



Nippon Paper Industries Co., Ltd.

4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo 101-0062, Japan

TEL +81-3-6665-1111

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

SHAPING THE FUTURE WITH TREES

NIPPON PAPER INDUSTRIES CO., LTD.

ANNUAL REPORT 2017

Securities Code: 3863



SHAPING THE FUTURE WITH TREES

ANNUAL REPORT 2017

For the Fiscal Year Ended March 31, 2017

Nippon Paper Industries Co., Ltd.

(Securities Code: 3863)

To shape the future with trees

The identity of the Nippon Paper Group is “with trees.” At the heart of our Group Mission is our belief in the possibilities of paper and the consistent contribution we have made to people’s lives and culture throughout our history. By applying our technology and expertise to maximize the value of renewable forest resources, we will continue to contribute to better living and cultural progress around the world.

Mission

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

Vision

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

Values

Challenge: Embrace new challenges

Fairness: Be fair

Teamwork: Champion teamwork

Slogan

Shaping the future with trees



as a comprehensive biomass company,

Wood is a renewable resource that is characterized by its diverse applications, and makes possible the creation of some of the leading materials of our generation. As a comprehensive biomass company, Nippon Paper operates a broad range of businesses, from products using wood fiber as the raw material such as paper, packaging and healthcare goods through to businesses that take full advantage of wood components, such as creating chemical products, producing lumber and construction materials and providing energy services. These businesses also contribute to mitigation of global warming, preservation of biodiversity and prevention of resource depletion.

Foundation and Strengths

Wood Resources

Annual amount used:
approx. 4.5 million BDT¹
Company-owned forests
in Japan and overseas:
approx. 180,000
hectares²

Technology

Number of patents:
263³

Network

Group:
159 companies⁴

Customers

Domestic share
Paper:
29.2% (No. 1)⁵
Paperboard:
19.1% (No. 3)⁵

1. (Bone dry tonnes) Amount used in domestic pulp and paper business 2. As of March 31, 2016
3. Number of patents in FY2016/3 4. Subsidiaries and affiliated companies as of March 31, 2017 5. Calendar year 2016

A Variety of Businesses

Paper

Paperboard

Healthcare

Packaging

Chemical
Products

Energy

Wood Products and
Building Materials

Agriculture

Leisure and
Others

we will create new value by transforming our business structure.

Under its Fifth Medium-Term Business Plan covering the three years ending in March 2018, the Nippon Paper Group is transforming its business structure by reallocating its resources to growth businesses and growth areas in addition to strengthening its existing business centered on paper. By leveraging the Nippon Paper Group's network of approximately 160 companies, we are seeking to create unprecedented value through the development of promising new materials, such as cellulose nanofiber (CNF), that will help to bring about a sustainable society.

Outline of Fifth Medium-Term Business Plan

① Enhance competitiveness of existing businesses

Maintain stable quality and operation and slash costs

② Transform our business structure

Expand business in growth areas and create new businesses

FY16/3

FY17/3

FY18/3

Transform our business structure

Expand business in growth areas and
make new businesses competitive

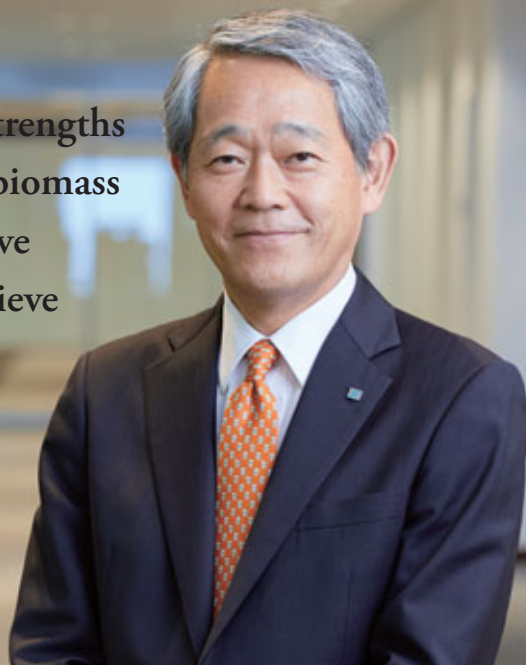
Reallocate management resources

(People, materials, money and information)

Enhance competitiveness of existing businesses

Support earnings

**We will utilize our strengths
as a comprehensive biomass
company to help solve
social issues and achieve
our own growth.**



The Nippon Paper Group is a comprehensive biomass company that consistently creates new value from its core technologies for making paper from trees. Today, the Group's businesses cover eco-friendly paper cartons, healthcare products that meet the needs of an aging society, and a variety of new materials, including cellulose nanofiber and a packaging material with barrier properties.

The common denominator of our diverse businesses is that they all use forest trees, a renewable biomass resource. That is our major advantage from the standpoint of contributing to the creation of a sustainable society. We believe that helping to solve social issues is what will ultimately lead to the growth of the Nippon Paper Group.

FY2018/3 is the final year of the Fifth Medium-Term Business Plan. In an increasingly challenging business environment, we will continue our efforts to enhance the competitiveness of our existing businesses and accelerate the transformation of our business structure. We are committed to increasing our corporate value to meet your expectations as stakeholders. We sincerely appreciate your support.

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

Contents

Introduction

To Our Stakeholders	6
FY2017/3 Highlights	8
Interview with the President	12

Feature:

Expectations for New Materials That Will Accelerate Growth.....	20
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Business Section

The Nippon Paper Group at a Glance	26
Pulp and Paper	28
Paper-Related	34
Wood Products and Construction Related / Other.....	38

Sustainability Section

Promotion of CSR Activities	40
Corporate Governance	41
Comments from Outside Officers	47
Directors and Statutory Auditors.....	48
Human Resource Initiatives.....	50
Environmental Initiatives.....	51
Initiatives for Communities and Society	52

Financial Section

Consolidated Six-Year Summary.....	54
Financial Overview	56
Business and Other Risk Factors.....	58
Consolidated Financial Statements...	60

Corporate Data

Consolidated Subsidiaries and Equity-Method Affiliates.....	68
Domestic Network	70
Overseas Network	72
Company Profile	76
Stock Information.....	77
Investor Information and IR Calendar...	79

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 its consolidated financial statements. The scope of consolidation for the Company has not changed substantially from that of Nippon Paper Group, Inc., before the merger. Accordingly, the consolidated financial information in this annual report until the fiscal year ended March 31, 2013 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.

Publisher: Nippon Paper Industries Co., Ltd. <http://www.nipponpapergroup.com/english/>

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FY2017/3 Highlights

In FY2017/3, the Japanese economy continued on a moderate growth track, buoyed by improvement in the job market and income. However, the economic outlook was clouded by uncertainty about the effects of U.S. economic policies and concerns over slower growth in China and other newly industrialized countries.

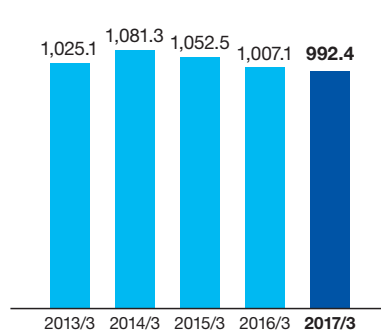
The pulp and paper industry continued to face a challenging operating environment with slack demand for paper and weakening market conditions,

coupled with rising prices for raw materials and fuel, including wastepaper.

The Nippon Paper Group responded to these conditions by steadily executing the Fifth Medium-Term Business Plan. Initiatives included selling assets, investing in growth areas such as the packaging business and exiting the printing and publishing paper business in the United States. Results for the last five fiscal years are summarized below.

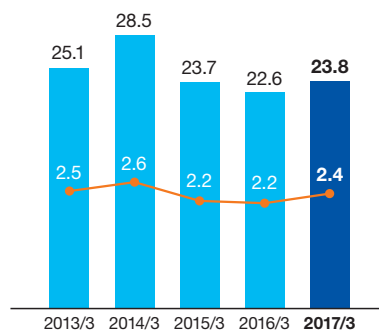
Net Sales

■ Net sales (¥ billion)



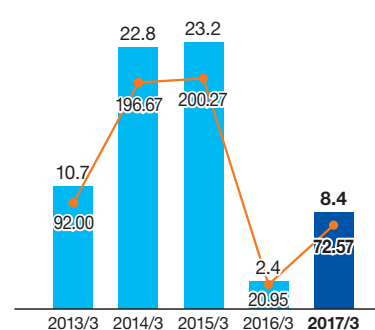
Operating Income & Operating Income Margin

■ Operating income (¥ billion)
● Operating income margin (%)



Net Income* & Net Income per Share*

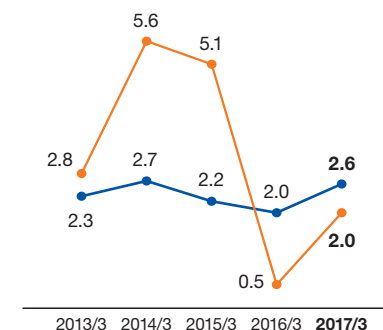
■ Net income* (¥ billion)
● Net income per share* (¥)



*Profit attributable to owners of parent

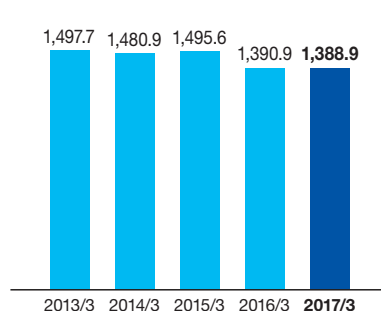
ROE & ROA

● ROE (%)
● ROA (%)



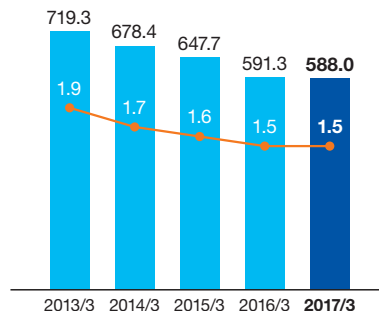
Total Assets

■ Total assets (¥ billion)



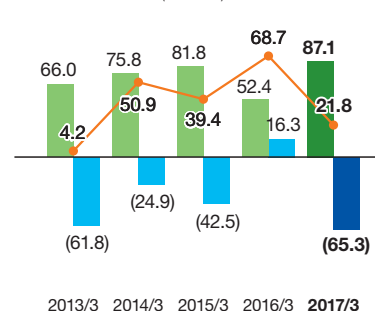
Net Interest-Bearing Debt & Debt/Equity Ratio

■ Net interest-bearing debt (¥ billion)
● Debt/equity ratio (times)



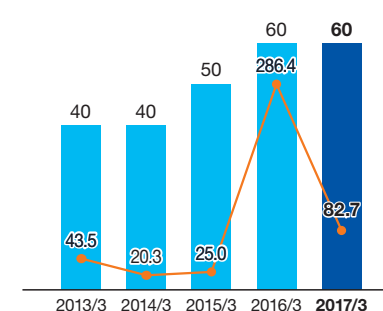
Cash Flow

■ Cash flow from operating activities (¥ billion)
■ Cash flow from investing activities (¥ billion)
● Free cash flow (¥ billion)



Cash Dividends per Share & Payout Ratio

■ Cash dividends per share (¥)
● Payout ratio (%)



Share of Paper Market in 2016 (Jan.-Dec.)

29.2%

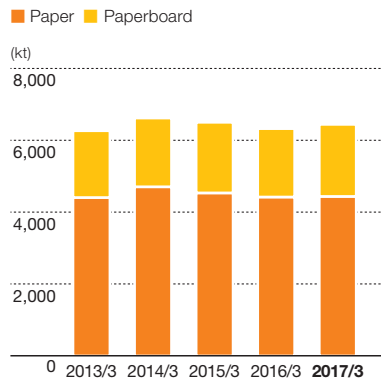
(Source: Japan Paper Association)

Share of Paperboard Market in 2016 (Jan.-Dec.)

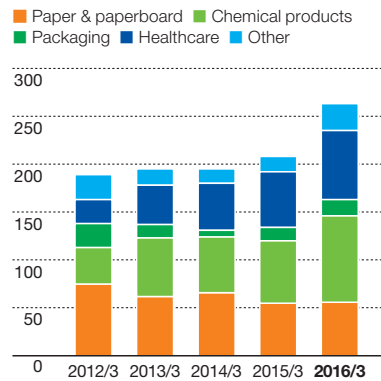
19.1%

(Source: Japan Paper Association)

Production of Nippon Paper Group



Number of Patent Applications by Nippon Paper Group



Material Balance of Domestic Pulp and Paper Business

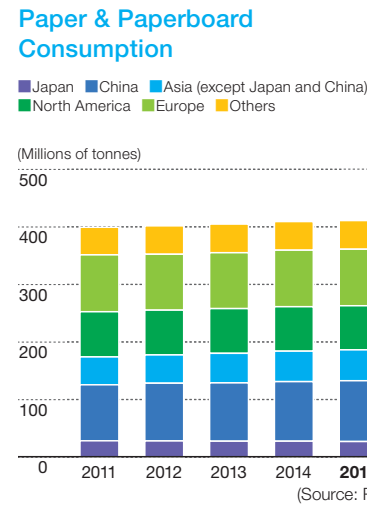
(FY2016/3)

Input	
Raw materials	
Woodchips	4,464 thousand BDt
Logs	26 thousand BDt
Pulp	355 thousand ADt
Wastepaper	3,064 thousand ADt
Water consumption	831 million tonnes
Energy	
Purchased electricity	872 GWh
Oil	158 thousand kl
Coal	2,054 thousand tonnes
Gas	95 thousand tonnes
Other non-fossil fuels	1,342 thousand tonnes
Black liquor*	3,256 thousand tonnes

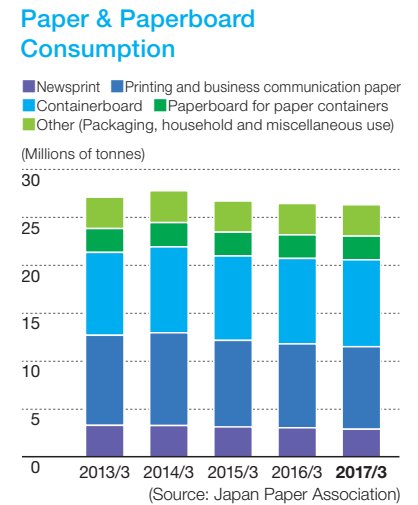
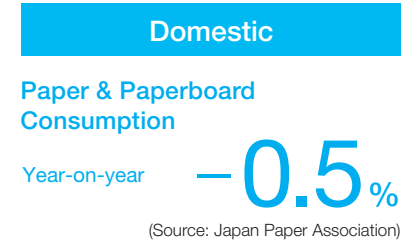
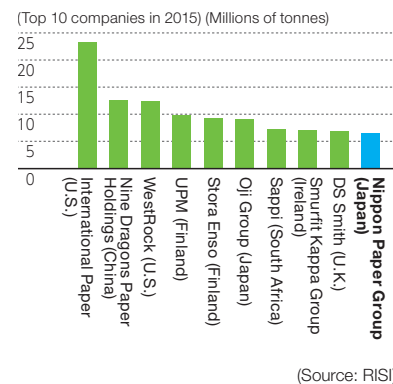
*A by-product of producing pulp from wood chips.

Output	
Paper products	
Paper and household	4.12 million tonnes
Paperboard	1.67 million tonnes
Pulp	32 thousand tonnes

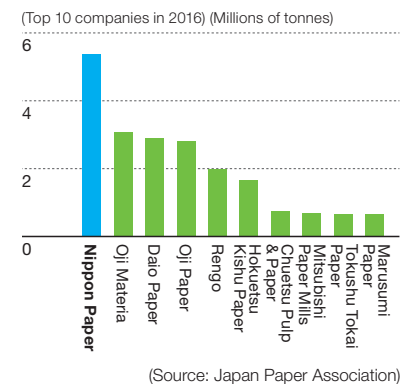
Industry Data



Paper Companies by Production Volume



Paper Companies by Production Volume





Fumio Manoshiro

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

In the final year of the Fifth Medium-Term Business Plan, we will focus on advancing to a new stage.

What are your thoughts on Nippon Paper's performance and the factors that affected it in FY2017/3?

In FY2017/3, the second year of our Fifth Medium-Term Business Plan, which covers the three years ending March 31, 2018, demand for paper continued to fall, reflecting the declining circulation of newspapers and magazines. In addition to further weakening of market conditions, wastepaper and fuel prices rose and the yen depreciated in the second half of the year, making the external environment even more difficult. We responded by announcing price adjustments for printing and business communication paper and containerboard, but the effect of those adjustments will be realized in FY2018/3. We also made cost improvements at our mills and plants. Unfortunately, we were unable to realize the effects as planned because of shutdowns due to the Kumamoto earthquakes and typhoons, and operating disruptions due to problems with boilers and other factors. As a result of these setbacks, we did not achieve our goals for “enhancing competitiveness of existing businesses,” one of the two pillars of the medium-term business plan.

On the other hand, for the other pillar of the plan, to “transform our business structure (expand business in growth areas and make new businesses competitive),” we have steadily made the necessary investments and achieved very good results, backed by rising demand for household paper and healthcare products, one of the growth sectors we are targeting. In overseas business

FY2017/3 Consolidated Results

	FY2017/3	YoY Change
Net sales	992.4	(14.7)
Operating income	23.8	1.2
Ordinary income	27.0	9.9
Net income*	8.4	6.0

*Profit attributable to owners of parent

operations, we significantly improved earnings by strengthening our asset portfolio with measures including the purchase of a liquid packaging board business in the United States (Nippon Dynawave Packaging) and the sale of assets owned by Nippon Paper Industries USA Co., Ltd.

While results with the two pillars of the plan contrasted sharply, even our steady progress in transforming our business structure was not enough to fully offset the slump in existing businesses. Even though earnings increased in comparison with the previous fiscal year, we fell short of the targets in the medium-term plan, which is very disappointing.

Our tasks in FY2018/3 are clear: We must adjust prices, stabilize mill operations and further speed up the transformation of our business structure. We will continue to make every effort to realize these objectives.

As you begin the final year of the Fifth Medium-Term Business Plan, please give your analysis and assessment of the plan's progress to date.

The main reason for the weak operating income over the last two years is the decline in the paper and paperboard business, one of our existing businesses.

Progress of the Fifth Medium-Term Business Plan

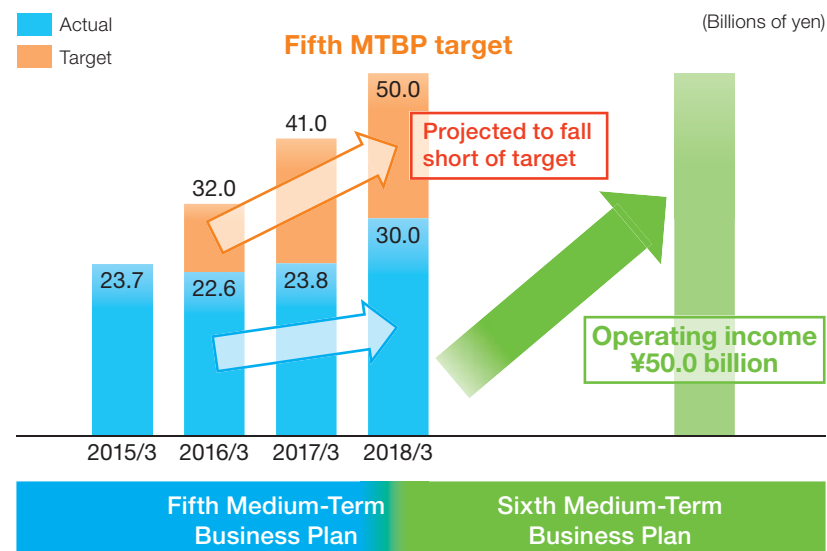
Theme	Situation in FY2017/3	Key Measures in FY2018/3
Enhance competitiveness of existing businesses (Paper & paperboard)	<ul style="list-style-type: none"> ◆ Start of business alliance with Tokushu Tokai Paper ◆ The effects of cost improvements were not yet realized as numerous operating disruptions occurred ◆ Exited printing and publishing paper business in North America 	<ul style="list-style-type: none"> ◆ Make product price adjustments and stabilize operations ◆ Restore profitability in overseas operations
Transform our business structure (Packaging) (Healthcare) (Chemicals) (New materials) (Energy)	<ul style="list-style-type: none"> ◆ Purchased liquid packaging board business in U.S. ◆ Purchased paper container processing company in India ◆ Made concentrated investment in Nippon Paper Crecia Kyoto Mill ◆ Completed expansion of dissolving pulp production capacity ◆ Start of operation of Suzukawa Energy Center 	<ul style="list-style-type: none"> ◆ Restructure production operations in Paper-Pak business ◆ Construction of new facility by joint venture between Nippon Paper Crecia and Kasuga Paper Industry ◆ Expand production capacity for functional coating resin products ◆ Establish mass production facilities (Ishinomaki and Gotsu) and demonstration plant (Fuji) for CNF ◆ Start of operation of Ishinomaki thermal power generation facility (planned for March 2018)

At the same time, our expansion in growth areas, the linchpin of our business structure transformation, got off to a slow start in the first year, but our investments have begun to yield results in the second year. In the Paper-Pak business, for example, the innovative cartons we introduced under license from Elopak of Norway are being adopted by several beverage manufacturers. In the Chemical business, we began sales of a hardcoat film for OLED displays and in March 2017 completed work on expansion of production capacity for dissolving pulp. For new materials such as cellulose nanofiber (CNF), we entered the market development phase with the establishment of the Innovative Material Sales Division. Overall, we are making steady progress with our structural transformation.

I also think it is important to make sure that our employees fully understand our Group Mission, which we formulated concurrently with this medium-term business plan. After more than two years, we have made solid progress in that effort. The Group Mission is becoming a unifying force, and whenever I go to our operating sites, I can feel that the direction we want to move in is shared.

Our operating income target of ¥50.0 billion will have to be carried over into the next medium-term business plan, but in FY2018/3 we will focus on advancing to the next stage by restoring earnings in the paper and paperboard business and achieving operating income of ¥30.0 billion.

Actual and Projected Operating Income in Fifth Medium-Term Business Plan



What specific actions are you taking for the future growth of the Nippon Paper Group, including your policies for new businesses?

To realize the transformation of our business structure, our policy of allocating business resources to new products and new businesses will not change. The Research and Development Division will flexibly move human resources in cooperation with the Group as a whole. We are also reviewing our production and sales structures. The Paper-Pak and Chemical businesses, which were previously structured as business divisions, have been reorganized into sales divisions. For example, the Iwakuni Mill produces paper and chemical products. Until now, these were handled by two different divisions, and we had the problem of organizational silos. With the new organizational structure, the mill as a whole will be able to produce paper and chemical products in the optimal balance.

The Innovative Material Sales Division we established in June 2017 will work to stimulate demand for and expand sales of new products such as our paper-based packaging material with barrier properties (see the feature on pages 20-24 for details), as well as CNF. The division will not only focus on selling these products as raw materials but also support the various end products while using ingenuity to maximize the potential of each one. It will partner with companies in downstream sectors of the supply chain and also seek opportunities for mergers and acquisitions.

By making research and development, production and sales divisions Group-wide organizations, we will discover the seeds of new possibilities from various information and perspectives, and will facilitate the establishment of new products and new businesses. I firmly believe that this will accelerate the growth of the Group overall.

As for the outstanding issue of enhancing existing businesses, given the current structural decline in domestic demand for paper, we will make further efforts to increase productivity, and will consider the use of AI and the Internet of Things as well.

In addition, we are taking steps to improve our distribution structure, and have established an intermediate holding company, Nippon Paper Logistics Co., Ltd., to oversee major logistics companies in the Group. If we can form alliances and conduct collaborative logistics not only within the Nippon Paper Group but also with other companies in our industry and other industries, we will be able to control distribution on the scale of about ¥100 billion. Our intent is to realize cost savings by creating a more streamlined and optimized overall distribution structure. The distribution reforms will greatly benefit not only the products of existing businesses but also products in growth areas such as the Paper-Pak business.

Please tell us your thoughts on how you will help to solve the various social challenges as a comprehensive biomass company, and how that will contribute to the growth of the Nippon Paper Group.

A universal challenge in the global community, and a value expected from companies, is the formation of a sustainable society and preservation of the biodiversity on which it is based. Companies that respond to these objectives in the course of conducting their business should be able to achieve their own sustainable growth.

The Nippon Paper Group's businesses have a clear competitive edge in that they use renewable wood resources as their starting point. While petroleum-derived raw materials are used in many products, we utilize renewable, carbon-neutral wood to create products with various kinds of pulp, which gives us a major advantage. For example, improvements in the cost and convenience of paper packages have enabled them to compete on an equal footing with petroleum-derived products. "A comprehensive biomass company shaping the future with trees" and "contributing to better living and cultural progress" – these are phrases in the Group Mission we formulated in 2015. I am certain that embodying them will help lead to a sustainable society, and ultimately contribute to the advancement of the Nippon Paper Group.



In addition to environment-related issues, we have identified nine CSR priority issues (material issues), including “dialogue with stakeholders,” “occupational safety and health,” and “coexistence with local communities and society at large” (see the Sustainability Report on our website for details). I believe that continuing to fulfill our responsibility as a corporate citizen and to be seen as an essential part of society is also a prerequisite for our growth.

Please outline the approaches that management considers important and your aspirations for the future, as well as any closing message for shareholders and other stakeholders.

One of the values we highlight in our Group Mission is “fairness.” I place importance on transparency in management and a strong sense of commitment. I tell our people in the Management Audit Office, which reports directly to me, that they are the last line of defense. We also increased the number of outside directors to two in FY2017/3.

Operating income of ¥50.0 billion, which was a target in the Fifth Medium-Term Business Plan, is the required level of strength for the Nippon Paper Group of today, and we must achieve it quickly. More specifically, it is the minimum hurdle for realizing a good balance of strategic investment for growth, returns to shareholders, treatment of employees, and a sound financial position. Right now we need to place top priority on strategic investment for growth. Consequently, we plan to pay dividends of ¥60 per share (interim and year-end dividends of ¥30 each) for FY2018/3, the same as in FY2017/3. We will maintain the debt-equity ratio at around 1.5 times.

We are currently in a period that will require patience from not only shareholders but employees, who are also stakeholders. However, one component of our Vision is to “instill pride in employees.” I am certainly proud of them for their dedicated efforts under trying circumstances, and the existence of such employees is a premise of sound management, and is a key foundation for maximizing value for shareholders.

The entire management team is dedicated to making FY2018/3 a year that marks a new stage in our drive to achieve operating income of ¥50.0 billion. We will continue to make every effort to meet or exceed the expectations of our stakeholders.

Feature

Expectations for New Materials That Will Accelerate Growth

Applying Our Group Strength to New Material Development

To further accelerate the transformation of its business structure, one of the two pillars of the Fifth Medium-Term Business Plan, Nippon Paper is using its wood- and paper-related technologies to develop innovative new materials. In this feature, we outline the characteristics of MinerPa™ and SPOPS™, which we developed in 2016, and SHIELDPLUS™, for which we have strengthened application development, and convey the passion of the researchers who developed them.

New Product Development Plans and Progress

Overall Policy

The research that had been conducted by the Research and Development Division uncovered potential new products, while sales operations identified customer needs. In 2015, Nippon Paper launched the New Product Development Committee to generate ideas across departmental lines. The committee breaks down organizational silos and scouts out ideas from throughout the Group, which are presented by employees to senior management once every three months. In this “intrapreneurial” program, a budget and staff are allocated to intriguing themes in order to quickly develop them into new businesses.

Progress

The New Product Development Committee has met 10 times to date. The ideas approved by the committee are turned into projects, and a project “owner” is chosen from the department in charge of commercialization. The owner is responsible for shepherding the project to commercial production. Two of the products profiled on the following pages, SHIELDPLUS™ and MinerPa™, emerged from this initiative. The program has also become a driving force for generating new products and new businesses, including the development of a low-cost system for monitoring machinery and equipment with wireless sensors.

Newly Developed Products Made from Wood



A paper material that is impermeable to oxygen and vapor. It enables the use of paper as a food packaging material, which was previously difficult with paper alone, and expands packaging possibilities.



A new technology that gives various functions to pulp. It provides added value according to the intended purpose, such as flame resistance, deodorizing and antibacterial effects, or radiation shielding.



From refill to replacement: Wouldn't it be nice if liquid containers could just be switched out to eliminate the annoyance of refilling them? That simple concept led to the creation of SPOPS™.

Looking Ahead

As a comprehensive biomass company shaping the future with trees, Nippon Paper will continue to propose ideas for new materials and new products. One emerging trend is the worldwide shift from plastic to paper as a way of curbing CO₂ emissions and reducing landfill waste. To capitalize on this business opportunity, we intend to develop paper alternatives wherever feasible. With that approach, we will broaden the possibilities of paper.



A Succession of New Materials and Containers

We are focusing on creating new materials and containers from renewable paper and pulp to help make people's lives more comfortable. We will begin sales of SHIELDPLUS™, a barrier packaging material made from paper, and are developing MinerPa™, a functional material, and SPOPS™, a replaceable paper container, which we expect to launch as new products in the near future.

Eco-Friendly Barrier Packaging Material

SHIELDPLUS

The contents in packaging, including food, tend to deteriorate over time and with environmental changes. Consequently, it is important for the packaging material to have properties that inhibit degradation of the contents by preventing the permeation of oxygen and water vapor, and that prevent the penetration of odors from outside and preserve the aroma of the contents. By adding to paper a protective barrier layer that provides strong protection for contents, we developed SHIELDPLUS™, an eco-friendly barrier packaging material made of paper. We are preparing to market this product for a wide range of applications.



Characteristics of SHIELDPLUS

- 1 Inhibits permeation of oxygen and water vapor
- 2 Inhibits permeation of fragrances and odors
- 3 Renewable resource
- 4 Helps to reduce CO₂ emissions as a packaging material
- 5 Biodegradable



Combination of Inorganic Mineral Particles and Pulp

MinerPa

Using our proprietary technology to combine inorganic mineral particles and pulp (cellulose fibers), we developed MinerPa™, a functional material that has the characteristics and properties of inorganic minerals. MinerPa™ can be processed into different shapes, such as wet pulp, sheets, and powder, and is suitable for recycling. We plan to develop it for applications in various fields, such as flame-retardant wallpaper and paper towels with deodorizing and antibacterial properties.

Characteristics of MinerPa

- 1 Recyclable and reverts back to soil
- 2 Makes folding or patching simple
- 3 Equivalent of Class 1 fire resistance without containing any toxic substances
- 4 Eliminates more than 95% of aging odor and excretion odors
- 5 Blocks radiation without the use of lead

*The last three characteristics are imparted according to the properties of the inorganic mineral



From Refill to Replacement

SPOPS

We are developing SPOPS™, the world's first* replaceable paper-based liquid container. Since the cartridges (Paper-Pak containers) are simply switched out, unlike refill-type pouch containers, they do not require the time and trouble of refilling the contents. The box shape improves distribution efficiency, thus contributing to energy savings, and enhances the convenience of store displays and storage at home. With paper accounting for approximately 70% of the material, SPOPS™ is an environmentally friendly container that can reduce fossil fuel consumption.

*The world's first in terms of paper-based containers (according to our research)

Characteristics of SPOPS

- 1 Can be replaced in 30 seconds or less (according to our research)
- 2 Liquid pools in the trough-shaped base, reducing unused waste
- 3 The box-shaped cartridge enables neat, compact storage
- 4 Saves water with no need to wash a bottle
- 5 High distribution efficiency reduces CO₂ emissions



Comments from Developers

SHIELDPLUS



Masashi Okamoto

Research Manager
Packaging Research
Laboratory

A New Paper Packaging Material That Replaces Plastic

In the field of packaging, plastic materials are commonly used, but SHIELDPLUS™ is an innovative, eco-friendly packaging material that endows paper, a biomass material, with the functions required in packaging.

In developing SHIELDPLUS™, our researchers labored to come up with a technology that would give paper, a permeable material, oxygen and flavor barrier properties. We are now developing SHIELDPLUS™ Premier, which will also provide barrier properties against vapor, one of the weak points of paper. Our goal is to make paper packages a familiar part of daily life in various settings. Through these new materials, we will contribute broadly to society.

MinerPa



Shisei Goto

Senior Research
Manager
Research Laboratory

Developing Practical Applications for MinerPa™

We developed MinerPa™, a new functional material, by densely bonding inorganic mineral particles onto the surface of cellulose fibers, a raw material used in paper. Based on our unique pulp processing technology, this was made possible by combining our material development technology and papermaking technology. More than ordinary paper, MinerPa™ offers the various functions of inorganic mineral particles as well as the characteristics and advantages of cellulose fibers. Development was a cross-departmental project that involved not just researchers, but the cooperation of people in planning, technology and sales departments. As a result, MinerPa™ was developed in an exceptionally short period of time. We are now working to quickly develop practical applications.

SPOPS



Takaharu Noda

Manager
Packaging
Communication Center

From Refill to Replacement: Making Daily Life More Convenient

"I want to be rid of the annoyance of refilling containers!" The idea that emerged from this sentiment of one consumer is SPOPS™. To give shape to that idea, we employed new techniques, including the use of a 3D printer, and finally released a concept model. The response at the exhibition and attention from the media was even greater than expected, and indicate a promising future for SPOPS™. There are still some technical hurdles we have to clear before bringing SPOPS™ to market, but we will continue to work toward commercialization, envisioning the day when a product created by Nippon Paper changes the way people live.

Business Section

The Nippon Paper Group at a Glance...26

Pulp and Paper

Paper Business.....28

Paperboard Business29

Household Paper Products30

Energy Business32

Paper-Related

Paper-Pak Business34

Chemical Business36

Wood Products and

Construction Related / Other38

The Nippon Paper Group at a Glance

Pulp and Paper

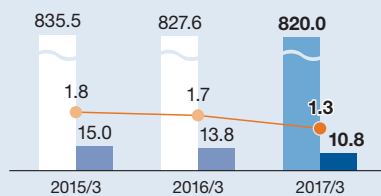
FY2017/3 Operating Results

Net sales share **82.6 %**

Net sales	¥820.0 billion (down ¥7.6 billion year-on-year)
Operating income	¥10.8 billion (down ¥3.0 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 this segment lead the domestic industry in production, sales volume and quality. We are proactively developing overseas markets especially in Asia and the Pacific Rim.

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

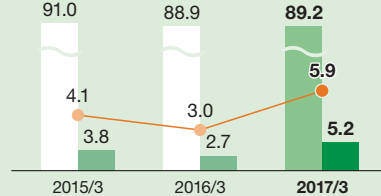
FY2017/3 Operating Results

Net sales share **9.0 %**

Net sales	¥89.2 billion (up ¥0.3 billion year-on-year)
Operating income	¥5.2 billion (up ¥2.5 billion year-on-year)

Results

■ Net sales (¥ billion)
■ Operating income (¥ billion)
● Operating income margin (%)



Description of Business

In this segment, we promote two business domains: 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 by-products.

Main Products and Services

- Processed paper products**
 - Liquid-packaging cartons
 - Filling machines and maintenance services
 - Paper bags
- Chemical products and functional materials**
 - Dissolving pulp
 - Chemical products
 - Functional films
 - Functional coating material

Wood Products and Construction Related

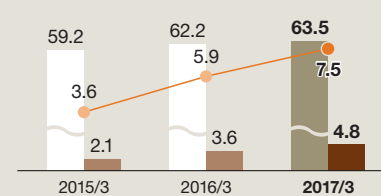
FY2017/3 Operating Results

Net sales share **6.4 %**

Net sales	¥63.5 billion (up ¥1.3 billion year-on-year)
Operating income	¥4.8 billion (up ¥1.2 billion year-on-year)

Results

■ Net sales (¥ billion)
■ Operating income (¥ billion)
● Operating income margin (%)



Description of Business

This segment is engaged in three business domains: 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

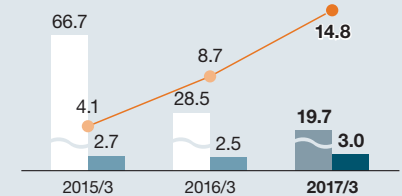
FY2017/3 Operating Results

Net sales share **2.0 %**

Net sales	¥19.7 billion (down ¥8.7 billion year-on-year)
Operating income	¥3.0 billion (up ¥0.5 billion year-on-year)

Results

■ Net sales (¥ billion)
■ Operating income (¥ billion)
● Operating income margin (%)



Description of Business

This segment is engaged in a variety of businesses that generate synergies with the core businesses of the Group: 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

- Warehousing and transportation
- Sports and leisure

Pulp and Paper

Paper Business



Atsushi O'Haru
Executive Officer
General Manager
Printing Paper Sales
Division

By applying our technological advantage and slashing costs, we will enhance the competitiveness of print media.

Our Vision

Continue to pursue value in print media through an extensive product lineup and the technological expertise to create new products that anticipate needs

Our Strengths

- ① Strong technological capabilities with a track record of creating new products
- ② Production bases and a sales/distribution network throughout Japan
- ③ A broad product lineup

Domestic demand for paper continues to decline. Behind this trend is the ongoing shift toward electronic and other non-print media in the fields of publishing and advertising. We have continued to create new products that meet needs including high-bulk, light weight coated paper, matte coated paper with excellent ink drying performance, and light weight coated ink-jet paper in the fields of publishing, printing, and business communication paper. Through our solid technological capabilities and thorough cost reductions, we will enhance the competitiveness of print media and advance manufacturing that will entice customers to continue to choose the value of paper.

FY2017/3 Performance

In FY2017/3, domestic demand for newsprint and printing paper continued its decline from the previous year, and our domestic sales volume declined at essentially the same rate. However, while the market has weakened under this decline in demand, we have maintained the leading share of sales.

In exports, which are focused on Asia and Oceania, net sales rose with a 17.7% increase year-on-year on a volume basis, as a result of successful sales activities in local markets.

Progress of the Fifth Medium-Term Business Plan

In the second half of FY2017/3, our costs rose significantly due to a weaker yen and higher prices for wastepaper and fuel. Accordingly, we announced price adjustments for printing paper and business communication paper in February 2017, and achieved a degree of success with the understanding of customers. We will make all-out efforts in sales to maintain this success.

The product management system that we began rolling out in FY2017/3 lets us see the progress of production. We are leveraging it for timely communication of production progress and delivery time to customers, while our sales and production teams collaborate closely to build stronger relationships of trust with customers.

The market environment is always subject to change. To respond promptly to change, we will work to review and strengthen our sales structure from a variety of approaches.

Paperboard Business



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

We aim to capture the growing demand for containerboard in Japan and Asia.

Our Vision

Accurately capture users' needs and meet increased demand for containerboard through unique differentiated products

Our Strengths

- ① Balanced deployment of mills across Japan
- ② Possession of linerboard machines through in-house manufacture of softwood Kraft pulp
- ③ Substantial research and development capabilities
- ④ Long-standing relationships of trust with containerboard manufacturers and end users
- ⑤ Sales capabilities to quickly propose solutions

Further growth is anticipated in the containerboard field. As Japan's largest dedicated base paper manufacturer, our strength in this field is the ability to provide a stable supply of products to containerboard manufacturers nationwide from the standpoint of business continuity planning. In sales, we will develop new products that meet user needs in line with market trends, and will capture growing demand for containerboard.

In our export strategy, we will leverage our cost competitiveness, the locations of our mills, and our brand power to strengthen our sales to Southeast Asia and China, where demand is growing.

FY2017/3 Performance

In FY2017/3, domestic sales of containerboard base paper, our core product, increased year-on-year, as did exports to Southeast Asia and East Asia. This was due largely to growth in sales to end users who value the quality of our products and have made us their designated supplier. At the same time, the export price of wastepaper, a raw material, rose sharply from the second half of FY2017/3. Domestic prices increased accordingly, placing pressure on earnings.

In October 2016, we began a business alliance with Tokushu Tokai Paper Co., Ltd.

Progress of the Fifth Medium-Term Business Plan

Two joint ventures that we established with Tokushu Tokai Paper Co., Ltd. — the sales company Nippon Tokai Industrial Paper Supply Co., Ltd. (NTI) and the manufacturing company Shin Tokai Paper Co., Ltd. (STP) — began operating in October 2016. At NTI, we are working to streamline transportation and increase efficiency. At STP, Nippon Paper is exchanging technologies developed by each of the partner companies and are bringing in Nippon Paper's production expertise, resulting in synergistic effects in cost reduction.

We will work to further boost our competitiveness while we benefit from growing containerboard demand, especially in the beverage and e-commerce industries.

Household Paper Products

Our strong brands and product value will support steady expansion of our household paper and healthcare product businesses.



Yasunori Nanri

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

Our Vision

Provide valuable products and brands that contribute to healthy and clean lifestyles

Our Strengths

- ① Beloved and trusted brands
- ② Highly competitive mills
- ③ Product development capabilities enhanced by Group synergies
- ④ A group of differentiated products, the world's first to use CNF

In FY2017/3, we achieved record net sales and operating income. Going forward, we will accelerate our growth by creating a stable management foundation and promoting business restructuring. Specifically, we aim to further expand our business by investing resources in areas including the following: further strengthening of our globally recognized brands; research and development into high-value-added products such as innovative, extra-length toilet paper rolls; strengthening sales of healthcare products made with highly efficient deodorant sheets that mark the first use in the world of cellulose nanofibers (CNF); expansion of our professional products business, which boasts domestic industry-leading scale and quality; and the introduction of cutting-edge facilities that will boost our ability to supply household paper.



Kleenex®, 5-box pack



Kleenex® Premium Tissue, 3-box pack



Scottie® Flower Pack Triple Length, 4 rolls (double)



Poiise® Hada Care Pad Regular



Hada Care Acty Soft Fit Comfortable Thin Pants

FY2017/3 Performance

In FY2017/3, our Household Paper Products business overall was stronger than in the previous year, achieving substantial growth in sales and income. The intensive restructuring of our production system and productivity improvements that we have implemented have begun to yield effects. Moreover, the market continues to benefit from inbound tourism, with an increase in the number of hotels boosting sales of household products and professional products. Sales in e-commerce and other new areas also expanded. The stronger yen in the first half was also a positive factor, restraining the costs of fuel and of raw material pulp.

In addition to these factors, the triple-length toilet paper rolls developed through our unique technology proved to be a hit with consumers. Sales were strong in healthcare products, especially adult diapers and incontinence pads, and exceeded the previous year in performance.

Progress of the Fifth Medium-Term Business Plan

In FY2017/3, we carried out planned capital investments to make the Kyoto Mill our main production facility, with the aim of achieving net sales of ¥20 billion in healthcare products. While further enhancing our production technology in the pursuit of efficiency, we will also strengthen our product development capabilities.

In anticipation of expanding demand for household paper, in December 2016 we reached an agreement with Kasuga Paper Industry Co., Ltd., a major manufacturer of wastepaper recycled products, that resulted in the April 2014 establishment of a joint venture for household paper products. The new company, Crecia-Kasuga Co., Ltd., is scheduled to begin operation in May 2018, after the installation of new production facilities at Nippon Paper's Fuji Mill site for products including toilet paper rolls.

In April 2017, we launched a triple-length paper towel roll. We are also undertaking a major renewal of the Kleenex brand, which has a history of over 50 years in Japan, as we work to earn the support of consumers in every generation. Our household products business will continue to emphasize a brand communication strategy while also leveraging e-commerce.

Energy Business

Construction is moving forward as planned and we are working to generate stable earnings.



Shoji Ueda

Director
General Manager
Energy Business Division

Our Vision

Generate stable earnings over the long term by expanding our business with a focus on renewable energy

Our Strengths

- ① Power generation technology developed through paper manufacturing
- ② Power generation capacity of 1,800 MW
- ③ Bases in favorable locations throughout Japan
- ④ Global procurement network for wood resources

Nippon Paper has a large number of on-site power generation facilities at its production bases throughout Japan. This provides the company with strengths in infrastructure including power grid systems and port facilities, as well as experienced operators and operational technology. Our Energy business is taking advantage of these to expand solar- and wind-based power generation, as well as biomass-based power generation, an area in which our company holds advantages that include a global procurement network for wood resources. We will expand our businesses that leverage the renewable energy sources on which society places great expectations, and will generate stable earnings over the long term while contributing to the reduction of CO₂ emissions.



Suzukawa Thermal Power Generation Plant

FY2017/3 Performance

Our Energy business is developing a power generation business that includes thermal power generation and other power generation such as solar, biomass and wind. In doing so, we are leveraging the on-site power generation facilities of our many production bases and our extensive expertise in fuel procurement and operating technology as resources. In September 2016, we began operation of the 13 MW expansion to the Komatsushima Solar Power Plant, bringing the power generation capacity of the plant to 34 MW.

In addition, together with Mitsubishi Corporation Power Ltd. and Chubu Electric Power Co., Inc. we established a power business venture, Suzukawa Energy Center, which began commercial operation of a new 112 MW thermal power plant in September 2016 at our Fuji Mill Suzukawa in Shizuoka Prefecture. Taking charge of operations and maintenance at Suzukawa Energy Center, Nippon Paper will play a role in the stable supply of electrical power to society.

Progress of the Fifth Medium-Term Business Plan

We have begun construction of a mixed-fuel coal and biomass power generation project (149 MW) in Ishinomaki, Miyagi Prefecture and a wind power generation project (7.5 MW) in Akita, Akita Prefecture, both of which are scheduled to go into operation in 2018. We are also considering the siting of a mixed-fuel coal and biomass power generation plant in Akita.

We have set a medium- to long-term goal of ¥50 billion in net sales for the Energy business overall, and are steadily building a structure for this under the Fifth Medium-Term Business Plan. We will establish sources of earnings that feature long-term stability and environmental merit, thereby contributing to the sustainable growth of our Group.

Making full use of the expertise in wood we have accumulated over the years since our founding, we are also developing a new woody biomass fuel in pellet form. Trial production in Thailand and mixed combustion experiments at the Kushiro Mill are taking place, with expectations for the birth of a carbon-neutral fuel.

Paper-Related

Paper-Pak Business

We will tackle the global beverage packaging market with “Made-in-Japan Quality.”



Yasuhito Obayashi

Executive Officer
General Manager
Paper-Pak Sales Division

Our Vision

Build our liquid packaging business into a world-class business

Our Strengths

Japan's largest total system supplier for liquid packaging cartons

In FY2017/3, our new-shape carton with closure was adopted for the first time by a major domestic customer. We also constructed an integrated business system, spanning base paper to converting and sales and maintenance of filling machines, through the acquisition of the liquid packaging board business of Weyerhaeuser Company. At the same time, we have shut down the aging Soka Paper-Pak Co., Ltd., and will achieve stable supply and cost reductions under a structure composed of two mills in the Kanto region and one mill in the Kansai region.

To drive top-line growth, in April we introduced the world's fastest sheet-fed offset printing presses. In November, we opened a Technical Center that integrates the functions of development, operation, and maintenance, with the aim of speeding up new product development. We have obtained forest certification and will strengthen our offerings of environmentally friendly products.



NP-PAK Rock

Our proprietary new-shape carton for chilled beverages. It has a closure as a standard feature, and is 20 millimeters slimmer than conventional cartons, making it easy to hold.



NP-PAK filling machine (UP-F14)

Multi-function AI filling machine, able to fill containers of varied designs, sizes, and closures with a single machine

FY2017/3 Performance

In FY2017/3, sales volume of our paper packs grew year-on-year due to expanded sales of new filling machines and heightened demand for fruit and vegetable drinks. During the fiscal year, we also maintained the top share in Japan of chilled liquid carton packaging. Earnings improved significantly as a result of an increase in paper pack production volume and the positive impact of the stronger yen, as well as withdrawal from the unprofitable Film Packaging business at the end of September 2016.

Our new-shape carton with closure, offered under the licensing agreement that Nippon Paper signed with Elopak AS of Norway in March 2016, was adopted by major domestic beverage producers. The carton began appearing in retail shops at the end of FY2017/3, boosting sales. In addition, we brought NP-PAK Rock (left photo), our proprietary packaging carton with closure for chilled products, to the market in September 2016. NP-PAK Rock has the closure as a standard feature, and with its unique hexahedral design featuring beveled panels on both sides, we will aim for a larger share of the soft drink carton market.

Progress of the Fifth Medium-Term Business Plan

We are working to reconstruct our production structure and bring new products to market. We stopped production at Soka Paper-Pak Co., Ltd. at the end of July 2017, and will integrate production subsidiaries to establish Nippon Paper Liquid Package Product Co., Ltd. in October 2017. We aim to strengthen cost competitiveness through this integration, and plan to establish a Technical Center within the new company in November to act as a development base.

Chilled liquid carton packaging has seen little change in form or function for about 50 years, and sales have been sluggish in recent years. However, we believe we can capture new demand by developing and introducing new products that excel in design and functionality. In April 2017, we began operation of new sheet-fed offset printing presses that produce an aesthetically pleasing finish. We will bring to market a succession of products with design and functionality that can enhance the value of products as tools for beverage producers' communication with consumers, and thereby achieve top-line expansion.

Chemical Business

We aim to pursue the complete use of wood resources and become the top player in niche areas.



Yozo Igarashi

Executive Officer
General Manager
Chemical Sales Division

Our Vision

Complete use of wood through the proprietary technology of our Chemical business

Our Strengths

- ① Proprietary soluble polyolefin
- ② Only producer of sulfite lignin in Japan
- ③ Thin-film precision coating technology

Nippon Paper uses Japan's only sulfite pulping (SP) method to manufacture pulp that is used as a raw material for rayon and cellophane. Manufactured from the pulp effluent generated in the pulp manufacturing process, lignin products have excellent binding, dispersing, and chelating properties, and are used in a wide range of fields including construction, agriculture and apparel. Accordingly, our Chemical business conducts activities in the pursuit of the complete use of recyclable wood resources. In addition, the business aims to become the top player in niche areas including adhesion promoters for polyolefin-based materials and thin-film precision coating technology.



Carboxymethyl cellulose is used in baked goods



Functional films

FY2017/3 Performance

The products of the Chemical business range from additives for automotive and other paints to concrete admixtures, food additives, and films for computer and smartphone LCDs, making contributions to people's daily lives in countless forms.

Sales of functional films for liquid crystal displays remained weak in the first half of FY2017/3, but gradually recovered from the second half. Sales of functional coating resins for automobiles were strong overall, in line with a global increase in automobile production. As a result, the Chemical business achieved increased sales and profits year-on-year.

Demand for dissolving pulp (DP) is expected to continue growing. We increased DP production capacity at the Gotsu Mill, completing the construction on schedule by the end of FY2017/3.

Progress of the Fifth Medium-Term Business Plan

We moved ahead with the renovation of turbines for in-house power generation to enhance infrastructure at the Gotsu Mill, with completion scheduled for the end of FY2018/3. We also began sales of new hardcoat films for OLED displays, and in FY2018/3 will work to expand sales of these and DP, for which we are increasing production at the Gotsu Mill.

At the same time, we are steadily moving forward with initiatives that look even further ahead. First, at the end of FY2018/3 we plan to complete improvements for increased production of functional coating resins for automobiles, for which demand is growing. We will also continue to explore M&A while cultivating new needs in niche areas and performing research and development that will let us provide high-value-added products.

We will also strengthen our tripartite structure of research, production, and sales, as we initiate more finely tuned sales activities, strengthen our domestic business foundation, and develop overseas sales.

Wood Products and Construction Related / Other

Wood Products and Construction Related

In FY2017/3, an increase in new housing starts from the previous year and the new consolidation of Amapa Florestal e Celulose S.A. (AMCEL) in Brazil resulted in increased sales and profits for the business.

In FY2018/3, we will continue to expand our handling of domestic lumber and wood chips for fuel.

Other

Performance in the distribution business and leisure business remained robust. As a result of Shikoku Coca-Cola Bottling Co., Ltd., which runs the beverages business, being excluded from consolidation in the previous fiscal year, sales decreased and profits increased.

In June 2017, Nippon Paper established Nippon Paper Logistics Co., Ltd., an intermediate holding company. Through this, we aim to strengthen collaboration among NIPPON PAPER LOGISTICS CO., LTD., Nanko Unyu Co., Ltd. and Kyokushin Transport Corporation, the main logistics subsidiaries of our Group.

Group Logistics Organization



Sustainability Section

Promotion of CSR Activities40

Corporate Governance 41

Comments from Outside Officers 47

Directors and Statutory Auditors.....48

Human Resource Initiatives.....50

Environmental Initiatives 51

Initiatives for Communities and Society52

For further details, see the Sustainability Report.
<http://www.nipponpapergroup.com/english/csr/download/>

Promotion of Corporate Social Responsibility (CSR) Activities

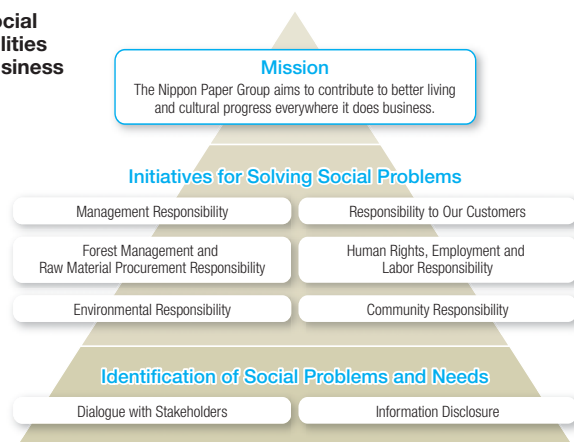
Basic Stance

The Nippon Paper Group contributes to the establishment of a sustainable society through its business activities as a comprehensive biomass company shaping the future with trees. To do so, the Group grasps the expectations and requirements of stakeholders, and seeks to fulfill its social responsibility from a variety of perspectives, including management, forest management, raw material procurement, the environment, customers, human rights, employment & labor, local communities, and society as a whole.

Management Framework for Promotion of CSR Activities

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 Nippon Paper Group 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.



Corporate Governance

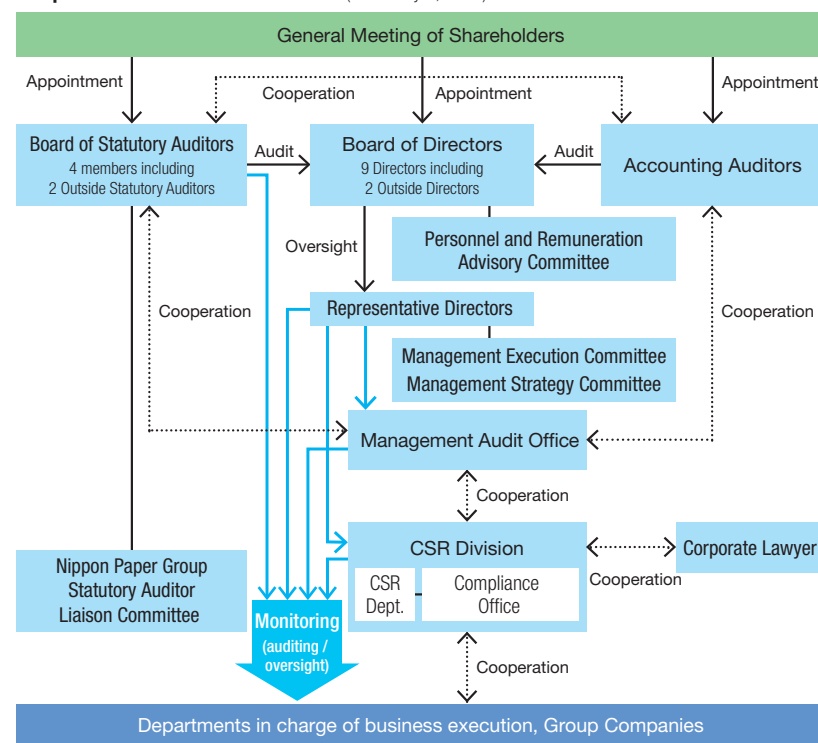
Basic Structure for Corporate Governance

The Company instituted its Corporate Governance Policy in November 2015 to support the sustainable growth of the Group and realize medium-to-long-term improvement in corporate value.

The Company prioritizes fair management with enhanced transparency toward shareholders and other stakeholders. To separate business execution and management oversight functions, the Company has adopted the executive officer system, and is working to enhance the oversight function of the Board of Directors. In addition, the Company conducts monitoring and promotes growth strategies and compliance as the controller of the Group's management.

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

Corporate Governance Structure (As of July 1, 2017)



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.

Statutory Auditors and Board of Statutory Auditors

Statutory 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 execution and strictly audit the Company's overall business activities to ensure their legality and fairness.

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

Management Audit Office

The Management Audit Office, which is directly under the President's control and consists of 13 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 appropriateness from fair and independent perspectives.

Personnel and Remuneration Advisory Committee

The Personnel and Remuneration Advisory Committee receives inquiries from the Board of Directors on matters such as the selection process, qualifications and reasons for nomination of director and statutory auditor candidates, the criteria for determining the independence of independent outside officers, and the remuneration system for directors and statutory auditors. It replies to those inquiries after considering their appropriateness and also taking into account its assessment of the Company's business performance and other factors.

Corporate Governance Summary

Type of Organization	Company with a Board of Statutory Auditors
Chairman of Board of Directors	Yoshio Haga
Number of Directors*	9 (including 2 outside directors)
Number of Statutory Auditors*	4 (including 2 outside statutory auditors)
Appointment of Independent Officers*	4 (2 outside directors and 2 outside statutory auditors)
Board of Directors Meetings in FY2017/3	Number of meetings: 14 Attendance rate of outside directors: 100% Attendance rate of outside statutory auditors: 97%
Board of Statutory Auditors Meetings in FY2017/3	Number of meetings: 13 Attendance rate of outside statutory auditors: 100%
Remuneration, etc. of Directors	Base remuneration 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 remuneration paid in FY2017/3: ¥389 million
Remuneration, etc. of Statutory Auditors	Total amount of remuneration paid in FY2017/3: ¥61 million
Independent Accounting Auditor	Ernst & Young ShinNihon LLC

*Information is as of July 1, 2017

Basic Policy Concerning Company Control

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 the 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.

General Meeting of Shareholders

The Company holds its annual general meeting of shareholders at Keidanren Kaikan in the Otemachi district of 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.

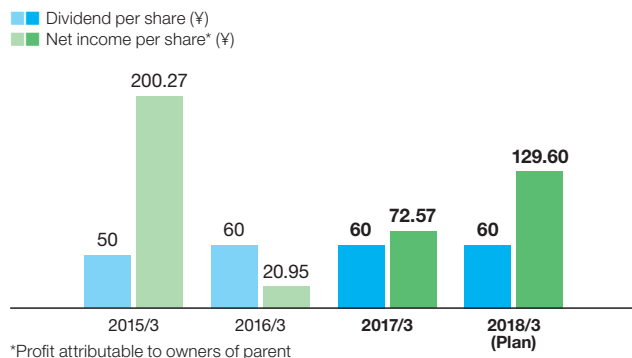
93rd Ordinary General Meeting of Shareholders (Held on June 29, 2017)

Number of shareholders who exercised voting rights		29,253	
Percentage of voting rights exercised		81.6%	
Proposals	Proposal 1	Appropriation of surplus	Approved
	Proposal 2	Election of nine directors	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.



Socially Responsible Investment

Based on evaluation of social responsibility in our corporate activities by external entities, Nippon Paper has been selected for inclusion in socially responsible investment (SRI) indices. We expect that this will make more investors aware of our outstanding initiatives.

Major SRI Indices Incorporating Nippon Paper

FTSE4Good Index Series

Included in June 2017

Nippon Paper has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.



Ethibel Investment Register

Inclusion renewed in May 2014

A universe of companies selected by Forum Ethibel, a Belgian organization that promotes SRI, for their outstanding performance in terms of social responsibility. In making its selections, Forum Ethibel assesses companies on criteria including human rights, human capital, environment, market ethics, good governance, and social impact.



Euronext Vigeo World 120 Index

Inclusion renewed in June 2016

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



IR Activities

The Company promotes IR activities, aiming for fair and timely information disclosure to shareholders and other investors, in line with the Nippon Paper Group Action Charter. Through such opportunities as shareholders' meetings, briefings and media interviews, we explain financial results, medium- and long-term strategies and other information directly to shareholders and investors, listen to their opinions and requests and reflect them in our management.

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.



Operating results presentation

Activities during FY2017/3

Operating results presentation	1
Operating results conference calls	3
One-on-one meetings	176

Comments from Outside Officers

Working to strengthen governance and make management more transparent



Yoshimitsu Aoyama
Outside Director

Nippon Paper began undertaking business structure transformation several years ago, setting a focus on growth areas and development of new businesses as matters of urgency. However, a difficult business environment continues, including declining demand in the existing paper business and rising raw material and fuel prices. At such a time in particular, I believe it is necessary to strengthen governance on the basis of medium- to long-term forecasts, to disclose information concerning management, and to make management transparent.

For the purpose of strengthening governance, in 2016 the Company established a Personnel and Remuneration Advisory Committee that has outside directors as its main members. With regard to information disclosure, the Company is making efforts to share information with shareholders and other stakeholders through its Corporate Governance Report, Sustainability Report, and timely updating of its website.

As an outside director, I will redouble my efforts to improve the Company's corporate value and to return profits to society. I ask for your continued understanding and support for our efforts.

Achieving sound governance from a third-party perspective

Serving as a judge in the past, I worked within the Ministry of Justice for a long period and was involved in a considerable number of civil legislation bills. I was in charge of Diet deliberations on Commercial Code revisions that introduced the "company with committees" system, and was involved with the current Companies Act until shortly before the submission of the bill. How to handle the governance of companies was a major question at the time, providing many opportunities to study the issue. A number of recent cases have reaffirmed the importance of corporate governance and made me realize even more acutely the significance of auditors' duties.

While there are difficult circumstances surrounding the paper manufacturing industry, Nippon Paper is now making efforts to strengthen its existing businesses and effect business structure transformation. I hope to leverage my experience with the Ministry of Justice and courts in order to calmly render decisions from a third-party standpoint and contribute to the development of the company through the achievement of sound governance.



Seiichi Fusamura
Outside Statutory Auditor

Directors and Statutory Auditors (As of June 29, 2017)

	Chairman and Representative Director Yoshio Haga Number of the Company's shares held: 33,233 shares	Brief History 1949 Born 1974 Joined Jujo Paper Co., Ltd. 2008 Appointed President and Representative Director, Nippon Paper Group, Inc. (NPG) President and Representative Director, Nippon Paper Industries Co., Ltd. (NPI) 2014 Appointed Chairman and Representative Director, NPI (current position)	
	President and Representative Director Fumio Manoshiro Number of the Company's shares held: 20,264 shares	Brief History 1953 Born 1975 Joined Jujo Paper Co., Ltd. 2009 Appointed Director, NPG 2013 Appointed Director, NPI 2014 Appointed President and Representative Director, NPI (current position)	Responsibility and important positions: • Chief Executive Officer • Chairman, Japan Paper Association
	Vice President and Representative Director Kazufumi Yamasaki Number of the Company's shares held: 13,600 shares	Brief History 1955 Born 1980 Joined Sanyo-Kokusaku Pulp Co., Ltd. 2012 Appointed Director, NPG 2013 Appointed Director, NPI (current position) 2017 Appointed Vice President and Representative Director (current position)	Responsibility and important positions: • Executive Vice President, General Manager, Research & Development Division, and General Manager, CSR Division • Director, Nippon Paper Papyrus Co., Ltd.
	Director Akihiro Utsumi Number of the Company's shares held: 6,691 shares	Brief History 1956 Born 1979 Joined Jujo Paper Co., Ltd. 2015 Appointed Director, NPI (current position)	Responsibility and important positions: • Managing Executive Officer • General Manager, Personnel & General Affairs Division
	Director Toru Nozawa Number of the Company's shares held: 7,057 shares	Brief History 1959 Born 1981 Joined Jujo Paper Co., Ltd. 2014 Appointed Director, NPI (current position) Responsibility and important positions: • Managing Executive Officer	• General Manager, Corporate Planning Division, in charge of Subsidiaries and Affiliated Companies • Director, Nippon Paper Creca Co., Ltd. • Outside Director, Lintec Corporation
	Director Hirofumi Fujimori Number of the Company's shares held: 5,442 shares	Brief History 1955 Born 1987 Joined Sanyo-Kokusaku Pulp Co., Ltd. 2015 Appointed Director, NPI (current position)	Responsibility and important positions: • Executive Officer • General Manager, Financial Division

	Director Shoji Ueda Number of the Company's shares held: 3,488 shares	Brief History 1960 Born 1983 Joined Jujo Paper Co., Ltd. 2017 Appointed Director (current position)	Responsibility and important positions: • Executive Officer • General Manager, Technical & Engineering Division • General Manager, Energy 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, Ministry of Justice	2013 Appointed Director, NPI (current position) Important positions: • Chairman, Automotive Dispute Resolution Center • Head Director, Shinano Tsuzoku Daigaku-Kai
	Outside Director Makoto Fujioka Number of the Company's shares held: 1,000 shares	Brief History 1950 Born 1996 Deputy Director-General for Trade and Economy, Ministry of Economy, Trade and Industry (then the Ministry of International Trade and Industry) 2001 Ambassador extraordinary and plenipotentiary to the United Arab Emirates 2004 Director, Senior Executive Officer, Nippon Light Metal Co., Ltd.	2013 Director, Executive Vice President, Senior Executive Officer, Nippon Light Metal Co., Ltd. 2016 Appointed Director, NPI (current position) Important positions: • Senior Director, Japan Association for Chemical Innovation • Outside Director, NOK Corporation • Outside Director, Eagle Industry Co., Ltd.
	Senior Statutory Auditor Hiroshi Matsuo Number of the Company's shares held: 3,699 shares	Brief History 1952 Born 1970 Joined Kokusaku Pulp Co., Ltd. 2014 Appointed Senior Statutory Auditor, NPI (current position)	
	Standing Statutory Auditor Mitsuo Nagoshi Number of the Company's shares held: 5,507 shares	Brief History 1954 Born 1978 Joined Sanyo-Kokusaku Pulp Co., Ltd. 2014 Appointed Statutory Auditor, NPI (current position)	
	Outside Statutory 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 Statutory Auditor, NPI (current position)	Important positions: • Lawyer • Chairman, Public Security Examination Commission, Ministry of Justice • Chairman, Labor Relations Commission, Tokyo Metropolitan Government
	Outside Statutory Auditor Yoko Hatta Number of the Company's shares held: 0 shares	Brief History 1952 Born 1988 Joined Peat Marwick Main & Co. (currently KPMG LLP New York Office) 2002 Partner, KPMG Peat Marwick Tax Corporation (Currently KPMG Tax Corporation) 2016 Appointed Statutory Auditor, NPI (current position)	Important positions: • Auditor, International Christian University • Outside Auditor, IHI Corporation • Outside Statutory Auditor, Kobayashi Pharmaceutical Co., Ltd.

Note: The above "Number of the Company's shares held" is as of March 31, 2017.

Human Resource Initiatives

Basic Stance

Our career development programs are aimed at fostering autonomous employees who boldly think about what needs to be done and then accomplish it. Based on that policy, we are enhancing training to develop people who will support the achievement of our medium-term business plans.

Currently we are strengthening initiatives such as development of global-minded employees, development of employees who embrace new challenges, employee coaching, which serves as the foundation for sustainable management, and diversity training to promote an inclusive workplace culture in which diverse employees can fulfill their potential.

Comment from the head of the Human Resources Planning Office on the development of globally competent employees

We want to foster employees who can flexibly adapt to overseas business settings.

We are currently pursuing business expansion overseas, primarily in Asia, and are therefore focusing on developing globally competent employees. In addition to our existing trainee program in which young employees are dispatched to our overseas locations, we introduced a program of internships at overseas companies in 2016. This program is intended to give employees an understanding of the cultures and environments of different countries through overseas work experience, increase their desire to work abroad, and cultivate employees who can flexibly handle international business situations.

In the first year of this program, we sent 11 employees for one-month internships at startup businesses and other companies in Southeast Asia, particularly in Vietnam. The institutions accepting the interns include local chambers of commerce, temporary staffing agencies and others. One person who trained at a travel agency, for example, surmounted the language barrier and actively contributed to work such as proposals for improvement of tour packages and establishment of an incentive system for tour guides. Some participants who returned to Japan are already playing active roles in assignments at our overseas sites.

We will continue to conduct human resource development aligned with the expansion of our business in overseas markets.



Yuko Iijima,
Senior Manager, Human
Resources Planning Office,
Personnel Department

Environmental Initiatives

Basic Stance

We are putting in place a Group-wide environmental management system based on our Environmental Charter and engaging in environmentally friendly corporate activities. To reduce the environmental impact of our production processes, we are promoting effective initiatives to address environmental issues such as global warming, resource depletion, and air and water pollution, upholding the principles and basic stance expressed in the Nippon Paper Group Environmental Charter.



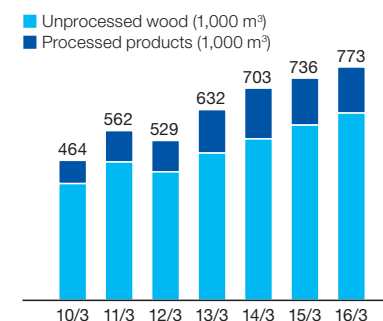
Sugenuma, a Nippon Paper-owned Forest (Mt. Nikko-Shirane)

Nippon Paper Group Initiatives

Promoting the Use of Domestic Wood

With its network for wood procurement in Japan and its ability to handle a comprehensive lineup of products, Nippon Paper Lumber Co., Ltd. is actively developing its domestic wood business. In FY2016/3, the company handled approximately 770,000 m³ of domestically produced materials, and ranked second in its field in Japan. The company aims to lift this figure to 1,000,000 m³, and, to this end, is continuing to develop new applications while working to boost exports.

Domestic Wood Sales by Product Type (Nippon Paper Lumber)



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

Trees absorb CO₂ as they grow. When fuel made from trees (woody biomass fuel) is burned, the resulting CO₂ is recognized as the CO₂ that the trees absorbed and sequestered as they were growing, so there is no net impact on atmospheric CO₂. Given this carbon-neutral characteristic of woody biomass fuel, the co-firing of woody biomass is being advanced to reduce the CO₂ emissions of coal-fired boilers. Woodchips and wood pellets, however, cannot be efficiently ground and there are other issues, like weak water repellency when stored outdoors.

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



New woody biomass solid fuel
made with torrefaction technology

Initiatives for Communities and Society

Basic Stance

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

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

Nippon Paper Group Initiatives

Sponsoring Workshops in Line with Local Wishes

Brazilian company Armapa Florestal e Celulose (AMCEL), which holds large tracts of land, strives to maintain harmonious relationships and to further dialogue with local residents. As part of that effort, it asked local communities what topics they would like to learn about, and in 2014 began to host workshops based on the responses received.

In 2015, workshops were held on growing vegetables, beekeeping, and healthful foods. Led by AMCEL-invited experts, these workshops took place in four areas, and lasted 3-6 days each. Participants, who numbered over 300 in total, indicated that they were very pleased with the workshops and felt that what they learned would be useful in daily life.



Participants in a beekeeping workshop

Marunuma Highland Tree Planting 2017

Nippon Paper is advancing initiatives aimed at leaving a thriving forest to future generations. As part of that effort, tree-planting activities were begun in the company's Sugenuma Forest in Gunma Prefecture in 2010. The sixth iteration of this activity—the Marunuma Highland Tree Planting 2017—took place in May 2017.

The number of participants—both from Nippon Paper Group and others—came to about 100 in all. Under the guidance of staff, participants transplanted 1,000 seedlings of six types of trees, including Japanese beech, Japanese oak and Japanese larch.



Planting trees

Financial Section

Consolidated Six-Year Summary.....54

Financial Overview56

Business and Other Risk Factors.....58

Consolidated Financial Statements60

Consolidated Six-Year Summary

Nippon Paper Industries Co., Ltd., and Consolidated Subsidiaries (Note 1)
(Fiscal Years Ended March 31, 2012 to March 31, 2017)

	Millions of yen						Thousands of U.S. dollars (Note 2)
	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2017/3
Fiscal year							
Net sales	¥1,042,436	¥1,025,078	¥1,081,277	¥1,052,491	¥1,007,097	¥ 992,428	\$ 8,845,958
Cost of sales	803,653	796,411	844,603	825,576	800,185	787,464	7,019,021
Operating income	36,524	25,145	28,536	23,656	22,623	23,764	211,819
Ordinary income	6,057	23,081	28,188	23,204	17,123	26,994	240,610
Profit (loss) attributable to owners of parent	(41,675)	10,652	22,770	23,183	2,424	8,399	74,864
Capital investment	57,172	53,323	47,162	48,518	46,899	51,289	457,162
Depreciation	74,352	64,903	63,181	61,374	57,672	55,083	490,980
Free cash flow	13,488	4,212	50,902	39,363	68,689	21,809	194,393
End of fiscal year							
Total assets	¥1,527,635	¥1,497,729	¥1,480,894	¥1,495,622	¥1,390,918	¥1,388,885	\$12,379,758
Total current assets	546,344	507,335	505,417	484,498	502,912	486,205	4,333,764
Total property, plant and equipment	752,501	747,423	729,179	715,406	669,298	686,813	6,121,874
Other noncurrent assets	228,789	242,970	246,297	295,716	218,707	215,867	1,924,120
Total liabilities	1,160,983	1,101,269	1,054,309	1,005,881	966,233	953,974	8,503,200
Total net assets	366,652	396,460	426,584	489,740	424,685	434,911	3,876,558
Interest-bearing debt	838,285	830,220	775,597	731,834	703,831	678,504	6,047,812
Per share data							Yen U.S. dollars
Profit (loss) attributable to owners of parent	¥ (359.90)	¥ 92.00	¥ 196.67	¥ 200.27	¥ 20.95	¥ 72.57	\$ 0.65
Net assets	3,135.48	3,391.59	3,652.76	4,198.10	3,645.87	3,714.63	33.11
Cash dividends	30.00	40.00	40.00	50.00	60.00	60.00	0.53
Ratios							%
Operating income margin	3.5%	2.5%	2.6%	2.2%	2.2%	2.4%	
Net profit margin	(4.0)	1.0	2.1	2.2	0.2	0.8	
Equity ratio	23.8	26.2	28.6	32.5	30.3	31.0	
Return on equity (ROE)	(10.9)	2.8	5.6	5.1	0.5	2.0	
Return on invested capital (ROIC)	1.5	2.9	3.3	2.8	2.4	3.2	
Return on assets (ROA)	1.2	2.3	2.7	2.2	2.0	2.6	
Debt/equity ratio (times)	1.9	1.9	1.7	1.6	1.5	1.5	
Number of employees	13,407	13,052	13,107	12,771	11,741	13,057	

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 ¥112 = US\$1.00, the approximate rate of exchange on March 31, 2017.

- Interest-bearing debt = Short-term borrowings + Long-term debt
- Free cash flow = Cash flows from operating activities + Cash flows from investing activities
- Return on equity (ROE) = Profit (loss) attributable to owners of parent / [Average of beginning and end of year (Shareholders' equity + Accumulated other comprehensive income)] × 100
- Return on 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 at March 31, 2017 were ¥1,388.8 billion, a decrease of ¥2.0 billion from ¥1,390.9 billion at March 31, 2016. This was mainly due to a decrease of ¥21.9 billion in cash and deposits and an increase of ¥17.5 billion in property, plant and equipment.

Total liabilities decreased ¥12.2 billion from ¥966.2 billion at the end of FY2016/3 to ¥953.9 billion, largely due to the repayment of interest-bearing debt.

Net assets increased ¥10.2 billion from ¥424.6 billion at the end of FY2016/3 to ¥434.9 billion. This was mainly due to an increase of ¥17.2 billion in accumulated other comprehensive income and a decrease of ¥8.7 billion in retained earnings.

As a result, the equity ratio increased to 31.0 percent from 30.3 percent at the end of FY2016/3.

Cash Flows

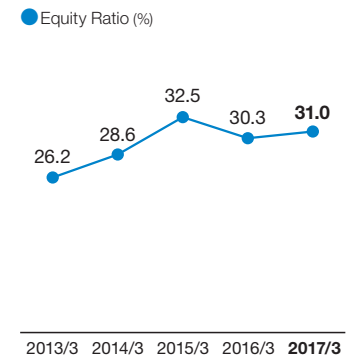
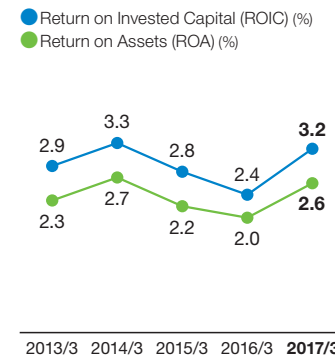
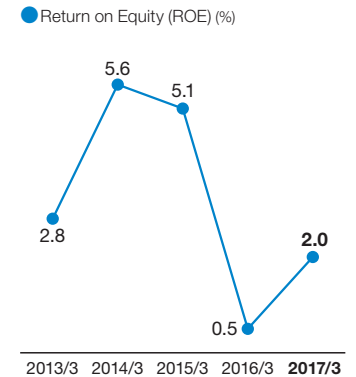
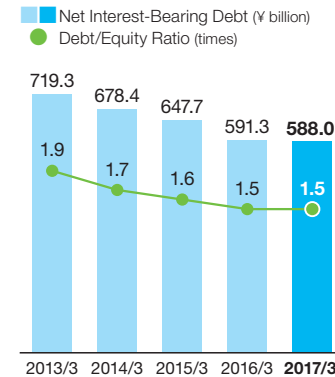
Consolidated cash and cash equivalents (“cash”) decreased ¥21.9 billion from March 31, 2016 to ¥90.5 billion at March 31, 2017.

Net cash provided by operating activities increased ¥34.6 billion from FY2016/3 to ¥87.0 billion. The main factors were profit before income taxes of ¥22.7 billion, depreciation of ¥55.0 billion and net cash inflow of ¥16.5 billion due to changes in working capital (total changes in receivables, inventories and payables).

Net cash used in investing activities was ¥65.2 billion in FY2017/3, compared to net cash provided by investing activities of ¥16.2 billion in FY2016/3. The main factors behind this were ¥49.5 billion in purchases of noncurrent assets, ¥31.4 billion in payments for transfer of business, and ¥18.8 billion in proceeds from sales of noncurrent assets.

Net cash used in financing activities increased ¥10.5 billion from FY2016/3 to ¥49.6 billion, mainly reflecting repayment of interest-bearing debt.

Trends in Nippon Paper Group’s cash flow indicators are presented on page 57.



	2013/3	2014/3	2015/3	2016/3	2017/3
Equity ratio (%)	26.2	28.6	32.5	30.3	31.0
Equity ratio based on market capitalization (%)	11.3	15.2	14.0	16.7	16.7
Interest-bearing debt/Cash flow (times)	12.6	10.2	8.9	13.4	7.8
Interest coverage ratio (times)	5.4	6.4	7.7	5.3	9.5

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, 2016 and 2017

		Millions of yen	Thousands of U.S. dollars
	2016/3	2017/3	2017/3
Assets			
Current assets			
Cash and deposits.....	¥ 112,510	¥ 90,514	\$ 808,161
Notes and accounts receivable—trade.....	192,941	200,440	1,789,643
Merchandise and finished goods	79,529	83,357	744,259
Work in process.....	18,299	17,890	159,732
Raw materials and supplies	60,244	57,432	512,786
Deferred tax assets.....	9,324	6,743	60,205
Other	30,609	30,426	271,661
Allowance for doubtful receivables	(547)	(600)	(5,357)
Total current assets	502,912	486,205	4,341,116
Noncurrent assets			
Property, plant and equipment			
Buildings and structures.....	485,784	489,397	4,369,616
Accumulated depreciation.....	(353,073)	(358,767)	(3,203,277)
Buildings and structures, net.....	132,711	130,630	1,166,339
Machinery, equipment and vehicles.....	2,161,323	2,191,073	19,563,152
Accumulated depreciation.....	(1,879,807)	(1,909,252)	(17,046,893)
Machinery, equipment and vehicles, net	281,515	281,820	2,516,250
Land	215,084	219,360	1,958,571
Mountain forests and plantations	20,046	29,030	259,196
Construction in progress	14,101	20,461	182,688
Other	45,051	45,613	407,259
Accumulated depreciation.....	(39,213)	(40,103)	(358,063)
Other, net.....	5,838	5,509	49,188
Total property, plant and equipment ..	669,298	686,813	6,132,259
Intangible assets.....	15,291	15,543	138,777
Investments and other assets.....			
Investments in securities	180,782	183,591	1,639,205
Net defined benefit assets.....	1,750	1,618	14,446
Deferred tax assets	10,730	2,217	19,795
Other	10,743	13,449	120,080
Allowance for doubtful receivables	(590)	(553)	(4,938)
Total investments and other assets ...	203,416	200,323	1,788,598
Total noncurrent assets	888,006	902,680	8,059,643
Total assets.....	¥ 1,390,918	¥ 1,388,885	\$ 12,400,759

		Millions of yen	Thousands of U.S. dollars
	2016/3	2017/3	2017/3
Liabilities			
Current liabilities			
Notes and account payable—trade.....	¥ 113,354	¥ 128,926	\$ 1,151,125
Short-term loans payable.....	243,366	262,391	2,342,777
Current portion of bonds.....	13,000	10,000	89,286
Accrued income taxes	4,147	5,369	47,938
Other	76,043	87,806	783,982
Total current liabilities	449,912	494,493	4,415,116
Long-term liabilities			
Bonds payable.....	60,000	50,000	446,429
Long-term loans payable	385,725	354,353	3,163,866
Deferred tax liability.....	18,877	21,889	195,438
Accrued environmental costs.....	470	381	3,402
Net defined benefit liability.....	42,210	24,371	217,598
Other	9,036	8,484	75,750
Total long-term liabilities	516,320	459,480	4,102,500
Total liabilities	966,233	953,974	8,517,625
Net assets			
Shareholders' equity			
Common stock.....	104,873	104,873	936,366
Capital surplus.....	217,104	216,531	1,933,313
Retained earnings.....	82,215	73,479	656,063
Treasury stock, at cost	(1,378)	(1,398)	(12,482)
Total shareholders' equity.....	402,814	393,486	3,513,268
Accumulated other comprehensive income			
Net unrealized holding gain on other securities	18,974	22,249	198,652
Net deferred gain on hedges.....	(1,193)	626	5,589
Translation adjustment.....	15,088	20,260	180,893
Remeasurements of defined benefit plans.....	(13,683)	(6,702)	(59,839)
Total accumulated other comprehensive income	19,185	36,434	325,304
Non-controlling interests.....	2,685	4,990	44,554
Total net assets	424,685	434,911	3,883,134
Total liabilities and net assets.....	¥ 1,390,918	¥ 1,388,885	\$ 12,400,759

Consolidated Financial Statements

Consolidated Statements of Operations

Fiscal Years Ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016/3	2017/3	2017/3
Net sales	¥1,007,097	¥992,428	\$8,860,964
Cost of sales	800,185	787,464	7,030,929
Gross profit	206,912	204,963	1,830,027
Selling, general and administrative expenses			
Freightage related expenses	60,913	61,910	552,768
Sales related expenses	58,605	56,352	503,143
Salaries and allowances	38,006	36,784	328,429
Other	26,763	26,152	233,500
Total selling, general and administrative expenses	184,289	181,199	1,617,848
Operating income	22,623	23,764	212,179
Other income			
Interest income	307	900	8,036
Dividend income	2,472	1,795	16,027
Equity in earnings of affiliates	—	4,623	41,277
Foreign exchange gains	7,628	3,987	35,598
Other	4,109	4,896	43,714
Total other income	14,518	16,204	144,679
Other expenses			
Interest expenses	10,002	8,944	79,857
Equity in losses of affiliates	7,500	—	—
Other	2,514	4,029	35,973
Total other expenses	20,017	12,974	115,839
Ordinary income	17,123	26,994	241,018
Extraordinary income			
Gain on sales of property, plant and equipment	461	16,959	151,420
Gain on sales of investment securities	20,821	7,811	69,741
Gain on transfer of benefit obligation relating to employees' pension fund	—	6,944	62,000
Other	342	484	4,321
Total extraordinary income	21,625	32,198	287,482
Extraordinary loss			
Loss on business withdrawal	—	23,712	211,714
Impairment loss	9,925	4,997	44,616
Loss on retirement of noncurrent assets	2,172	4,091	36,527
Loss on sales of shares of subsidiaries	16,510	—	—
Other	5,478	3,606	32,196
Total extraordinary loss	34,086	36,408	325,071
Profit before income taxes	4,662	22,784	203,429
Income taxes - current	5,048	7,089	63,295
Income taxes - deferred	(2,486)	7,945	70,938
Total income taxes	2,562	15,035	134,241
Profit	2,100	7,748	69,179
Loss attributable to non-controlling interests	(324)	(650)	(5,804)
Profit attributable to owners of parent	¥ 2,424	¥ 8,399	\$ 74,991

Consolidated Statements of Comprehensive Income

Fiscal Years Ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016/3	2017/3	2017/3
Income before minority interests	¥ 2,100	¥ 7,748	\$ 69,179
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	(5,376)	3,170	28,304
Net deferred gain (loss) on hedges	(1,880)	1,781	15,902
Translation adjustments	(4,679)	1,516	13,536
Remeasurements of defined benefit plans, net of tax	(17,114)	6,794	60,661
Share of other comprehensive income of affiliates accounted for using the equity method	(4,871)	4,783	42,705
Total other comprehensive income	(33,922)	18,047	161,134
Comprehensive income	¥(31,821)	¥25,795	\$230,313
(Details)			
Comprehensive income attributable to owners of parent	¥(31,283)	¥26,469	\$236,330
Comprehensive income attributable to non-controlling interests	(538)	(673)	(6,009)

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

Fiscal Years Ended March 31, 2016 and 2017

Millions of yen

	Number of shares of issued common stock (Shares)	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	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	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 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
Changes of items during the period													
Cash dividends paid		—	—	(6,948)	—	(6,948)	—	—	—	—	—	—	(6,948)
Profit attributable to owners of parent		—	—	2,424	—	2,424	—	—	—	—	—	—	2,424
Purchase of treasury stock		—	—	—	(27)	(27)	—	—	—	—	—	—	(27)
Disposition of treasury stock		—	(0)	—	1	1	—	—	—	—	—	—	1
Changes in scope of consolidation		—	—	(313)	—	(313)	—	—	—	—	—	—	(313)
Change in scope of equity method		—	—	(10,120)	3	(10,116)	—	—	—	—	—	—	(10,116)
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		—	—	—	—	—	(5,371)	(3,508)	(22,019)	(18,088)	(48,988)	(1,086)	(50,074)
Total changes of items during the period		—	(0)	(14,957)	(22)	(14,979)	(5,371)	(3,508)	(22,019)	(18,088)	(48,988)	(1,086)	(65,054)
Balance at March 31, 2016	116,254,892	¥104,873	¥217,104	¥ 82,215	¥(1,378)	¥402,814	¥18,974	¥ (1,193)	¥ 15,088	¥(13,683)	¥ 19,185	¥ 2,685	¥424,685
Balance at April 1, 2016	116,254,892	¥104,873	¥217,104	¥ 82,215	¥(1,378)	¥402,814	¥18,974	¥(1,193)	¥ 15,088	¥(13,683)	¥ 19,185	¥ 2,685	¥424,685
Changes of items during the period													
Cash dividends paid		—	—	(6,947)	—	(6,947)	—	—	—	—	—	—	(6,947)
Profit attributable to owners of parent		—	—	8,399	—	8,399	—	—	—	—	—	—	8,399
Purchase of treasury stock		—	—	—	(20)	(20)	—	—	—	—	—	—	(20)
Disposition of treasury stock		—	(0)	—	1	1	—	—	—	—	—	—	1
Changes in scope of consolidation		—	—	(10,188)	—	(10,188)	—	—	—	—	—	—	(10,188)
Change in ownership interest of parent due to transactions with non-controlling interests		—	(572)	—	(0)	(572)	—	—	—	—	—	—	(572)
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		—	—	—	—	—	3,275	1,820	5,172	6,981	17,248	2,305	19,554
Total changes of items during the period		—	(572)	(8,736)	(19)	(9,328)	3,275	1,820	5,172	6,981	17,248	2,305	10,225
Balance at March 31, 2017	116,254,892	¥104,873	¥216,531	¥ 73,479	¥(1,398)	¥393,486	¥22,249	¥ 626	¥ 20,260	¥ (6,702)	¥ 36,434	¥ 4,990	¥434,911

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	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	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2016	\$936,366	\$1,938,429	\$734,063	\$(12,304)	\$3,596,554	\$169,411	\$ (10,652)	\$134,714	\$(122,170)	\$171,295	\$23,973	\$3,791,830
Changes of items during the period												
Cash dividends paid.....	—	—	(62,027)	—	(62,027)	—	—	—	—	—	—	(62,027)
Profit attributable to owners of parent	—	—	74,991	—	74,991	—	—	—	—	—	—	74,991
Purchase of treasury stock.....	—	—	—	(179)	(179)	—	—	—	—	—	—	(179)
Disposition of treasury stock	—	(0)	—	9	9	—	—	—	—	—	—	9
Changes in scope of consolidation	—	—	(90,964)	—	(90,964)	—	—	—	—	—	—	(90,964)
Change in ownership interest of parent due to transactions with non-controlling interests...	—	(5,107)	—	(0)	(5,107)	—	—	—	—	—	—	(5,107)
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	—	—	—	—	—	29,241	16,250	46,179	62,330	154,000	20,580	174,589
Total changes of items during the period.....	—	(5,107)	(78,000)	(170)	(83,286)	29,241	16,250	46,179	62,330	154,000	20,580	91,295
Balance at March 31, 2017	\$936,366	\$1,933,313	\$656,063	\$(12,482)	\$3,513,268	\$198,652	\$ 5,589	\$180,893	\$(59,839)	\$325,304	\$44,554	\$3,883,134

Consolidated Financial Statements

Consolidated Statements of Cash Flows

Fiscal Years Ended March 31, 2016 and 2017

		Millions of yen	Thousands of U.S. dollars
	2016/3	2017/3	2017/3
Operating activities			
Profit before income taxes	¥ 4,662	¥ 22,784	\$ 203,429
Depreciation	57,672	55,083	491,813
Amortization of goodwill	2,071	2,029	18,116
Increase (decrease) in allowance for doubtful receivables	(53)	34	304
Increase (decrease) in net defined benefit liability	(911)	(7,356)	(65,679)
Increase (decrease) in accrued environmental costs	(68)	(89)	(795)
Interest and dividend income	(2,780)	(2,695)	(24,063)
Interest expense	10,002	8,944	79,857
Equity in (earnings) losses of affiliates	7,500	(4,623)	(41,277)
Foreign exchange losses (gains)	(7,155)	(3,972)	(35,464)
Loss (gain) on sales of property, plant and equipment	(461)	(16,959)	(151,420)
Loss (gain) on sales of investment securities	(20,821)	(7,811)	(69,741)
Loss on business withdrawal	—	23,712	211,714
Impairment loss	9,925	4,997	44,616
Net loss on disposal of noncurrent assets	2,172	4,091	36,527
Loss (gain) on sales of shares of subsidiaries	16,510	—	—
Decrease (increase) in receivables	(2,439)	(3,319)	(29,634)
Decrease (increase) in inventories	(1,188)	5,884	52,536
Increase (decrease) in payables	(11,600)	13,990	124,911
Other	153	1,576	14,071
Subtotal	63,189	96,301	859,830
Interest and dividends received	5,799	4,117	36,759
Interest paid	(9,981)	(9,214)	(82,268)
Payments for supplementary retirement benefits	(1,374)	(178)	(1,589)
Income taxes paid	(5,213)	(3,938)	(35,161)
Net cash provided by (used in) operating activities	¥ 52,419	¥ 87,087	\$ 777,563

		Millions of yen	Thousands of U.S. dollars
	2016/3	2017/3	2017/3
Investing activities			
Purchases of time deposits	¥ (3)	¥ —	\$ —
Withdrawals of time deposits	3	—	—
Purchases of noncurrent assets	(44,511)	(49,589)	(442,759)
Proceeds from sales of noncurrent assets	1,177	18,882	168,589
Purchases of investments in other securities	(6,933)	(18,210)	(162,589)
Proceeds from sales of investments in other securities	53,296	15,391	137,420
Proceeds from redemption of investments in securities	3,000	—	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	10,111	—	—
Payments for transfer of business	—	(31,432)	(280,643)
Decrease (increase) in short-term loans receivable	(250)	203	1,813
Payments of long-term loans receivable	(58)	(70)	(625)
Collection of long-term loans receivable	309	103	920
Other	129	(555)	(4,955)
Net cash provided by (used in) investing activities	16,270	(65,278)	(582,839)
Financing activities			
Increase (decrease) in short-term loans payable	(8,835)	10,746	95,946
Proceeds from long-term loans payable	39,095	25,350	226,339
Repayment of long-term loans payable	(69,846)	(64,920)	(579,643)
Proceeds from issuance of bonds	10,000	—	—
Redemption of bonds	—	(13,000)	(116,071)
Proceeds from sales of treasury stock	1	0	0
Purchases of treasury stock	(27)	(20)	(179)
Cash dividends paid	(6,953)	(6,941)	(61,973)
Repayment to non-controlling interests	(1,607)	(7)	(63)
Finance lease principal payments	(994)	(901)	(8,045)
Net cash provided by (used in) financing activities	(39,168)	(49,694)	(443,696)
Effect of exchange rate changes on cash and cash equivalents	(1,046)	435	3,884
Increase (decrease) in cash and cash equivalents	28,475	(27,450)	(245,089)
Cash and cash equivalents at beginning of year	84,002	112,510	1,004,554
Increase due to inclusion of certain subsidiaries in consolidation	32	5,454	48,696
Cash and cash equivalents at end of year	¥112,510	¥ 90,514	\$ 808,161

Consolidated Subsidiaries and Equity-Method Affiliates

(As of March 31, 2017)

Pulp and 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
Nippon Tokai Industrial Paper Supply Co., Ltd.	350	Japan	65.00
Paper Australia Pty Ltd. (and its 7 subsidiaries)	(AUD1,000) 662,280	Australia	100.00
Nippon Dynawave Packaging Co.	(USD1,000) 200,000	U.S.A.	100.00
NP Trading Co., Ltd.	1,000	Japan	100.00
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
Juho Thermal Oy	(EURO1,000) 7,651	Finland	100.00
Siam Nippon Industrial Paper Co., Ltd.	(THB1,000) 1,100,000	Thailand	55.00
Equity-Method Affiliates			
Daishowa-Marubeni International Ltd.	(CAD1,000) 262,000	Canada	50.00
Shin Tokai Paper Co., Ltd.	3,135	Japan	35.00
Kyodo Paper Holdings Co., Ltd.	2,381	Japan	31.04
Phoenix Pulp and Paper Plc.	(THB1,000) 2,462,811	Thailand	30.00

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.	100	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
N&E Co., Ltd.	450	Japan	70.00
Daishowa Uniboard Co., Ltd.	490	Japan	100.00
Nanei Co., Ltd.	30	Japan	100.00
Nichimoku Fancy Materials Co., Ltd.	50	Japan	100.00
Amapa Florestal e Celulose S.A. (and its 1 subsidiary)	(BRL1,000) 329,144	Brazil	100.00
Nippon Paper Resources Australia Pty. Ltd.	(AUD1,000) 26,500	Australia	100.00

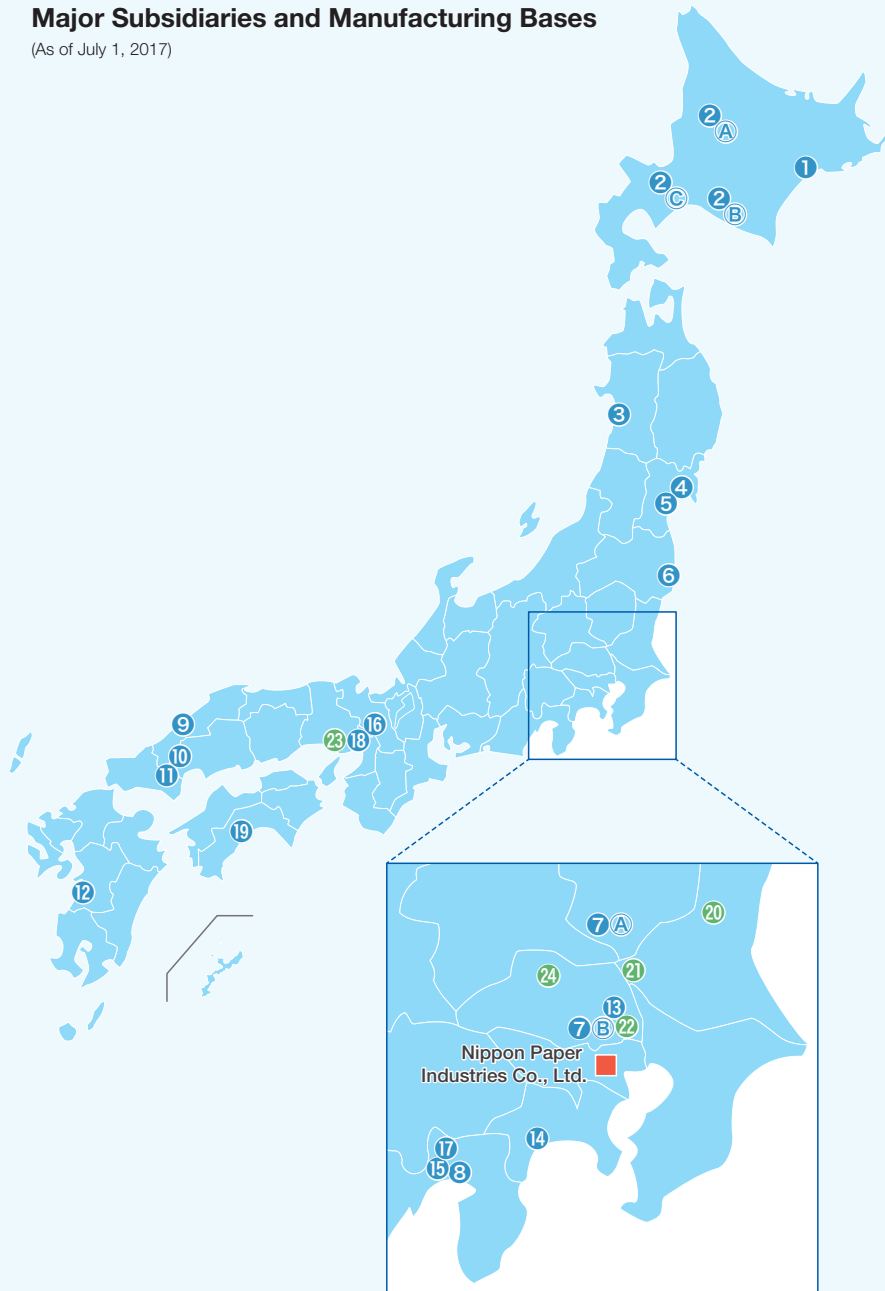
Other

Consolidated Subsidiaries	Capital (¥ million)	Location	Share of Voting Rights (%)
Nanko Unyu Co., Ltd.	160	Japan	100.00
Kyokushin Transport Corporation	80	Japan	100.00
NIPPON PAPER LOGISTICS CO., LTD.	70	Japan	100.00
Hotoku Co., Ltd.	25	Japan	100.00
Nippon Paper Development Co., Ltd.	710	Japan	100.00
GAC CO., LTD.	48	Japan	100.00
Equity-Method Affiliates			
Chiyoda SVAC CO., LTD.	200	Japan	32.50
Nippon Paper Mega Solar Komatsushima, LLC	1	Japan	50.00

Domestic Network

Major Subsidiaries and Manufacturing Bases

(As of July 1, 2017)



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) | ⑦ Kanto Mill (Tochigi/Saitama) |
| ② Hokkaido Mill (Hokkaido) | ⑧ Ashikaga ⑨ Soka |
| ③ Asahikawa ④ Yufutsu | ⑩ Fuji Mill (Shizuoka) |
| ⑤ Shiraori | ⑪ Gotsu Mill (Shimane) |
| ⑥ Akita Mill (Akita) | ⑫ Otake Mill (Hiroshima) |
| ⑦ Ishinomaki Mill (Miyagi) | ⑬ Iwakuni Mill (Yamaguchi) |
| ⑧ Iwanuma Mill (Miyagi) | ⑭ Yatsushiro Mill (Kumamoto) |
| ⑨ Nakoso Mill (Fukushima) | |

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

- | |
|--------------------------|
| ⑮ Tokyo Mill (Saitama) |
| ⑯ Kaisei Mill (Kanagawa) |
| ⑰ Koyo Mill (Shizuoka) |
| ⑱ Kyoto Mill (Kyoto) |

Nippon Paper Papylia Co., Ltd.

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

- | |
|--------------------------|
| ⑲ Harada Mill (Shizuoka) |
| ⑳ Suita Mill (Osaka) |
| ㉑ Kochi Mill (Kochi) |

NP Trading Co., Ltd.

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

Paper-Related

Nippon Paper Industries Co., Ltd. Paper-Pak Sales Division

- | |
|---------------------------------------|
| ㉒ Ishioka Kako Co., Ltd. (Ibaraki) |
| ㉓ Egawa Paper-Pak Co., Ltd. (Ibaraki) |
| ㉔ Soka Paper-Pak Co., Ltd. (Saitama) |
| ㉕ Miki Paper-Pak Co., Ltd. (Hyogo) |

Nippon Paper Industries Co., Ltd. Chemical Sales Division

- | |
|-----------------------------------|
| ㉖ Higashimatsuyama Mill (Saitama) |
|-----------------------------------|

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 July 1, 2017)



Pulp and Paper

Nippon Paper Industries Co., Ltd.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------|
| ① Longview Office
Longview, WA, U.S.A. | ⑤ Concepción Office
Concepción, Chile |
| ② Bangkok Representative Office
Bangkok, Thailand | ⑥ Europe Office
Neuss, Germany |
| ③ Vietnam Representative Office
Ho Chi Minh City, Vietnam | |
| ④ China Office
Shanghai, China | |

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 |

Major Overseas Subsidiaries and Affiliates (As of July 1, 2017)

ASIA



1 Everwealth Paper Industries (Shanghai) Co., Ltd.
Shanghai, China

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

2 Shanghai Office
Shanghai, China

3 Beijing Office
Beijing, China

4 Paper Products Marketing (Singapore) Pte. Ltd.
Singapore

5 Paper Products Marketing (Malaysia Branch) Pte. Ltd.
Selangor, Malaysia

6 Paper Products Marketing (Hong Kong) Ltd.
Hong Kong

7 Paper Products Marketing (Taiwan) Ltd.
Taipei, Taiwan

8 NP Trading Co., (H.K.) Ltd.
Hong Kong

9 NP Trading (Bangkok) Co., Ltd.
Bangkok, Thailand

10 NP INTERNATIONAL (S) PTE. LTD.
Singapore

11 Siam Nippon Industrial Paper Co., Ltd.
Ban Pong, Thailand

12 Ky Vy Corporation
Ho Chi Minh City, Vietnam

13 Nippon Paper Viet Hoa My JSC
Ho Chi Minh City, Vietnam

14 Nippon Paper Foodpac Pvt. Ltd.
Mumbai, India

OCEANIA

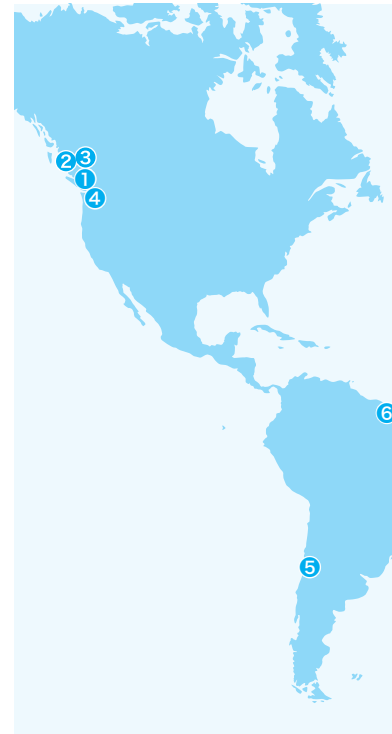


1 Nippon Paper Resources Australia Pty. Ltd.
Mt Waverley, Victoria, Australia

2 Paper Australia Pty. Ltd.
Mt Waverley, Victoria, Australia

3 Paper Products Marketing Pty. Ltd.
Mt Waverley, Victoria, Australia

NORTH AND SOUTH AMERICA



1 Nippon Dynawave Packaging Co.
Longview, WA, U.S.A.

2 Daishowa North America Corporation
Vancouver, B.C., Canada

3 Daishowa-Marubeni International Ltd.
Vancouver, B.C., Canada

4 Paper Products Marketing (USA) Inc.
Portland, OR, USA

5 Volterra S.A.
Concepción, Chile

6 Amapa Florestal e Celulose S.A.
Santana, Amapá, Brazil

EUROPE



1 Jujo Thermal Oy
Kauttua, Finland

2 Paper Products Marketing Europe GmbH
Neuss, Germany

AFRICA



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

Company Profile (As of March 31, 2017)

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	4,999 non-consolidated 13,057 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 to become Sanyo-Kokusaku Pulp Co., Ltd.
April 1993	Jujo Paper merged with Sanyo-Kokusaku Pulp to become 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, 2017)

Shares

Number of shares authorized to be issued	300,000,000 shares
Number of shares issued	116,254,892 shares <small>(Including 328,807 shares of treasury stock)</small>
Number of shareholders	85,138

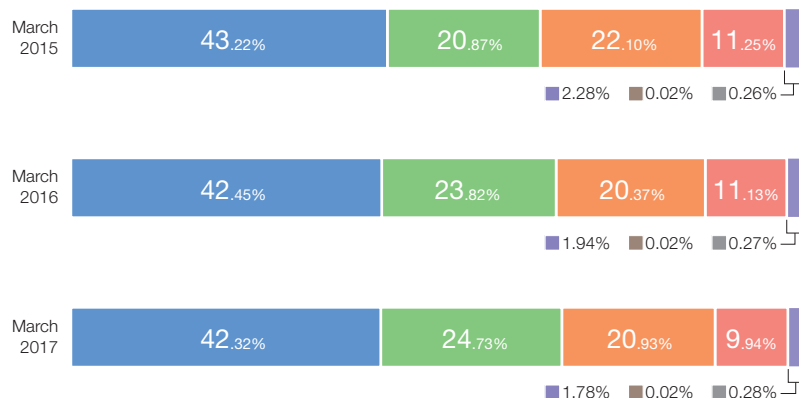
Major shareholders

Name	Shares held	Shareholding ratio (%) *
Ichigo Trust Pte. Ltd.	10,978,600	9.47
Japan Trustee Services Bank, Ltd. (Trust Account)	8,628,100	7.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,575,800	4.81
Mizuho Bank, Ltd.	4,341,855	3.75
CHASE MANHATTAN BANK GTS. CLIENTS ACCOUNT ESCROW	3,635,293	3.14
Nippon Life Insurance Company	3,091,365	2.67
Nippon Paper Industries Co., Ltd. Employee Share Ownership	3,084,229	2.66
Rengo Co., Ltd.	2,821,241	2.43
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,358,800	2.03
Mitsui Life Insurance Company Limited	2,258,900	1.95

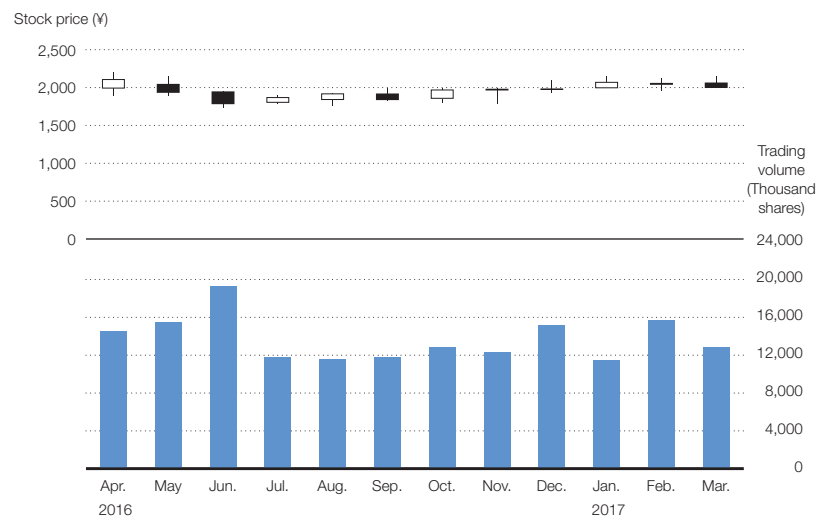
*The shareholding ratio was calculated after deducting 328,807 shares of treasury stock.

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

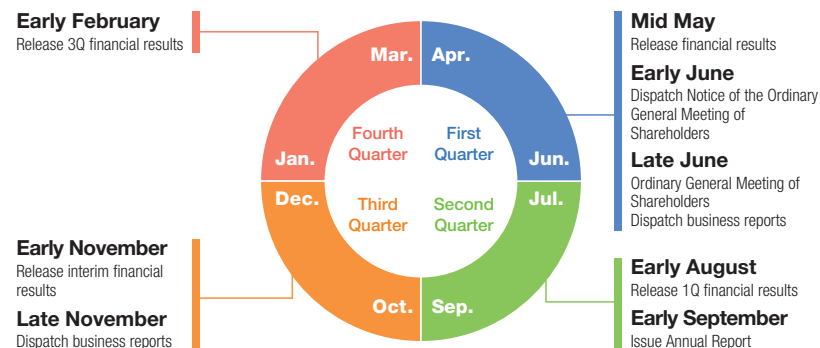


Investor Information

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 accounting auditor	Ernst & Young ShinNihon LLC

IR Calendar

Note: The schedule may change without notice.



Types of Paper Utilized in This Annual Report

- Cover: U-LITE DRY α (157.0 g/m²) produced by Nippon Paper Industries Co., Ltd.
- Contents: b7 Light (97.0 g/m²) produced by Nippon Paper Industries Co., Ltd.