	Millions of yen		Thousands of U.S. dollars
	2014/3	2015/3	2015/3
Investing activities			
Purchases of time deposits	¥ (100)	¥ (100)	\$ (833)
Withdrawals of time deposits.....	100	100	833
Purchases of noncurrent assets	(51,414)	(48,692)	(405,767)
Proceeds from sales of noncurrent assets	7,218	19,346	161,217
Purchases of investments in other securities.....	(673)	(12,972)	(108,100)
Proceeds from sales of investments in other securities.....	15,214	558	4,650
Proceeds from redemption of investments in securities	2,500	—	—
Decrease (increase) in short-term loans receivable	(138)	(275)	(2,292)
Payments of long-term loans receivable	(126)	(187)	(1,558)
Collection of long-term loans receivable	305	337	2,808
Other	2,253	(598)	(4,983)
Net cash provided by (used in) investing activities.....	(24,861)	(42,483)	(354,025)
Financing activities			
Increase (decrease) in short-term loans payable.....	4,817	9,714	80,950
Proceeds from long-term loans payable	4,061	35,577	296,475
Repayment of long-term loans payable	(68,531)	(106,116)	(884,300)
Proceeds from issuance of bonds	—	15,000	125,000
Purchases of treasury stock	(33)	(23)	(192)
Proceeds from sales of treasury stock	1	1	8
Cash dividends paid.....	(4,662)	(5,797)	(48,308)
Repayment to minority shareholders.....	(81)	(83)	(692)
Finance lease principal payments	(1,058)	(1,015)	(8,458)
Net cash provided by (used in) financing activities	(65,487)	(52,744)	(439,533)
Effect of exchange rate changes on cash and cash equivalents	768	233	1,942
Increase (decrease) in cash and cash equivalents	(13,816)	(13,146)	(109,550)
Cash and cash equivalents at beginning of year.....	109,870	97,149	809,575
Cash and cash equivalents at beginning of year of the Company (surviving company of the absorption-type merger).....	(109,870)	—	—
Cash and cash equivalents at beginning of year on the consolidated financial statements assumed by the Company	110,813	—	—
Increase due to inclusion of certain subsidiaries in consolidation	152	—	—
Cash and cash equivalents at end of year	¥ 97,149	¥ 84,002	\$ 700,017

Consolidated Subsidiaries and Equity-Method Affiliates (As of March 31, 2015)

Pulp & Paper

Consolidated Subsidiaries	Capital (¥ million)	Location	Share of voting rights (%)
Nippon Paper Crecia Co., Ltd.	3,067	Japan	100.00
Nippon Paper Papylia Co., Ltd.	3,949	Japan	100.00
Paper Australia Pty Ltd. (and its 7 subsidiaries)	AUD1,000 662,280	Australia	100.00
NP Trading Co., Ltd.	1,000	Japan	98.35
Kokuei Paper Co., Ltd.	100	Japan	100.00
SUN OAK CO., LTD.	75	Japan	100.00
Kitakami Paper Co., Ltd.	300	Japan	62.90
Daishowa North America Corporation	CAD1,000 165,800	Canada	100.00
Nippon Paper Industries USA Co., Ltd.	USD1,000 53	U.S.A.	100.00
Dyna Wave Holding Asia	HKD1,000 1	The British Cayman Islands	100.00
Jujo Thermal Oy	EURO1,000 7,651	Finland	100.00
Equity-method Affiliates			
North Pacific Paper Corporation	USD1,000 28	U.S.A.	50.00
Daishowa-Marubeni International Ltd.	CAD1,000 262,000	Canada	50.00
Kyodo Paper Holdings Co., Ltd.	2,381	Japan	31.04
Lee & Man Paper Manufacturing Limited ¹	HKD1,000 116,750	The British Cayman Islands	15.39
Phoenix Pulp and Paper Plc.	THB1,000 2,206	Thailand	23.08

Paper-Related

Consolidated Subsidiaries	Capital (¥ million)	Location	Share of voting rights (%)
Sakurai Co., Ltd.	120	Japan	54.49
Nippon Seitai Corporation	424	Japan	100.00
Flowric Co., Ltd.	172	Japan	100.00
Equity-method Affiliates			
Daishowa Paper Converting Co., Ltd.	235	Japan	44.68
Dixie Japan Co., Ltd.	1,059	Japan	44.41
Nippon Tokan Package Co., Ltd.	700	Japan	45.00
Lintec Corporation	23,201	Japan	31.00

Wood Products and Construction Related

Consolidated Subsidiaries	Capital (¥ million)	Location	Share of voting rights (%)
Nippon Paper Lumber Co., Ltd.	440	Japan	100.00
Nippon Paper Unitec Co., Ltd.	40	Japan	100.00
Kokusaku Kiko Co., Ltd.	60	Japan	100.00
Nippon Paper Ishinomaki Technology Co., Ltd.	40	Japan	100.00
Kunimoku House Co., Ltd.	20	Japan	100.00
PAL Wood Material	50	Japan	100.00
PAL Co., Ltd.	50	Japan	100.00
N&E Co., Ltd.	3,750	Japan	70.00
Daishowa Uniboard Co., Ltd.	490	Japan	100.00
South East Fibre Exports Pty. Ltd.	AUD1,000 7,500	Australia	62.50
Nanei Co., Ltd.	30	Japan	100.00
Nichimoku Fancy Materials Co., Ltd.	50	Japan	100.00
Nippon Paper Resources Australia Pty. Ltd.	AUD1,000 26,500	Australia	100.00

Other

Consolidated Subsidiaries	Capital (¥ million)	Location	Share of voting rights (%)
Nanko Unyu Co., Ltd.	160	Japan	100.00
Kyokushin Transport Co., Ltd.	80	Japan	100.00
Nippon Paper Logistics Co., Ltd.	70	Japan	100.00
Hotoku Co., Ltd.	25	Japan	100.00
Shikoku Coca-Cola Bottling Co., Ltd. ² (and its 3 subsidiaries)	5,576	Japan	100.00
Nippon Paper Development Co., Ltd.	710	Japan	100.00
GAC CO., LTD.	480	Japan	100.00
Equity-method Affiliates			
Resources Co., Ltd. ²	40	Japan	44.00
Chiyoda SVAC CO., LTD.	200	Japan	32.50

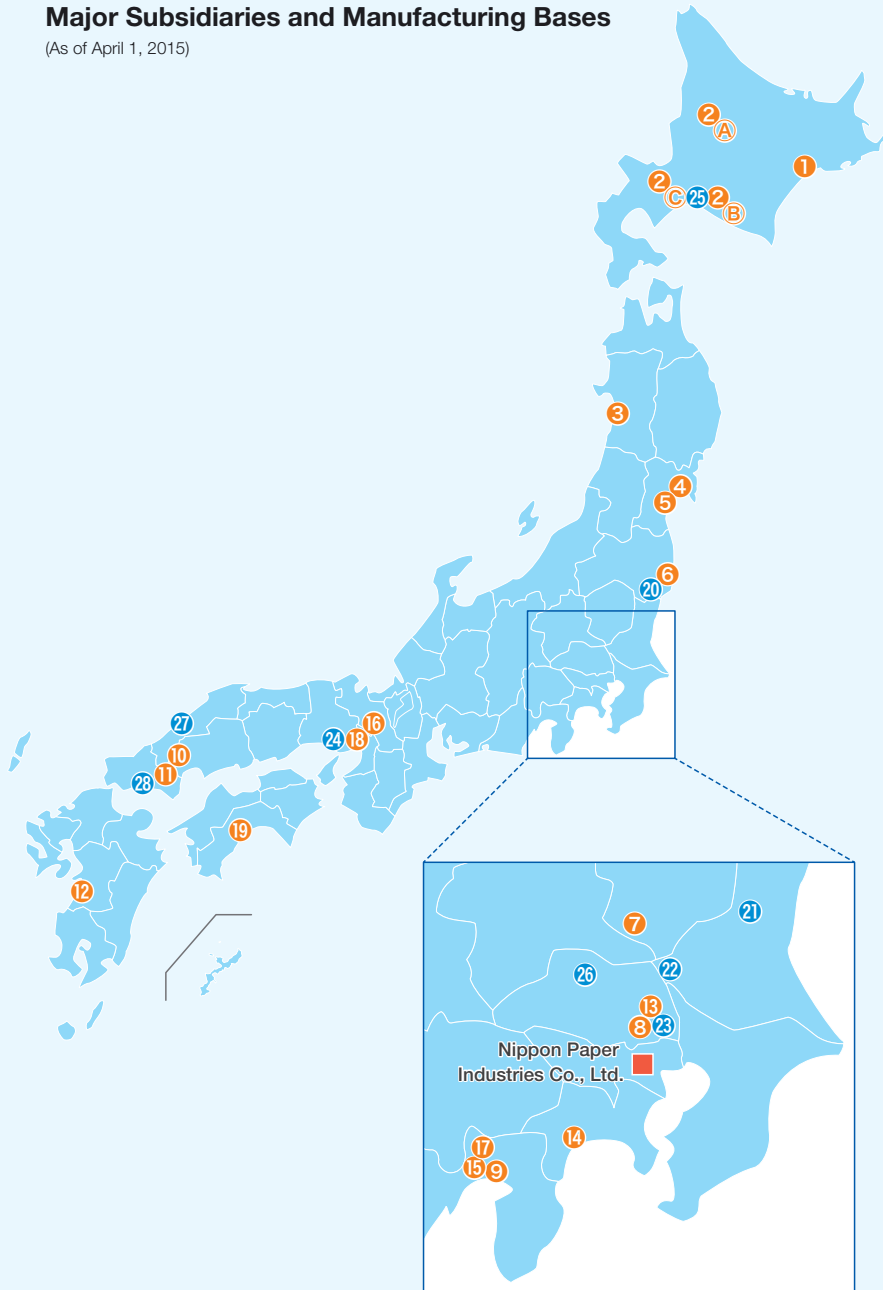
Notes: 1. The Company sold all of its shares in Lee & Man Paper Manufacturing Limited on April 24, June 12 and June 25, 2015.

2. The Company transferred all of its shares in Shikoku Coca-Cola Bottling Co., Ltd. on June 18, 2015.

Domestic Network

Major Subsidiaries and Manufacturing Bases

(As of April 1, 2015)



Pulp and Paper

Nippon Paper Industries Co., Ltd.

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo
101-0062, Japan
Tel: +81-3-6665-1111
Fax: +81-3-6665-0300

- ① Kushiro Mill (Hokkaido)
- ② Hokkaido Mill (Hokkaido)
- Ⓐ Asahikawa
- Ⓑ Yufutsu
- Ⓒ Shiraoi
- ③ Akita Mill (Akita)
- ④ Ishinomaki Mill (Miyagi)
- ⑤ Iwanuma Mill (Miyagi)
- ⑥ Nakoso Mill (Fukushima)
- ⑦ Ashikaga Mill (Tochigi)
- ⑧ Soka Mill (Saitama)
- ⑨ Fuji Mill (Shizuoka)
- ⑩ Otake Mill (Hiroshima)
- ⑪ Iwakuni Mill (Yamaguchi)
- ⑫ Yatsushiro Mill (Kumamoto)

Nippon Paper Crecia Co., Ltd.

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo
101-0062, Japan
Tel: +81-3-6665-5300, Fax: +81-3-6665-0370

- ⑬ Tokyo Mill (Saitama)
- ⑭ Kaisei Mill (Kanagawa)
- ⑮ Koyo Mill (Shizuoka)
- ⑯ Kyoto Mill (Kyoto)

Nippon Paper Papyrus Co., Ltd.

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo
101-0062, Japan
Tel: +81-3-6665-5800, Fax: +81-3-3251-1878

- ⑰ Harada Mill (Shizuoka)
- ⑱ Suita Mill (Osaka)
- ⑲ Kochi Mill (Kochi)

NP Trading Co., Ltd.

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo
101-0062, Japan
Tel: +81-3-6665-7032

Paper-Related

Paper-Pak Business Subsidiaries

- ⑳ NAKOSO FILM CO., LTD. (Fukushima)
- ㉑ ISHIOKA KAKO CO., LTD. (Ibaraki)
- ㉒ EGAWA PAPER-PAK CO., LTD. (Ibaraki)
- ㉓ SOKA PAPER-PAK CO., LTD. (Saitama)
- ㉔ MIKI PAPER-PAK CO., LTD. (Hyogo)

Chemical Division, Nippon Paper Industries Co., Ltd.

- ㉕ Yufutsu Mill (Hokkaido)
- ㉖ Higashimatsuyama Mill (Saitama)
- ㉗ Gotsu Mill (Shimane)
- ㉘ Iwakuni Mill (Yamaguchi)

Wood Products and Construction Related

Nippon Paper Lumber Co., Ltd.

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo
101-0062, Japan
Tel: +81-3-6665-7500, Fax: +81-3-6665-0390

Other

Nippon Paper Development Co., Ltd.

1-1-9, Horifune, Kita-ku, Tokyo
114-8555, Japan
Tel: +81-3-3914-6161, Fax: +81-3-3914-3706

Overseas Network

Overseas Branches and Offices

(As of April 1, 2015)



Pulp and Paper

Nippon Paper Industries Co., Ltd.

- | | |
|---|---|
| ① Longview Office
Longview, WA, U.S.A. | ⑤ Pietermaritzburg Office
Pietermaritzburg, Republic of
South Africa |
| ② Bangkok Representative Office
Bangkok, Thailand | ⑥ Europe Office
Neuss, Germany |
| ③ China Office
Shanghai, China | |
| ④ Concepción Office
Concepción, Chile | |

NP Trading Co., Ltd.

- | |
|--|
| ⑦ Jakarta Office
Jakarta, Indonesia |
| ⑧ Malaysia Office
Selangor, Malaysia |
| ⑨ Hochiminh Office
Ho Chi Minh City, Vietnam |
| ⑩ Taiwan Office
Tainan, Taiwan R.O.C |

Major Overseas Subsidiaries and Affiliates (As of April 1, 2015)

ASIA



- 1 Nippon Paper-Pak Trading Shanghai Co., Ltd.
Shanghai, China
- 2 Everwealth Paper Industries (Shanghai) Co., Ltd.
Shanghai, China

Nippon Paper Industries Trading (Shanghai) Co., Ltd.

- 3 Shanghai Office
Shanghai, China
- 4 Beijing Office
Beijing, China
- 5 Paper Products Marketing (Singapore) Pte. Ltd.
Singapore
- 6 Paper Products Marketing Pty. Ltd. (Malaysia Branch)
Selangor, Malaysia
- 7 Paper Products Marketing (Hong Kong) Ltd.
Wanchai, Hong Kong
- 8 Paper Products Marketing (Taiwan) Ltd.
Taipei, Taiwan

- 9 NP Trading Co., (H.K.) Ltd.
Wanchai, Hong Kong
- 10 NP Trading (S) Pte. Ltd.
Singapore
- 11 NP Trading (Bangkok) Co., Ltd.
Bangkok, Thailand
- 12 San-Mic Trading Co., (Shenzhen) Ltd.
Shenzhen City P.R.O., China
- 13 Siam Nippon Industrial Paper Co., Ltd.
Ban Pong, Thailand

OCEANIA



- 1 South East Fibre Exports Pty. Ltd.
Eden, N.S.W., Australia
- 2 Nippon Paper Resources Australia Pty. Ltd.
Mt. Waverley, Victoria, Australia
- 3 Paper Australia Pty. Ltd.
Mt. Waverley, Victoria, Australia
- 4 Paper Products Marketing Pty. Ltd.
Mt. Waverley, Victoria, Australia

NORTH AND SOUTH AMERICA



- 1 North Pacific Paper Corporation
Longview, WA, U.S.A.
- 2 Nippon Paper Industries USA Co., Ltd.
Port Angeles, WA, U.S.A.
- 3 Daishowa North America Corporation
Port Angeles, WA, U.S.A.
- 4 Daishowa-Marubeni International Ltd.
Vancouver, B.C., Canada
- 5 Paper Products Marketing (USA) Inc.
Portland, OR, U.S.A.
- 6 Volterra S.A.
Concepción, Chile
- 7 Amapa Florestal e Celulose S.A.
Santana AP, Brazil

EUROPE



- 1 Jujo Thermal Oy
Kauttua, Finland
- 2 PPM Fröhlen-Reddemann GmbH
Neuss, Germany

AFRICA



- 1 Nippon-SC Tree Farm S.A. (Pty) Ltd.
Parklands, Republic of South Africa

Corporate Profile (As of March 31, 2015)

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	4,956 non-consolidated 12,771 consolidated
Capital	¥104,873 million

Corporate history

February 1873	Established Shoshi Kaisha
November 1893	Shoshi Kaisha changed its trade name to Oji Paper Company
June 1938	Established Kokusaku Pulp Co., Ltd.
September 1938	Daishowa Paper Manufacturing Co., Ltd., started operation.
November 1946	Established Sanyo Pulp Co., Ltd.
August 1949	Established Jujo Paper Co., Ltd., due to dissolution of Oji Paper
March 1972	Sanyo Pulp merged with Kokusaku Pulp into Sanyo-Kokusaku Pulp Co., Ltd.
April 1993	Jujo Paper merged with Sanyo-Kokusaku Pulp into Nippon Paper Industries Co., Ltd.
March 2001	Nippon Paper Industries and Daishowa Paper Manufacturing integrated management and established Nippon Unipac Holding
October 2004	Nippon Unipac Holding changed its trade name to Nippon Paper Group, Inc.
April 2013	Nippon Paper Group, Inc. merged with Nippon Paper Industries and started operation as Nippon Paper Industries

Stock Information (As of March 31, 2015)

Shares

Number of shares authorized to be issued	300,000,000 shares
Number of shares issued	116,254,892 shares <small>(Including 305,352 shares of treasury stock)</small>
Number of shareholders	81,946

Major shareholders

Name	Shares held	Shareholding ratio (%)*
Japan Trustee Services Bank, Ltd. (Trust Account)	8,419,600	7.26
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,063,500	4.37
Mizuho Bank, Ltd.	4,341,855	3.74
Rengo Co., Ltd.	3,351,241	2.89
Nippon Paper Industries Co., Ltd. Employee Share Ownership	3,318,529	2.86
Nippon Life Insurance Company	3,091,365	2.67
Mitsui Life Insurance Company Limited	2,258,900	1.95
Sumitomo Mitsui Banking Corporation	1,993,846	1.72
THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT	1,957,802	1.69
THE BANK OF NEW YORK 133522	1,951,877	1.68

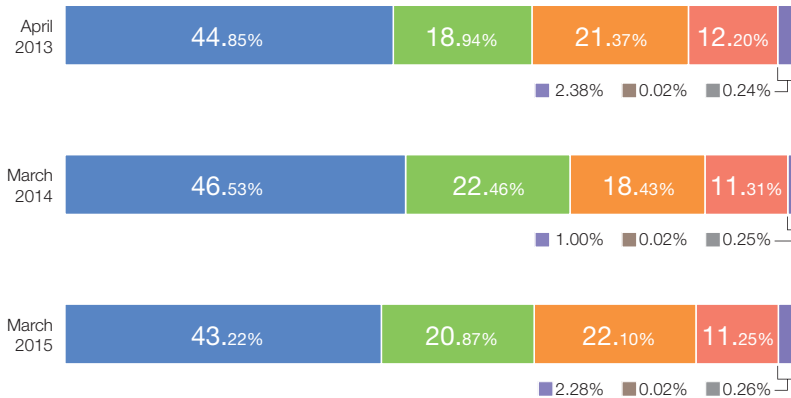
*The shareholding ratio was calculated after deducting 305,352 shares of treasury stock.

Investor Information

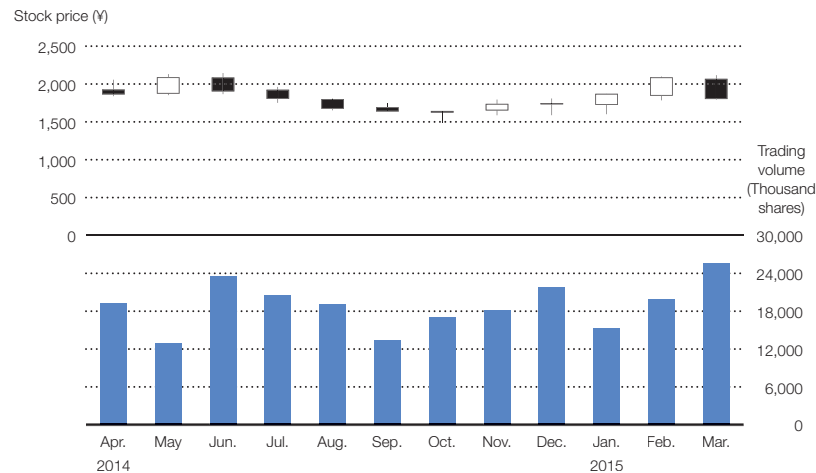
Company name	Nippon Paper Industries Co., Ltd.
Securities code	3863
Listings	Tokyo Stock Exchange
Fiscal year	April 1 to March 31
Ordinary General Meeting of Shareholders	Within three months of the day following the fiscal year-end
Register and transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Contact for inquiry and mailing address	Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Phone: 0120-78-2031 (Toll free in Japan)
Independent auditor	Ernst & Young ShinNihon LLC

Share ownership by shareholder category

■ Financial institutions ■ Foreign investors ■ Individuals and others ■ Other domestic corporations
■ Securities companies ■ Government and municipalities ■ Treasury stock

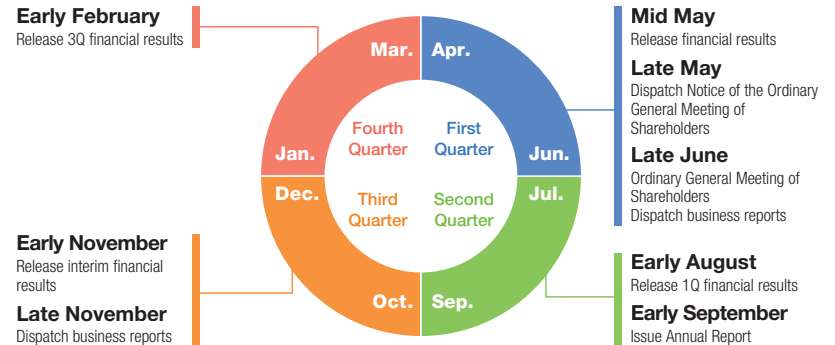


Stock price and trading volume trends



IR Calendar

Note: The schedule may change without notice.



Types of Paper Utilized in This Annual Report

- Cover: Esprit C Bulky W (190.0 g/m²) produced by Nippon Paper Industries Co., Ltd.
- Contents: U-light (special make) (127.9 g/m²) produced by Nippon Paper Industries Co., Ltd.