

SDG Initiatives



We will link the resolution of social issues with value creation.

In keeping with its mission of “to contribute to better living and cultural progress everywhere it does business,” the Nippon Paper Group is working throughout the value chain to achieve the Sustainable Development Goals (SDGs)* and strengthen its positive impacts on achieving this objective and reduce its negative impacts.

* Sustainable Development Goals: A set of 17 goals adopted by the United Nations as priorities to be addressed on a global scale by 2030.

Given its business model that leverages the characteristics of wood resources (see pages 4–11), the Nippon Paper Group believes it can leverage its dual-cycle value chain to make major contributions toward realizing the SDGs listed below and minimize the negative impact of its business activities toward that goal. Because of its economic, environmental, and social impact, these SDGs have particular relevance for the Nippon Paper Group, and we are contributing to their realization through our business activities.

The SDGs with Particular Relevance for the Nippon Paper Group

+ Strengthen Positive Impacts

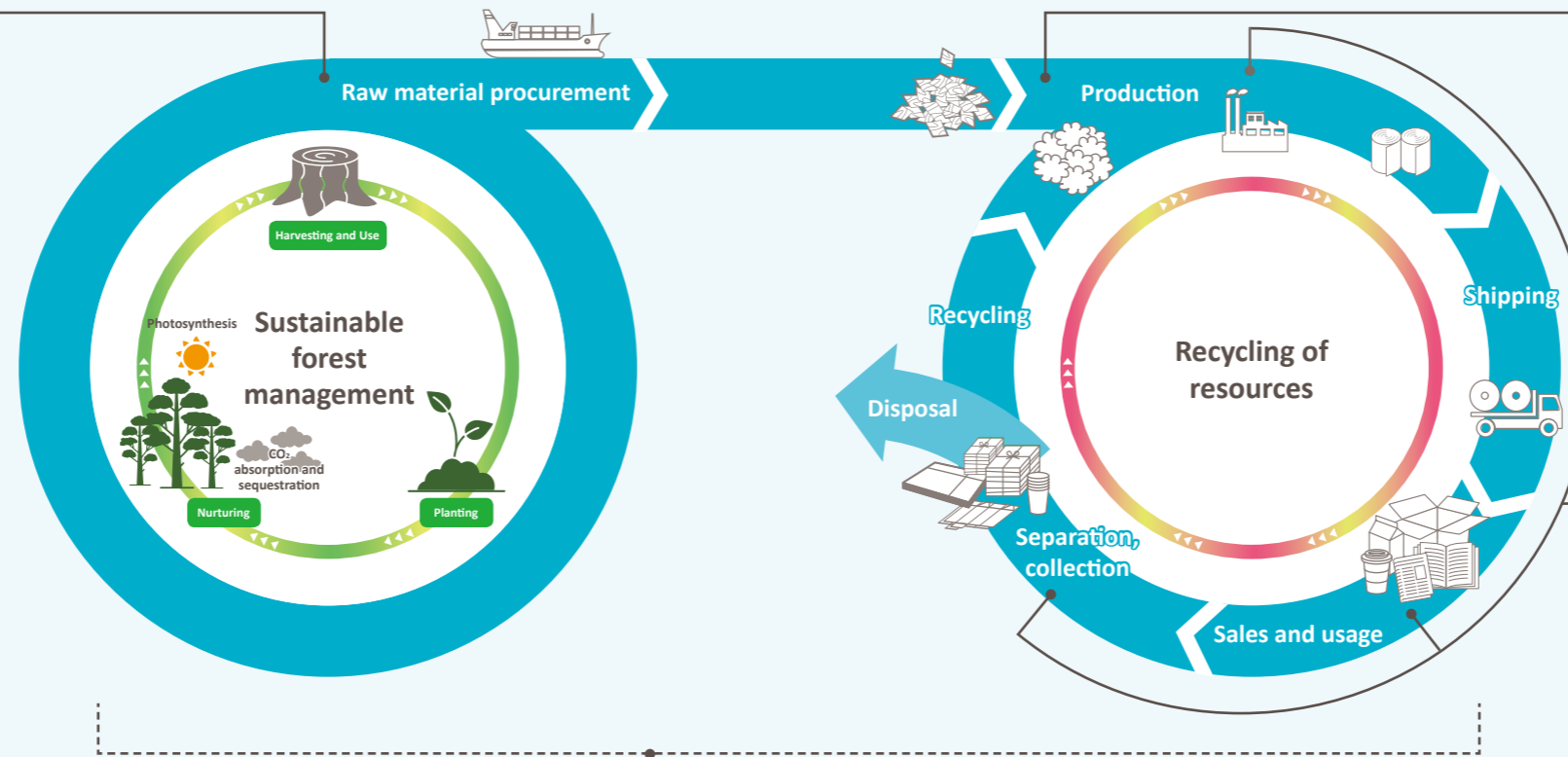
Life on land (Raw material procurement)

Enable sustainable use to have a positive impact on the public functions of forests and the services of ecosystems by properly managing Company-owned forests. (See pages 56–59.)

- Reduce Negative Impacts

Climate change initiatives (Raw material procurement, Production, Shipping, Sales and usage, Separation, collection, Recycling, Disposal)

Help to reduce the loss of forests by strictly practicing proper, legal procurement. Strive to rein in CO₂ emissions in all business activities. (See pages 63–65.)



- Reduce Negative Impacts

Reducing environmental impact and ensuring good health and well-being (Production)

Prevent environmental pollution from Group manufacturing activities by reining in emissions or discharges of water, air, and soil contaminants. Also, take every possible measure to protect working people from disease and injury by implementing extensive workplace safety measures and conducting thorough training and education. (See pages 62 and 71.)

+ Strengthen Positive Impacts

Providing environmentally and socially conscious products (Production, Sales and usage, Separation, collection, Recycling)

Help to protect the environment and enhance the sustainability of resources through technical innovations making greater use of renewable biomass resources. (See pages 4–11.)

Research and Development

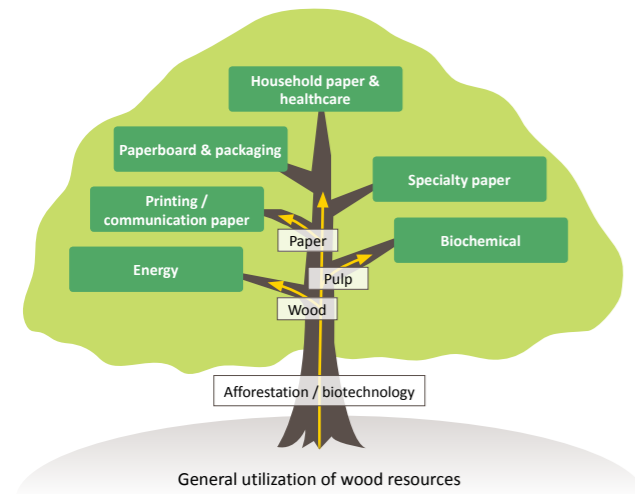
Basic Stance

As a comprehensive biomass company shaping the future with trees, we will strive to gain further momentum with the transformation of our business structure and the enhancement of competitiveness of existing businesses. To that end, we will make maximum use of the Nippon Paper Group's research resources and forge ahead with research and development based on the following three key initiatives.

- ① Expand businesses in growth areas and achieve early commercialization of new businesses
- ② Strengthen profitability of existing businesses
- ③ Implement intellectual property strategies early and effectively

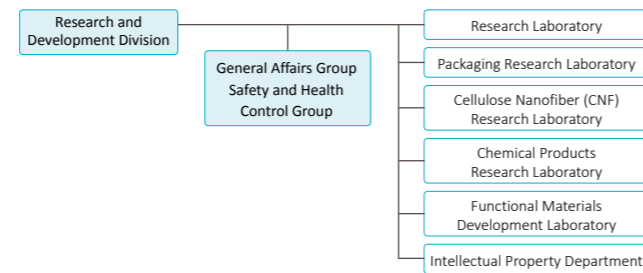
R&D System and Key Initiatives

The Nippon Paper Group conducts its diverse research and development activities in the areas of afforested land, wood products, paper and pulp, and biomass use while drawing on its unique technologies cultivated to date and promoting efficient research and development throughout its business from raw materials to products and recycling.



Nippon Paper Industries' Research and Development Division consists of the Research Laboratory, Packaging Research Laboratory, Cellulose Nanofiber (CNF) Research Laboratory, Chemical Products Research Laboratory, Functional Materials Development Laboratory, and Intellectual Property Department. We have established the Containerboard Research Laboratory within the Research Laboratory as part of our efforts to develop highly functional containerboards. In addition, we have collaborated with Nippon Paper Crecia's Healthcare Research Institute and Nippon Paper Papylia's Research & Development Center to maximize the use of our research assets.

Organization Structure of Nippon Paper Industries' Research and Development Division



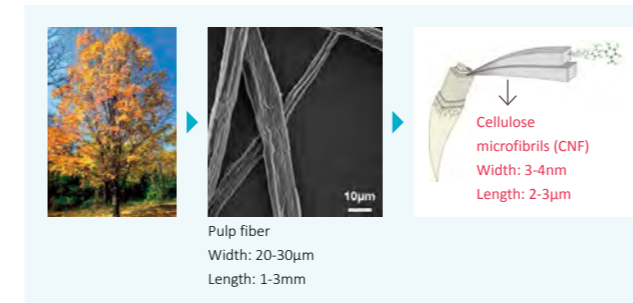
the Group, we conduct joint research on useful technology with universities, national projects, companies, and public research institutions, and promote open innovation based on partnerships with industry, government, and academia. We are working to commercialize our useful technology and developed products as early as possible through the establishment of projects by the New Product Development Committee.

Solidifying Our Intellectual Property Base

The Intellectual Property Department of Nippon Paper Industries is strengthening the intellectual property base of the entire Group through the discovery of new ideas, promotion of patent applications, and the development of patent networks for important technology.

Key R&D Themes

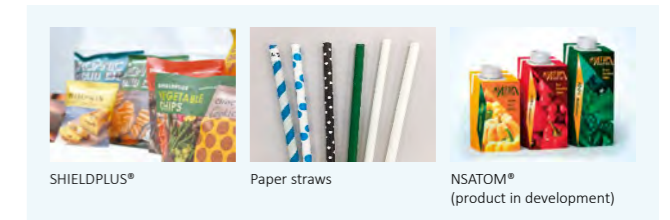
① CELLENPIA® cellulose nanofiber (CNF)
CNF is a cutting-edge biomass resource generated by finely breaking fiber from wood into nano size.



Nippon Paper Industries has established a technology for the mass production of TEMPO-oxidized CNF by incorporating a technology developed at Tokyo University. Also, by combining the healthcare-related technology of Group company Nippon Paper Crecia, we succeeded in launching the world's first diaper with extra-deodorizing functions utilizing CNF.

Moreover, by applying the unique technologies of the Company's chemical business into CNF, we aim to widen its use in food additives, which are used to maintain the stickiness of food and retain their shape, and cosmetics additives, which stabilize emulsions and dispersion.

② Aim of using less plastic and more paper
Paper is an environmentally friendly material that is renewable and has superior recyclable and biodegradable features. Guided by our slogan of "let paper do what it can do," we are making concerted efforts to broaden our domains for paper.



For example, by applying its water coating technology cultivated over the years on paper, the Company is moving ahead with the development of the SHIELDPLUS® series of packaging materials with barrier properties, which performs on a par with the variety of barrier-film options available.

③ Development of new functional material
Through applying its unique technology, in 2017 the Company developed MinerPa® as a functional material with densely bonded inorganic particles on the surface of cellulose fiber. This allows us to provide new materials with the different features (deodorizing, antibacterial, flame-retardancy, antiviral, etc.) of inorganic materials based on wood pulp. We will actively move forward with our search for promising business areas and our rapid development of applications for commercialization.

Accelerating the Transformation of Our Business Structure

Through the sharing of weekly reports across research and development centers and conducting periodic meetings together, Nippon Paper Industries is working to continue to cultivate its technologies and introduce them to other sectors as well as speeding up the pace of its research and development activities.

With our Group companies, we conduct joint research by selecting research themes on a periodic basis. As for organizations outside of

Special Feature:

Initiatives to Expand Our Paper Business

The ongoing issue of marine plastic pollution has been receiving growing attention in recent years. Accordingly, demand for environmentally friendly materials that are reusable and biodegradable has been growing worldwide. Guided by its slogan of “let paper do what it can do,” the Nippon Paper Group is moving ahead with efforts to “paperise” toward resolving the various issues facing society.

The domestic market for plastic products has generated approximately ¥4.2 trillion,*¹ of which plastic packaging and containers account for nearly ¥1.6 trillion.*² In line with the needs of society, we will transition to paper that is renewable and highly recyclable and biodegradable, with the aim of expanding our paper business.

*¹ Plastic Products Statistics (2017), Ministry of Economy, Trade and Industry

*² Statistics on the Scale of Japanese Packaging Industry in 2017, Japan Packaging Institute

Product Development toward Expanding the Paper Business

- Paper bags
- Paper cups
- SHIELDPLUS® barrier packaging material
- Heat sealable adhesive paper and paperboards
- Biodegradable and bioplastic products
- Paper cartons
- SPOPS® replaceable containers
- Paper straws
- Paper trays
- Functional cardboard paper
- Paper packaging

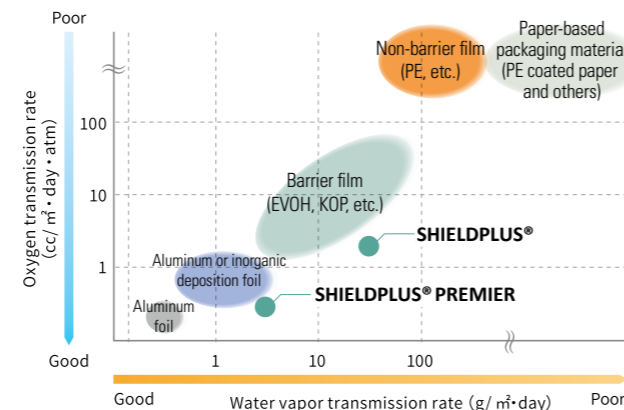


Deploying the SHIELDPLUS® Series

Commencing Supplies of SHIELDPLUS® PREMIER

In April 2019, Nippon Paper Industries began supplying samples of its new product line SHIELDPLUS® PREMIER. SHIELDPLUS® PREMIER offers greater protection against moisture and was developed for the SHIELDPLUS® series, which incorporates barrier properties into paper. Going forward, we will accelerate the roll out of SHIELDPLUS® PREMIER to a wide variety of applications for food packaging, and seek to develop its application for a range of industries other than packaging.

Comparison of Oxygen and Water Vapor Barrier Properties



Expanding to European Markets

The Company has embarked on discussions on the production of the SHIELDPLUS® series at its Group company Jujo Thermal Oy (Finland). We are advancing our marketing efforts in Europe, and look to establish a presence in the environmentally conscious European market for the SHIELDPLUS® series.

Expanding to Asian Markets

In March 2019, Nippon Paper Industries acquired a 70% stake in TS Plastics Sdn. Bhd. (hereinafter, TSP), which specializes in flexible packaging materials for the Malaysian market.

Founded on TSP’s more than 20 years of technological know-how and customer base cultivated through its flexible packaging business, Nippon Paper Industries will fully leverage its technological development capabilities and the Group’s sales network in order to expand into the highly thriving Asian market. By establishing TSP as a hub for rolling out our “paperising” efforts in Asia, we will actively strive to develop new “paper” packaging materials to accompany our SHIELDPLUS® series.

Development of “NSATOM®,” a New Aseptic Filling System for Paper Packaging

Nippon Paper Industries and Shikoku Kakoki Co., Ltd. have developed “NSATOM®,” an aseptic filling system for paper packaging based on new concepts that supports filling involving particles, long fibers, and high viscosity, and allows for ambient distribution. The two companies will introduce “NSATOM®” to the market in FY2020/3.

In the beverage market, consumers have become increasingly health-conscious. They favor beverages whose contents have a genuine texture and demand products that include particles, long fibers, and high viscosity. Moreover, demand for packages that are easy to carry around has been growing due to the diversifying lifestyles and consumption situations of consumers.

The newly developed “NSATOM®” satisfies these needs as the world’s first aseptic filling system for paper packaging in ambient distribution that contributes to better hygiene with 6 log reduction*³ and automated cleaning of filling sections. Amid the worldwide trend for shifting away from the use of plastic, we will widely propose these paper packages as an alternative to plastic-based packages.

*³ Log reduction is a figure indicating the sterilizing ability of packaging materials needed for aseptic filling. With commercial aseptic filling, the global standard is at least 5 log reduction while a more stringent standard of at least 6 log reduction is required in Japan.



NSATOM® (product in development)

Examples of Sales Activities



Paper straws that are “soft on the mouth”



Nagaraen's crackers wrapped in SHIELDPLUS®'s flexible packaging

CSR Materiality at the Nippon Paper Group

CSR Materiality Items

ISO 26000 Core Subjects	Materiality	Related Pages
Organizational Governance, Fair Operating Practices (Management Responsibility)	<ul style="list-style-type: none"> • Thorough compliance • Dialogue with stakeholders 	P. 53 —
The Environment (Forest Management, Raw Material Procurement, and Environmental Responsibility)	<ul style="list-style-type: none"> • Sustainable procurement of raw materials • Climate change initiatives • Reduction of environmental impacts • Preserving biodiversity 	P. 56–59 P. 63–65 P. 62 P. 63
Consumer Issues (Responsibility to Customers)	<ul style="list-style-type: none"> • Enhancement of product safety • Enhancement of product value 	P. 66–67 P. 42–43
Human Rights, Labor Practices (Human Rights, Employment and Labor Responsibility)	<ul style="list-style-type: none"> • Occupational safety and health • Creation of a vigorous organization 	P. 71 P. 69–70
Community Involvement and Development (Responsibility to Communities)	<ul style="list-style-type: none"> • Coexistence with local communities and society at large 	P. 72

The Nippon Paper Group, working from a foundation of sustainable forest management, contributes to better living and cultural progress as a comprehensive biomass company that recycles and makes full use of renewable wood resources.

Proper sustainable forest management promotes the preservation of biodiversity and helps to fight global warming. And use of wood resources increases the amount of CO₂ sequestered throughout society and helps to prevent resource depletion.

The Group, which is creating new products and expanding its business as a comprehensive biomass company, manages and cultivates expansive forests and owns large-scale production sites. We, therefore, have a significant impact on local communities and the people who work there. Coexisting with these communities, as well as reducing environmental impacts and securing the safety and health of our employees at each site, therefore, are critical to our sustainability.

Moreover, the opinions of our stakeholders serve as a valuable opportunity to grasp issues that are important for our coexistence and sustainable growth with society.

Therefore, the materiality items noted above are of particular importance among our initiatives to address CSR. These materiality items are identified through investigation based on stakeholder opinions, then finalized by the head of the Group's CSR Division.

For details regarding the Company's CSR activities, please visit the CSR section of its website.

CSR site

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

Corporate Governance

Basic Stance

Based on its corporate philosophy of “to contribute to better living and cultural progress around the world,” the Nippon Paper Group established its Corporate Governance Policy in November 2015. The Company has also determined guidelines for its basic stance related to corporate governance. These policy and guidelines are aimed at achieving sustainable growth and medium- to long-term increases in corporate value for the Nippon Paper Group in ways that are consistent with the Group Mission.

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

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

Corporate Governance Policy

https://www.nipponpapergroup.com/english/ir/governance/governance_policy/E-CGP_20151105.pdf

Initiatives for Strengthening Corporate Governance

FY2007/3	<ul style="list-style-type: none"> • Formulated the Basic Policy for Establishing the Internal Control System • Shortened director terms to one year, from two
FY2014/3	<ul style="list-style-type: none"> • Adopted an executive officer system • Began appointing independent outside directors
FY2016/3	<ul style="list-style-type: none"> • Established the Corporate Governance Policy • Began evaluating the effectiveness of the Board of Directors
FY2017/3	<ul style="list-style-type: none"> • Established the Personnel & Remuneration Advisory Committee • Increased the number of independent outside directors to two
FY2020/3	<ul style="list-style-type: none"> • Increased the number of independent outside directors to three • Introduced “Board Benefit Trust” as a stock compensation system

Corporate Governance Structure

Board of Directors

The Board of Directors of Nippon Paper Industries 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.

The Company's Board of Directors is composed of six directors, who are familiar with the Nippon Paper Group's businesses, and three independent outside directors. One outside director is a legal expert, another has experience in corporate management after serving as a government official, and the other has practical working experience at accounting firms and tax accountant corporations. They are expected to supervise and advise in their objective capacity on the execution of duties of the Company's directors by utilizing their specialized expertise and experience, wide knowledge, and international awareness.

Management Execution Committee

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

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

Corporate Governance

Group Management Strategy Committee

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

Statutory Auditors and Board of Statutory Auditors

The statutory auditors of Nippon Paper Industries 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.

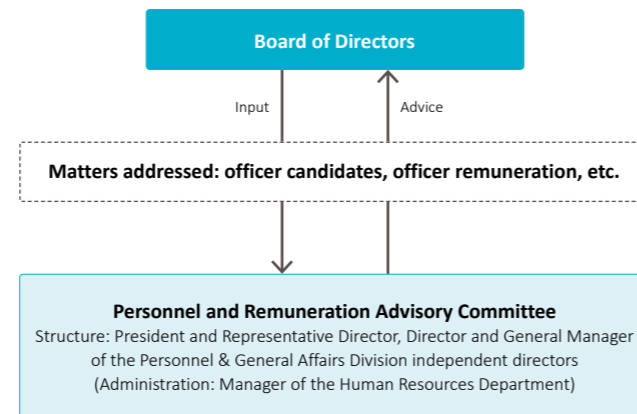
Management Audit Office

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

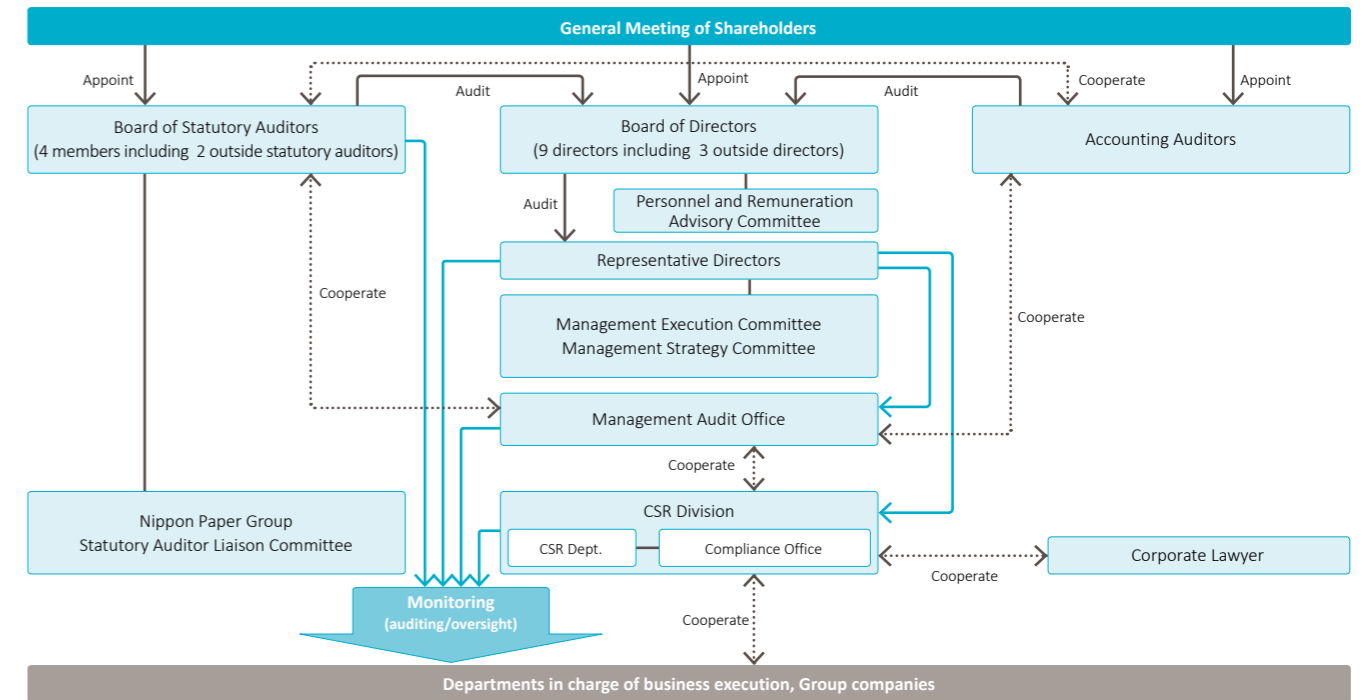
Personnel and Remuneration Advisory Committee

The Personnel and Remuneration Advisory Committee of Nippon Paper Industries receives inquiries from the Board of Directors on matters such as the selection process, qualifications, and reasons for nomination of director and statutory auditor candidates, the criteria for determining the independence of independent outside officers, and the remuneration system for directors and statutory auditors. The committee responds to such inquiries after considering their appropriateness and taking into account its assessment of the Company's business performance and other factors. The committee comprises the President and Representative Director, who serves as the chairman, the Director and General Manager of the Personnel & General Affairs Division, and outside directors.

Structure and Functions of the Personnel and Remuneration Advisory Committee



Corporate Governance Structure (As of July 1, 2019)



Corporate Governance Summary (As of July 1, 2019)

Type of Organization	Company with a Board of Statutory Auditors
Chairman of Board of Directors	Fumio Manoshiro
Number of Directors	9 (including 3 outside directors)
Number of Statutory Auditors	4 (including 2 outside statutory auditors)
Appointment of Independent Officers	5 (3 outside directors and 2 outside statutory auditors)
Board of Directors' Meetings in FY2019/3	Number of meetings: 13
	Average rate of attendance by directors: 99.1% (outside directors: 100%) Average rate of attendance by statutory auditors: 98.1% (outside statutory auditors: 96.2%)
Board of Statutory Auditors' Meetings in FY2019/3	Number of meetings: 14
	Average rate of attendance by statutory auditors: 100%
Independent Accounting Auditor	Ernst & Young ShinNihon LLC

Corporate Governance

Independent Officers

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

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

Outside Directors

Yoshimitsu Aoyama	Mr. Aoyama has been engaged in research and guidance in the area of law at the University of Tokyo, etc. for many years. In addition, he acted as Vice President of the University of Tokyo and Chairman of the Legislative Council of the Ministry of Justice. Although he has never been engaged in corporate management directly, he is expected to supervise and advise from an objective perspective on legal compliance and execution of duties of the Company's other directors using his specialized knowledge and experience accumulated as a legal professional.
Makoto Fujioka	Mr. Fujioka was Assistant Vice-Minister of the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry) and Ambassador Extraordinary and Plenipotentiary stationed in the United Arab Emirates. He has also acted as an executive of a private company. He is expected to supervise and advise from an objective perspective on the execution of duties of the Company's other directors using his wide knowledge and international awareness gained through his experience in both the public and private sectors.
Yoko Hatta	Although Ms. Hatta has never been engaged in corporate management directly, it is expected that she will draw on her broad work experience at international accounting firms and considerable expertise in international tax practices, etc. and her experience as an outside statutory auditor of the Company (from June 2016 to June 2019) to supervise and advise from an objective perspective on the execution of duties by the Company's other directors.

Outside Statutory Auditors

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

Evaluation of Effectiveness of the Board of Directors

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

Once per year, the Secretariat of the Board of Directors conducts a

survey of the directors and statutory auditors regarding management and the discussions held at its meetings. The Board of Directors analyzes and evaluates its effectiveness and works toward improvement based on the results thereof.

Outline of Results of Analysis and Evaluation in FY2019/3

Current Status

As a result of conducting self-evaluations in the form of providing questionnaires to each director and statutory auditor on the effectiveness of the Board of Directors, the Board of Directors made a current-state evaluation and identified issues to be improved in relation to FY2019/3 as follows. After conducting the current-state evaluation from the five viewpoints of "Composition of the Board of Directors," "Agenda items to be submitted to the Board of Directors' Meetings," "Conduct of Board of Directors' Meetings," "Training of directors and statutory auditors," and "Information provision to and support system for outside directors," the Board of Directors found that efforts based on each principle of the Corporate Governance Code had been progressing continuously and were broadly appropriate on the whole. Particularly in terms of "Conduct of Board of Directors' Meetings," the Board of Directors simplified explanations and provided materials in graph form, mainly for business performance reports, to make them easier to understand.

Compensation for Directors

The Board of Directors decides compensation for directors after receiving a report from the Personnel and Remuneration Advisory Committee (page 46).

Monthly Compensation

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

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

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

Areas for Improvement

As an issue to focus on improving in FY2020/3, the Board of Directors highlighted strengthening support to facilitate the activities of outside officers. The Board of Directors will make an effort to provide briefings to outside directors on important matters with explanations of the deliberation process, potential risks, etc. that take into account the needs of outside officers. The Board of Directors will enhance the content of the minutes taken at Board of Directors' Meetings to better reflect details of discussions. With regard to industry information and in-house meeting documents, the Board of Directors will provide files of past information and documents as reference material to offices of outside officers, in addition to distributing hard copies.

Total Amount of Remuneration, Etc. for Directors and Statutory Auditors for FY2019/3*1

Category	Number of executives	Total amount of remuneration, etc.
Directors	10*2	¥362 million
Statutory auditors	5*2	¥56 million

*1 Figures are rounded down to the nearest million yen.

*2 Includes one director and one statutory auditor who resigned during FY2019/3.

Introduction of Stock Compensation Plan (from FY2020/3)

The Company has introduced Board Benefit Trust (BBT) as a stock compensation plan. The objective of BBT is to further clarify the link between the compensation provided to directors and the Company's share value and thereby increase directors' motivation to contribute to improving the Company's medium- to long-term performance and increasing its corporate value by sharing the benefits and risks associated with share price fluctuations with shareholders. (This resolution was approved at the 95th Ordinary General Meeting of Shareholders held on June 27, 2019.)

Corporate Governance

(Reference) Overview of Internal Director Compensation (from FY2020/3)

	Fixed Compensation	Performance-Based Compensation	Board Benefit Trust (from FY2020/3)
Method	Cash payment		Points granted
Payment Allowance	¥7 million per year		25,000 points per year (1 point = 1 share)
Payment Period	Monthly (no bonuses or retirement benefits)		Director resignation (cumulative points are converted to shares)
Calculation Method	Determined according to their respective responsibilities in the Company, with 70% of the amount to be paid as a fixed amount	Determined according to their respective responsibilities in the Company, with 30% of the amount to be varied depending on the business results of the preceding fiscal year	Points to be granted based on directors' respective positions
Performance Standards	—	60%: non-consolidated performance (net sales, ordinary income, ROA) 40%: consolidated performance (net sales, operating income, ROA)	—
Others	Fixed amount contributed to Nippon Paper Industries Directors' Shareholding Association		—

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

Cultivation of Successors to the President and Directors

Successors to the President

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

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

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

Cultivation of Director Candidates

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

Policy for Training Directors

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

Message from an Outside Director—"Evaluation of Effectiveness of the Board of Directors"



Yoshimitsu Aoyama
Outside Director

Methods for Assessing Effectiveness of the Board of Directors

Since FY2016/3, Nippon Paper Industries has been conducting questionnaires each year with all directors and statutory auditors (currently 13 members in total) to enhance the effectiveness of the meetings of the Board of Directors. The results of these questionnaires are compiled and reported at the Board of Directors' Meetings and any issues identified as a result are used toward improvements in the following fiscal year.

The evaluation of the effectiveness of the Board of Directors conducted by the Company is a so-called institutional evaluation that takes into account the Board of Directors' Meetings as a whole. The most recent survey, conducted in January 2019, consisted of a total of 18 items, including 13 items applicable to all members regarding the composition of the Board of Directors, agenda items to be submitted to the Board of Directors' Meetings, conduct of Board of Directors' Meetings, and training of directors and statutory auditors, as well as five items

concerning outside directors. The responses were based on a four-step rating system including "adequate," "slightly adequate," "not so adequate," and "inadequate," and all members were encouraged to freely express their opinions.

Answers to Questionnaire

For this questionnaire, I responded to all 18 items, with "adequate" for eight items, "fairly adequate" for seven items, and "not so adequate" for three items, and offered my assessment on a number of these.

My "not so adequate" responses were for the three items of "the composition of the Board of Directors (including diversity)," "timing of submission of reports to the Board of Directors' Meetings," and "content of minutes taken at Board of Directors' Meetings," and my assessments included "improvements need to be made with the current situation whereby all nine directors are male," "the reports should be reviewed prior to the Board of Directors' Meetings," and "the minutes should include not only the resolutions but also details on the type of discussions that were conducted for important matters."

Improvements Based on Questionnaire Results

The other officers also offered their candid responses to the questionnaire and its results were compiled and reported at the Board of Directors' Meeting held in March 2019. Moreover, "strengthening support to facilitate the activities of outside directors" was put forth as an issue to improve on in FY2020/3 and, accordingly, the provision of briefings

that take into account the needs of outside directors, improved content of minutes taken at Board of Directors' Meetings, and the provision of more information and documents were declared as the three points for improvement to be taken. On a different note, one female director and one female statutory auditor were appointed at the Company's General Meeting of Shareholders held in June 2019. This has resulted in a better gender balance with six internal directors and three outside directors (of whom, one female director) and two internal statutory auditors and two outside statutory auditors (of whom, one female statutory auditor).

Future Issues

In these ways, the Company strives to enhance the effectiveness of the Board of Directors by reviewing the results of the questionnaire on a yearly basis. Though this is just a personal opinion on my part, in addition to institutional evaluations, the Company should consider introducing functional evaluations that assess the various functions to be fulfilled by the Board of Directors, such as management planning, management strategies, compliance, risk management, sustainability, nomination and compensation of directors, and succession planning for top management. In addition, I believe the Company would benefit from having a reputable external organization evaluate the effectiveness of its Board of Directors from an outside perspective once every few years.

Risk Management

Risk Management Structure

Regarding risks associated with the execution of the Nippon Paper Group's business, the necessary regulations and guidelines have been established at each division according to the contents of each risk, including legal compliance, corporate ethics, safety and disaster prevention, product safety, environmental conservation, human rights, and labor standards. Further, we will work to prevent risks through measures such as education and training based on manuals, and, in the event that such risks occur, we have in place a necessary structure that minimizes the losses resulting from these risks, and prevents losses incurred by the Group from expanding through the integration of the entire Group. For instance, in November 2017

Nippon Paper Industries Co., Ltd. formulated its Basic Policy on Prevention of Bribery to Public Officials and Group Basic Policy on Compliance with Competition Laws. In addition, through the preparation of its action guidelines and conducting employee training, the Company is working to strengthen and enhance its risk management structure.

Moreover, to further its risk management activities throughout the entire Group, the Nippon Paper Group has established its Environment Committee, Safety and Disaster Prevention Committee, and Product Safety Committee. Each committee is chaired by a member of management and has in place a framework for sharing important information.

Risk Management Initiatives

Addressing Risks from Natural Disasters (Nippon Paper Industries headquarters and individual mills)

The Nippon Paper Group, having learned much from past natural disasters, is developing practical guidelines for addressing natural disaster risks. Working from these guidelines, each mill and plant has examined its natural disaster response measures and revised its disaster response manual.

For its part, Nippon Paper Industries, in preparation for a major disaster that could disable its headquarters, has established a backup facility that could immediately take over headquarters functions. The backup facility was set up in preparation for a major disaster could



Backup facility (Kita-ku, Tokyo)

necessitate emergency response to such duties as confirming the safety status of employees and the status of each company, accounting and payment duties, client response, and mill production plans.

Business Continuity Management System (Nippon Paper Industries Co., Ltd. Paper-Pak Sales Division)

Nippon Paper Industries' Paper-Pak Sales Division has developed its own business continuity guidelines and established its own management system, so that it can maintain production even in times of emergency. The division is moving ahead with the selection of priority items for emergencies and procurement of key raw materials from multiple manufacturers. It has also diversified its production across multiple production sites to lower its disaster risk exposure.

Emergency Manuals (Newsprint)

Newspapers are a highly public information medium, so the need for the stable supply of newsprint is especially strong. The paper industry, therefore, has prepared regional emergency manuals for use when supply operations cannot be conducted in the usual manner. In the event of a disruption to communication and transportation systems as a result of a major disaster, paper companies follow these manuals to ensure the smooth supply of newsprint.

Compliance

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2019_e_management.pdf#page=8

Basic Stance

The Nippon Paper Group has formulated "The Nippon Paper Group's Action Charter," which states that "We shall abide by the letter and the spirit of laws and regulations, and comply with the highest ethical standards and social codes of conduct, both in Japan and abroad."

Based on this charter, the Nippon Paper Group also believes that "Compliance goes beyond laws and regulations to include decency, common sense, customs, and other rules and 'social norms' that are expected by society in general, and we are called upon to respond to the expectations and trust of society." Based on this understanding, we strive to raise awareness through compliance training, and we endeavor to conduct our business activities in compliance with laws, regulations, and social norms.

The Nippon Paper Group's Action Charter

1. We shall pursue a sustainable growth for the future to contribute to society through our business activities.
2. We shall abide by the letter and the spirit of laws and regulations, and comply with the highest ethical standards and social codes of conduct, both in Japan and abroad.
3. We shall conduct our business in a fair, transparent and liberal manner.
4. We shall win the trust of customers through the development and provision of socially useful and safe products and services.
5. We shall disclose corporate information positively and fairly to all stakeholders of the Group.
6. We shall actively address environmental issues, and shall endeavor to conserve and enhance the environmental state of our planet.
7. We shall maintain consistency between corporate development and the personal contentment of individual employees, and create a company filled with dream and hope.

Compliance Structure

The CSR Division of Nippon Paper Industries Co., Ltd. serves as a facilitator and driving force behind efforts to achieve and reinforce understanding of compliance throughout the Nippon Paper Group.

Each Group company appoints a person to be in charge of compliance within its organization, and Nippon Paper Industries' Compliance

Office actively hosts Group Compliance Liaison Meetings to provide all employees in charge of compliance with information on important policies and measures, opportunities to share information, and advice on education and training activities.

Group Internal Whistleblower System

The Nippon Paper Group has established a helpline system to allow any employee of the Group to provide direct notification of, or seek advice outside the chain-of-command on, any action in the workplace that could violate laws, social norms, or corporate ethics. The Compliance Office located within Nippon Paper Industries' CSR Department serves as a point of contact within the Group. We have also established points of contact outside the Group for use by employees as appropriate.

The helpline system guarantees the privacy of whistleblowers and takes steps to ensure that they do not suffer due to the reporting of questionable activity or seeking advice.

Number of Reportings to Helpline

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

Directors and Statutory Auditors (As of June 27, 2019)

Directors



Number of Company Shares Held
26,707 shares

Brief History

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

Fumio Manoshiro
Chairman and Director



Number of Company Shares Held
9,594 shares

Brief History

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

Responsibilities and Important Positions

- Chief Executive Officer

Toru Nozawa
President and Representative Director



Number of Company Shares Held
0 shares

Brief History

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

Important Positions

- Auditor, International Christian University
- Outside Statutory Auditor, Kobayashi Pharmaceutical Co., Ltd.
- Outside Auditor, IHI Corporation

Yoko Hatta
Outside Director



Number of Company Shares Held
19,200 shares

Brief History

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

Responsibilities and Important Positions

- Executive Vice President
- President and Representative Director, Nippon Paper Crecia Co., Ltd.

Kazufumi Yamasaki
Executive Vice President and Representative Director



Number of Company Shares Held
9,239 shares

Brief History

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

Responsibilities and Important Positions

- Senior Managing Executive Officer
- General Manager, Personnel & General Affairs Division

Akihiro Utsumi
Director

Statutory Auditors



Number of Company Shares Held
9,402 shares

Brief History

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

Important Positions

- Statutory Auditor, Nippon Paper Crecia Co., Ltd.

Hirofumi Fujimori
Statutory Auditor



Number of Company Shares Held
626 shares

Brief History

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

Important Positions

- Statutory Auditor, NP Trading Co., Ltd.

Kazunari Tatsu
Statutory Auditor



Number of Company Shares Held
8,222 shares

Brief History

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

Responsibilities and Important Positions

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

Takeo Konno
Director



Number of Company Shares Held
4,426 shares

Brief History

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

Responsibilities and Important Positions

- Executive Officer, General Manager of Corporate Planning Division, in charge of subsidiaries and affiliated companies
- Director, Nippon Paper Crecia Co., Ltd.
- Outside Director, Lintec Corporation

Masanobu Iizuka
Director



Number of Company Shares Held
0 shares

Brief History

1947 Born
1971 Assistant Judge, Kyoto District Court
1998 Director-General of Judicial System and Research Dept., Minister's Secretariat, Ministry of Justice
2001 Director-General, the Civil Affairs Bureau, Ministry of Justice
2006 President, Saitama District Court
2009 Chief Justice, Sendai High Court
2011 Chief Justice, Nagoya High Court
2012 Appointed Statutory Auditor, NPI (current position)
Registered as attorney (Daini Tokyo Bar Association)
2013 Chairman, Public Security Examination Commission (current position)
Chairman, Bureau of Labor Relations Commission, Tokyo Metropolitan Government (current position)

Important Positions

- Chairman, Public Security Examination Commission
- Chairman, Bureau of Labor Relations Commission, Tokyo Metropolitan Government

Seiichi Fusamura
Outside Statutory Auditor



Number of Company Shares Held
0 shares

Brief History

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

Important Positions

- Representative Director and President, GEN Co., Ltd.
- Outside Corporate Auditor, MISUMI Group Inc.

Nanako Aono
Outside Statutory Auditor



Number of Company Shares Held
0 shares

Brief History

1939 Born
1999 Vice President, The University of Tokyo
2007 Chairman, Legislative Council, Ministry of Justice (until 2011)
2009 Head Director, Public Interest Incorporated Foundation "Automotive Dispute Resolution Center" (current position)
2013 Appointed Outside Director, NPI (current position)
2018 Representative Director, The Japan International Dispute Resolution Center (current position)

Important Positions

- Chairman, Public Interest Incorporated Foundation "Automotive Dispute Resolution Center"
- Chairman, The Japan International Dispute Resolution Center

Yoshimitsu Aoyama
Outside Director



Number of Company Shares Held
1,000 shares

Brief History

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

Important Positions

- Senior Director, Japan Association for Chemical Innovation
- Outside Director, Eagle Industry Co., Ltd.
- Outside Director, NOK CORPORATION

Makoto Fujioka
Outside Director

* The above "Number of Company Shares Held" is as of March 31, 2019, and includes shares held by the Nippon Paper Industries Directors' Shareholding Association.

Procurement of Raw Materials

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2019_e_procurement.pdf

Basic Stance

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

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

Philosophy and Basic Policy Concerning Raw Materials Procurement

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

Philosophy and Basic Policy Concerning Raw Materials Procurement (Excerpt) (formulated on October 5, 2005)

Philosophy

We are committed to establishing a reliable raw materials procurement system through global supply chain management in consideration of the environment and society.

Basic Policy

- Environmentally friendly raw materials procurement
 - Procurement from forests under sustainable forest management
 - Support the eradication of illegal logging
 - Active use of recycled materials
 - Compliance with relevant laws and regulations on chemical substances
 - Build traceability systems
- Socially aware raw materials procurement
 - Fair deals with suppliers and appropriate human rights and labor practices
- Promotion of dialogues with stakeholders
 - Dialogues with stakeholders and proactive disclosure

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

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

Action Plan for Wood-Based Raw Material Procurement

https://www.nipponpapergroup.com/english/csr/download/action_plan_for_wood-based_raw_material_procurement.html

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

Details of Supplier Surveys

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

In addition, we received annual forest certification audits and third-party verification through a due-diligence system for verifying legality under the Clean Wood Act, which was introduced in Japan in 2017. In FY2019/3, all of the wood raw materials we used for paper were approved under forest certification systems (including controlled material and controlled wood).

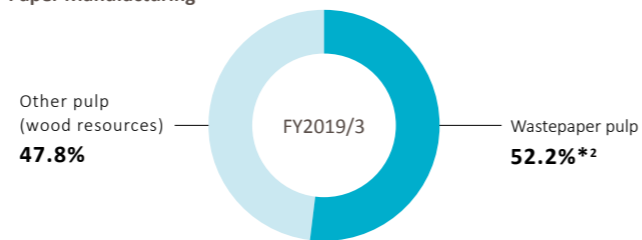
Management of Suppliers

Key Points in the Group's Procurement of Wood Resources

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

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

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



*1 Consolidated Group companies in Japan

*2 Includes purchased wastepaper pulp

Geographic Breakdown of Wood Raw Materials (Chips) Procured by Nippon Paper Industries Co., Ltd. (FY2019/3)

(Bone dry units, kt = kilotonnes)

Overseas 65% (2,784 kt)		Japan 35% (1,509 kt)	
Hardwood	Softwood	Hardwood	Softwood
58% (2,500 kt)	7% (284 kt)	13% (554 kt)	22% (956 kt)

Nippon Paper Industries' Action Plans for Procurement of Wood Resources

Procurement in Japan	410 chip suppliers, 4 pulp suppliers (implemented for all suppliers)
Procurement overseas	24 chip suppliers, 10 pulp suppliers (implemented for all suppliers)

Initiatives for Procuring Stable Supplies of Wastepaper

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

Wastepaper is a "star student" of recycling. In Japan, wastepaper is an indispensable resource, comprising more than half of the raw materials used in the Japanese papermaking sector. Working for many years with the wastepaper industry, the Nippon Paper Group has built up a system for the steady procurement of

wastepaper. While maintaining this stable supply structure, we are prompting a shift toward paper in light of recently mounting concerns over plastic pollution. We are using this hidden urban resource, which includes such items as used paper cups, to build a new circle of recycling, helping to maintain and expand the recycling system.

Procurement of Raw Materials

Sustainable Forest Management

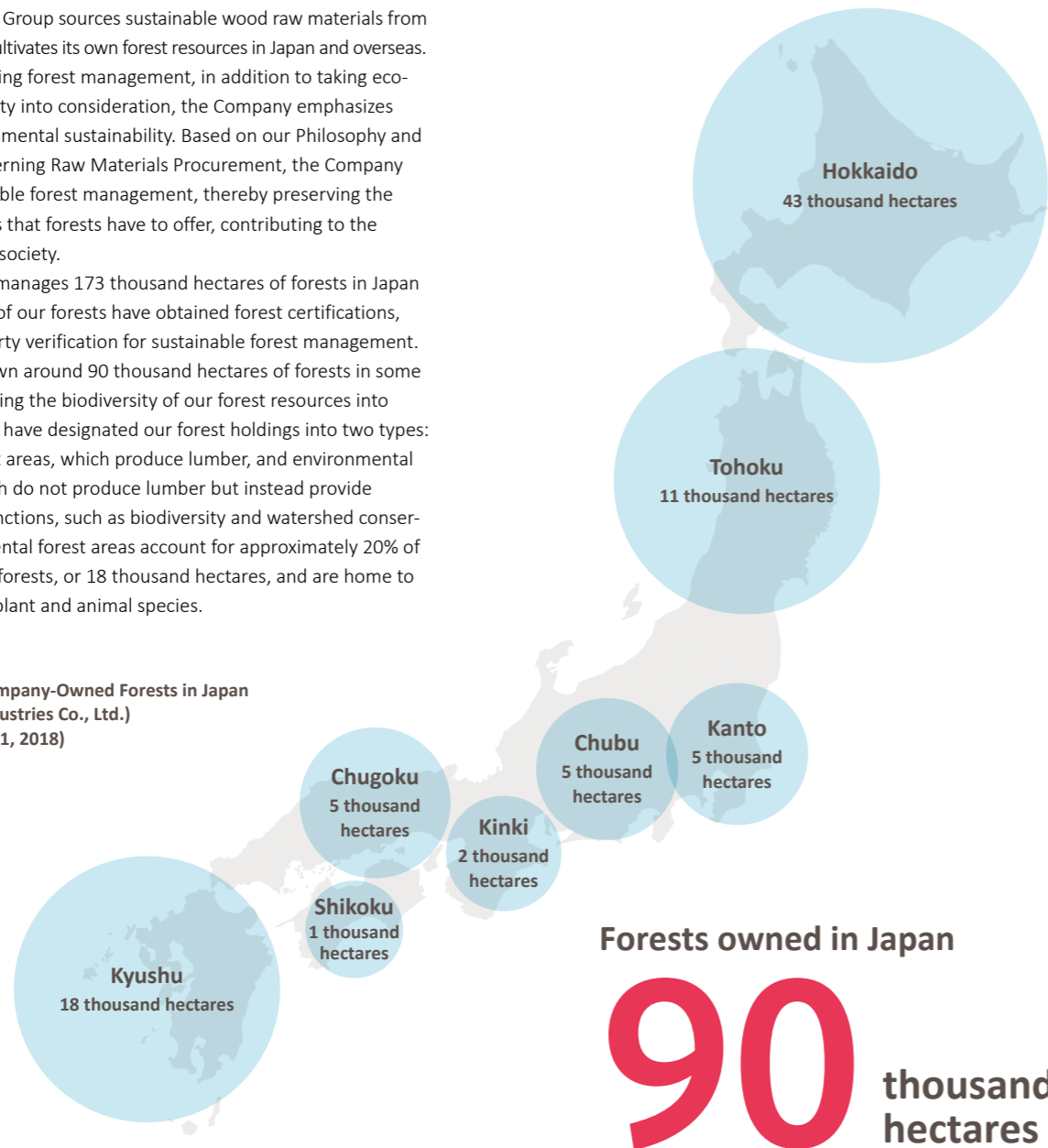
The Nippon Paper Group sources sustainable wood raw materials from third parties and cultivates its own forest resources in Japan and overseas.

When conducting forest management, in addition to taking economic sustainability into consideration, the Company emphasizes social and environmental sustainability. Based on our Philosophy and Basic Policy Concerning Raw Materials Procurement, the Company conducts sustainable forest management, thereby preserving the multiple functions that forests have to offer, contributing to the environment and society.

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

In Japan, we own around 90 thousand hectares of forests in some 400 locations. Taking the biodiversity of our forest resources into consideration, we have designated our forest holdings into two types: commercial forest areas, which produce lumber, and environmental forest areas, which do not produce lumber but instead provide environmental functions, such as biodiversity and watershed conservation. Environmental forest areas account for approximately 20% of Company-owned forests, or 18 thousand hectares, and are home to a wide variety of plant and animal species.

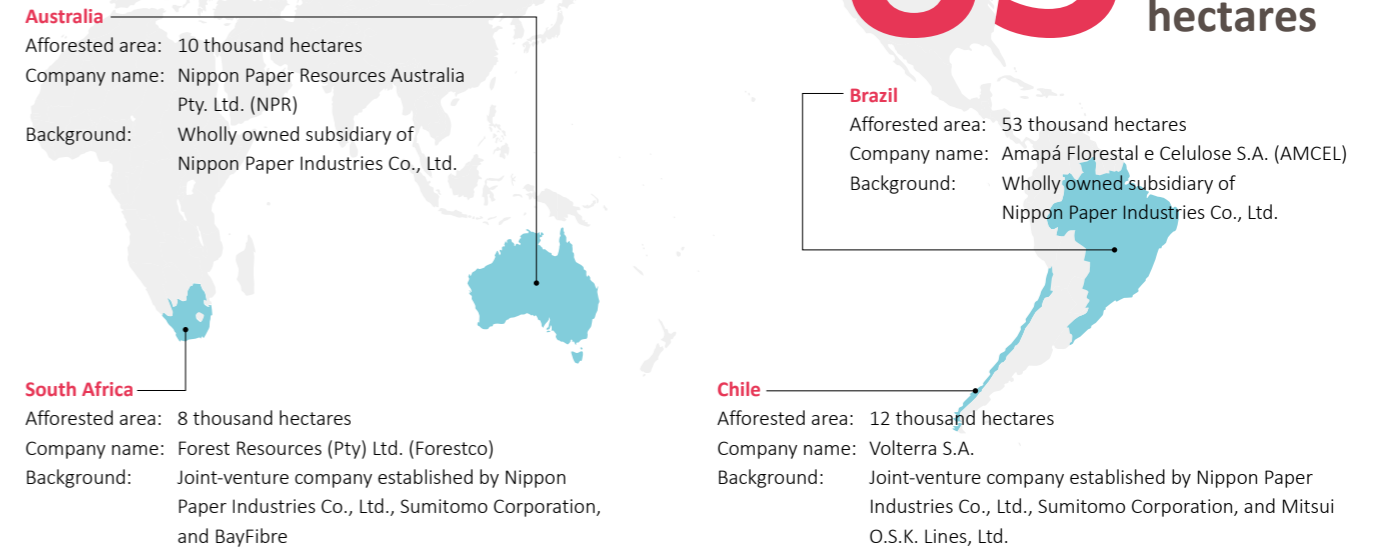
Distribution of Company-Owned Forests in Japan (Nippon Paper Industries Co., Ltd.) (As of December 31, 2018)



Forests under Nippon Paper Group management overseas

83 thousand hectares

Overview of Overseas Forests under Nippon Paper Group Management (As of December 31, 2018)



The Company currently oversees 83 thousand hectares of afforested areas in Brazil, Chile, Australia, and South Africa. These forests produce resources and ensure a steady supply of wood raw materials for the Nippon Paper Group.

In afforested regions overseas, when using forest resources we take into consideration the cultures and traditions of each region, as well as local communities, the natural environment, and ecosystems. Considerable effort is also placed on promoting educational activities and creating employment opportunities within local communities.

Examples of Our Efforts to Coexist with Local Communities in Afforested Regions Overseas and Preserve Biodiversity

- Protection of aboriginal sites discovered on forested land in Australia
- Preservation of habitat for and distribution of herbs grown in Company-owned forests in Chile to local residents for use
- Holding of annual training sessions at an afforestation operating company in Brazil on topics of interest to local residents related to work or daily life
- Conducting of biodiversity surveys in protected areas established at properties belonging to afforestation operating companies in Chile and Brazil

Environment

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2019_e_environment.pdf

Basic Stance

The Nippon Paper Group promotes the effective use of trees, a renewable resource, and supplies a wide range of products and services to society. However, such corporate activities consume large amounts of energy and water. We believe that one of the major responsibilities of a company is to lessen the environmental impact of such activities, and thereby work to resolve global warming and other social issues.

To help build a sustainable, recycling-oriented society, the Nippon Paper Group acts in accordance with The Nippon Paper Group Environmental Charter to conduct activities throughout the entire value chain with consideration for the environment.

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

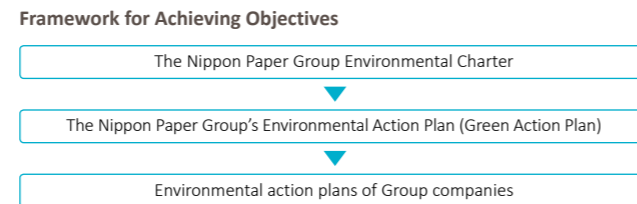
Philosophy
 The Nippon Paper Group is committed to helping preserve the global environment over the long term and contributing to the development of a recycling based society by carrying out its corporate activities in recognition of the importance of biodiversity.

Basic Policy

1. Act to counter global warming
2. Protect and develop forest resources
3. Increase use of recycled resources
4. Comply with environmental statutes and work to minimize our environmental impact
5. Develop environmentally friendly technologies and products
6. Engage in active environmental communication

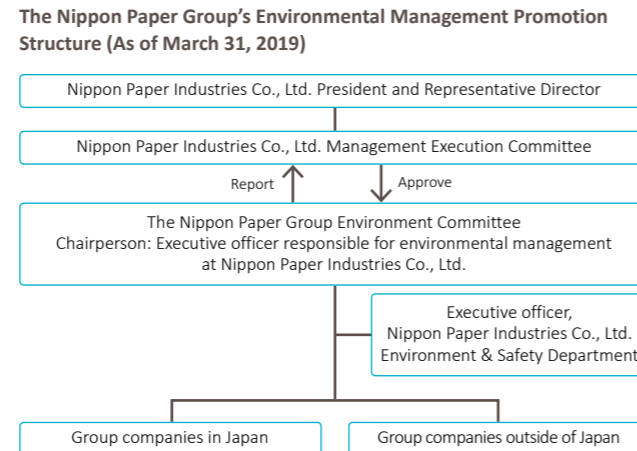
Environmental Action Plan (Green Action Plan)

The Nippon Paper Group has established its Environmental Action Plan (the Green Action Plan) in accordance with the six basic policies expressed in its Environmental Charter. Each Group company has established its own specific environmental action plan to reflect its own business circumstances based on the GAP. Their efforts are enhancing our ability to accomplish the GAP.



Environmental Management Promotion Structure

The Management Execution Committee (MEC) makes environmental strategy decisions for the Nippon Paper Group, and leads the Group's environmental activities. The Environmental Charter constitutes the environmental management principles of individual Group companies. The Nippon Paper Group Environment Committee manages progress in implementing the charter's philosophy and policies under the Environmental Action Plan and reports to the MEC. The MEC makes decisions on Companywide policies related to environmental issues and new initiatives to lead the Group's environmental activities and promote ongoing improvement.



Enhancing Our Environmental Management Systems

The Nippon Paper Group has introduced environmental management systems that meet the standards of certifying bodies such as ISO 14001 and Eco Action 21 as a measure to promote environmental management. The acquisition rate of ISO 14001 certification at major production bases of Nippon Paper Industries Co., Ltd. and consolidated subsidiaries is 71%.

In addition, environmental audits are conducted by the Environment & Safety Department at each Group company based on guidelines issued by the Japanese government. By observing complex

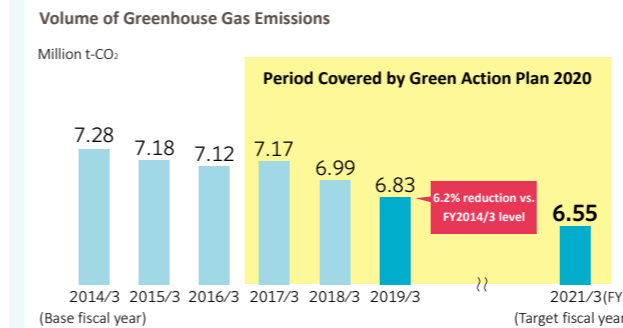
production processes from a unique perspective, confirming legal compliance, and identifying problems, we are working to avoid environmental law violations and accidents in a preventative manner. Furthermore, we are working to strengthen the systems by having Group companies conduct environmental audits among one another.

Conditions Regarding ISO 14001 and Eco-Action 21 Certifications
https://www.nipponpapergroup.com/english/csr/2019.3_ISO14001_e.pdf

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

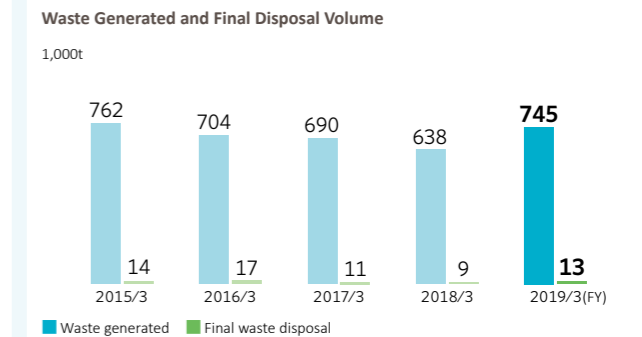
Global Warming Countermeasures

Target: Reduce greenhouse gas emissions by 10% compared with FY2014/3*
Progress: Reduced greenhouse gas emissions by 6.2% compared with FY2014/3



Recycling of Resources

Target: Increase waste recycling rate to at least 98%*
Progress: Achieved waste recycling rate of 98.2%



Protection and Development of Forest Resources

Target: Maintain forest certifications for all proprietary forests, both domestically and internationally
Progress: Maintained certification for 90 thousand hectares of Company-owned forests in Japan and 83 thousand hectares overseas



* Production sites in Japan

Development of Eco-Friendly Technologies and Products

Target: Reduce environmental load through provision of eco-friendly products and services
Progress: Promoted shift to paper packaging to address marine plastic pollution. Began sales of paper straws from April 2019



Environment

Reduction of Environmental Impacts

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

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

Key Environmental Data

https://www.nipponpapergroup.com/english/csr/2019_DATA_SECTION_e.pdf

Response to Feedback and Complaints

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

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

Environment-Related Complaints (FY2019/3)

Matter of complaint	Number of complaints	Complaint	Number of complaints
Noise	5	Vibration	0
Dust and mist dispersal	9	Smoke	0
Odor	0	Other	2

Total: 16

Controlling Chemical Substances

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

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

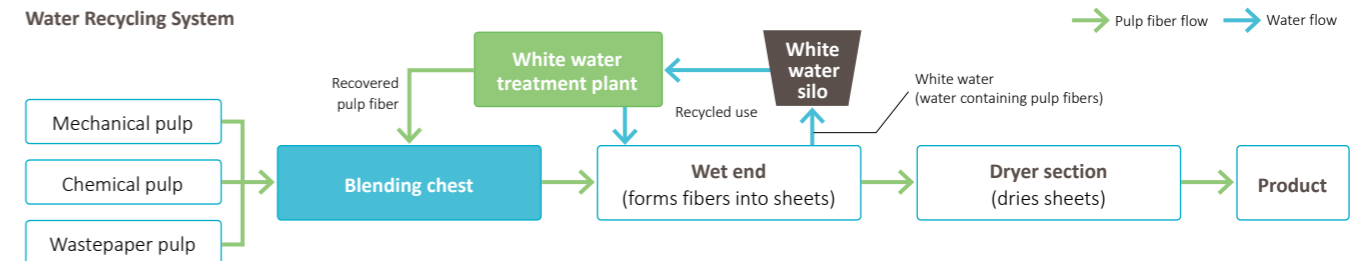
Amount of Release and Transfer of Substances Subject to PRTR Law

https://www.nipponpapergroup.com/english/csr/2019.3_PRTR_e.pdf

Effective Use of Water Resources

The manufacture of paper requires large amounts of water. The Nippon Paper Group's papermaking process efficiently and effectively uses water resources, which are a form of natural capital. One example is the wet end of the papermaking process, in which pulp fiber is dispersed in water to eventually create thin sheets. The "white water" generated from this process, which contains very fine pulp fibers, is recovered and recycled into the papermaking process.

Water Recycling System



Preserving Biodiversity

The business activities of the Nippon Paper Group entail the cultivation and utilization of forests and, therefore, have an inherently significant and wide-ranging impact on forest biodiversity. We recognize that the sustainable use of forests is an ongoing concern as a matter fundamental to our existence and development. The basic philosophy of The Nippon Paper Group Environmental Charter states that the Nippon Paper Group will engage in corporate activities that recognize the importance of biodiversity. Our Basic Policy on the Preservation of Biodiversity, established in April 2016, provides guidance for the pursuit of such activities.

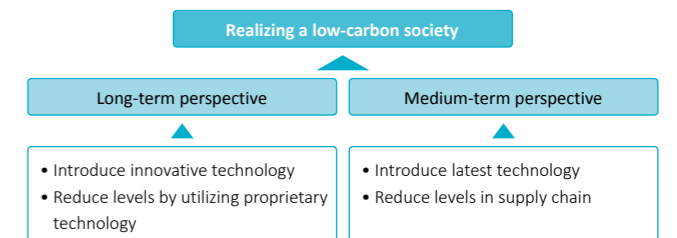
In pursuing sustainable forest management, the Nippon Paper Group conducts biodiversity surveys in Company-owned forests. We also strive to reduce our impact on biodiversity by, for example, treating wastewater and controlling greenhouse gas emissions in our manufacturing processes.

Basic Policy on the Preservation of Biodiversity

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

Initiatives to Mitigate Climate Change

The problem of climate change is tied to a high degree of uncertainty, and proves to be a difficult task requiring long-term commitment. To realize a low-carbon society, the Nippon Paper Group is taking a variety of angles that include both a medium-term perspective for steadily reducing greenhouse gases and a long-term perspective for more ambitious approaches to reducing emissions.



Environment

Risks and Opportunities Related to Climate Change

In order to grow as a company while keeping pace with the Paris Agreement and the national policy against global warming—a problem that is expected to become increasingly dire in the future—we are looking into approaches from various perspectives in order to mitigate the risks while seizing the opportunities presented by climate change.

Risks

- Efficiency of raw material procurement may be negatively affected by possible delays in tree growth or tree death caused by storms, droughts, and other meteorological disasters stemming from climate change
- Financial performance may be negatively affected by ongoing carbon pricing, emissions trading system, and introduction of other factors

Opportunities

- As renewable energy becomes more prevalent, opportunities for our power generation-related businesses (woody biomass, etc.) will expand.
- The growing social movement toward forest protection will raise the value of our products that use only sustainable wood resources.

Medium-Term Initiatives

The Nippon Paper Group has established its medium-term Environmental Action Plan—Green Action Plan—under which the Group is working to reduce greenhouse gases and meet reduction targets that are set in five-year intervals.

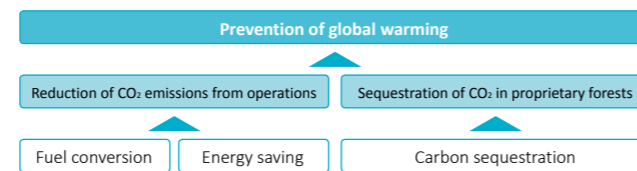
Long-Term Initiatives

To realize a low-carbon society, we must achieve significant reductions in greenhouse gases. The Nippon Paper Group will continue to take active steps to increase production efficiency and develop and introduce new technology to this end. Looking at the long term, we will incorporate innovative technologies to reduce emissions and take on challenges that contribute to reducing greenhouse gases and realizing a low-carbon society. In addition to reducing emissions from each Group company through their respective production and distribution processes, we will contribute to the reduction of greenhouse gases across society by providing cellulose nanofibers and other new materials.

The Three Pillars to Achieving Our Goal

To achieve the objectives of our Environmental Action Plan—Green Action Plan 2020—we are (1) converting to non-fossil energy, (2) conserving energy in each of our production and logistics processes, and (3) managing proprietary forests properly to ensure CO₂ absorption/sequestration, all of which will reduce greenhouse gas emissions across every stage of our value chain.

The Nippon Paper Group's Environmental Initiatives

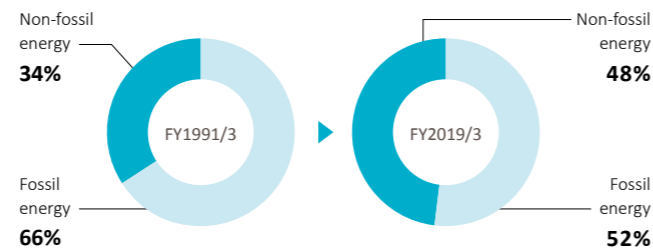


Fuel Conversion Initiatives

The Nippon Paper Group actively applies woody biomass fuel from sources such as black liquor (generated in the pulp production process) and construction waste. The amount consumed accounts for up to 5%* of non-fossil energy (excluding nuclear and hydroelectric power) used in Japan. In addition, the Group is actively promoting the use of waste fuel, having installed boilers capable of burning used tires and other waste fuels and equipment that solidifies these wastes into fuel.

As a result of energy-saving activities and fuel conversion, the Group's fossil energy usage ratio (in terms of heating value) in Japan fell to 52% in FY2019/3, compared with 66% in FY1991/3.

Change in fossil energy usage ratio (calories)(Japan)



* Estimate by Nippon Paper Industries based on *Primary Energy Trends in Domestic Energy Supply for Fiscal 2017* reported by Agency for Natural Resources and Energy

Development of Alternative Fuel for Coal

As trees absorb CO₂ from the atmosphere, the burning of woody biomass fuel does not result in any net impact on atmospheric CO₂—woody biomass fuel, in other words, is carbon neutral.

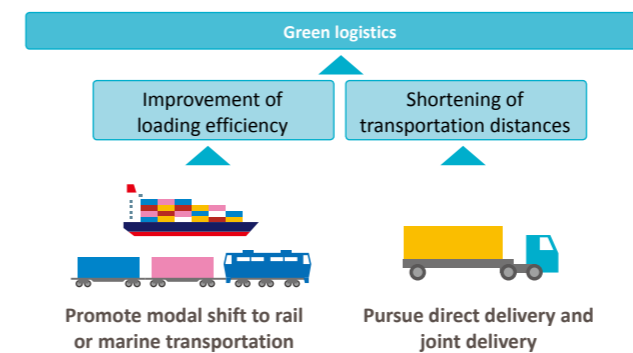
Nippon Paper Industries is developing torrefaction technology as a method for turning biomass solid fuel into an alternative to coal for thermal power generation. This approach is the product of the Company's wealth of afforestation, forest management, and woody biomass collection experience.

Torrefaction technology uses relatively low heat to carbonize woody biomass. This produces fuel that retains most of the pre-processing heating value, offers good grindability, and is sufficiently water-resistant for outside storage. Woody biomass fuel produced through torrefaction technology can be used as a substitute for coal in firing existing thermal power plants and, therefore, help to reduce greenhouse gases.

Energy Efficiency in Logistics

The Nippon Paper Group makes efforts to promote green logistics, based mainly on the two core initiatives of improving its loading efficiency and shortening transportation distances.

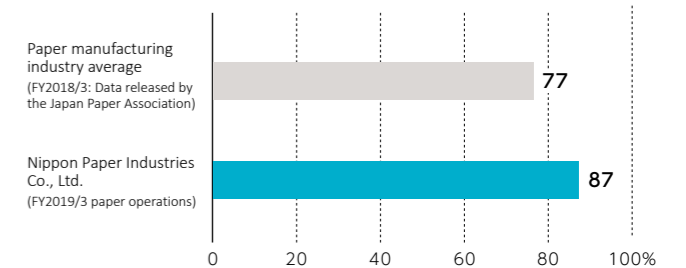
Logistics-Related Initiatives



The Nippon Paper Group is advancing its use of modal shift transport, which reduces CO₂ emissions from long-distance shipping. We are doing this by using mainly rail and domestic marine transport to move large volumes of cargo with every trip. At 87% in FY2019/3, Nippon Paper Industries continues to maintain a high modal shift rate*.

* Modal shift rate: The percentage of rail or marine (including coastal shipping and ferries) transport among general cargo transported over 500 kilometers.

Comparison of Modal Shift Rates



Absorbing and Sequestering CO₂ through Proper Management of Company-Owned Forests

CO₂ in the atmosphere is absorbed and sequestered through proper management of forests and utilization of trees.

As trees grow, they absorb and sequester CO₂ from the atmosphere. As a result, trees are often called “carbon storehouses.” The Nippon Paper Group owns 173 thousand hectares of forest in Japan and overseas. Through proper management of these forests, from the perspective of sustainability, the Group maintains the CO₂ absorption and sequestration capabilities of its trees.

These forests continuously sequester approximately 32 million tonnes of CO₂.

Customer Trust

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2019_e_customer.pdf

Basic Stance

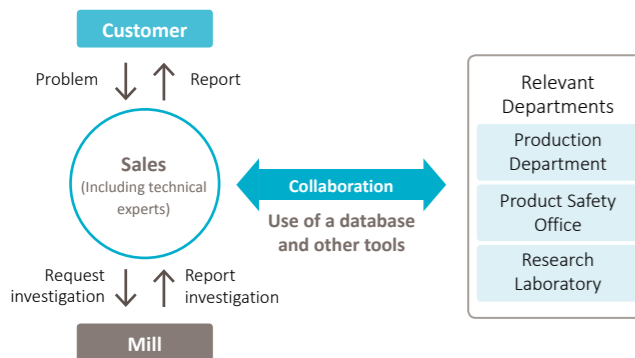
The Nippon Paper Group offers a diverse lineup of products and services, such as paper, healthcare, and chemical products, derived from wood resources that are indispensable to daily life. We will continue to maintain the trust of customers by identifying their needs, ensuring quality and safety, and providing stable supplies of our products.

Quality Control

The Group's quality control process is conducted in a manner that tailors to the characteristics of its products and services.

For example, the paper and paperboard business has a system in place whereby as part of the printing and manufacturing process, service engineers (SE)—technical staff in charge of paper production—visit the sites where our paper is being used and acquire feedback directly from customers. In the case of a product defect, a member of the sales division in charge of engineering acts as a point of contact with the customer. The issue is handled swiftly through the use of a database containing details on quality-related accidents as well as through the cooperation of mills and head office divisions.

Product Defect Response System (Paper and paperboard business)



The Paper-Pak Sales Division strives to achieve quality improvements by holding quality-related meetings and conducting product safety audits for its liquid package carton producer, Nippon Paper Liquid Package Product Co., Ltd. once a year as well as through the sharing of material issues related to food safety.



Product safety audits conducted by the Paper-Pak Sales Division

Moreover, Nippon Paper Crecia Co., Ltd., which supplies products to individual customers, prints contact details regarding its Customer Service Office on all of its products, as well as providing online advisory services on its website.



Customer Service Office

Stable Product Supply

The Nippon Paper Group is committed to providing stable supplies of its products by steadily procuring raw materials and maintaining and upgrading its mills on a systematic basis. Moreover, the sales and production departments have collaborated to establish a flexible and efficient production plan that allows us to manage inventory in an optimal manner and provide stable supplies of our products to customers.

Example Initiative for Stabilizing Operations

The paper and pulp industry is a typical example of the process industry, and the stable operation of equipment is directly linked to the stable supply and quality of its products. Nippon Paper and Nippon Paper Unitec Co., LTD. joined forces to develop the “e-musen junkai® (e-wireless patrol)” system, a remote monitoring system that detects abnormal signs from machinery

equipment through a wireless sensor. Through this technology, we are able to actively prevent equipment problems from occurring and stabilize operations.

In addition to rolling out this system to all of our domestic mills and working aggressively to promote sales outside of the Group, we have commenced sales in Thailand from 2019.

“e-musen junkai®” (e-wireless patrol) system webpage (Japanese only) <https://www.sakurai.co.jp/landing/e-musen/index.html>

Efforts on Product Safety

The Nippon Paper Group makes concerted efforts to continue to improve the safety of its products in line with its Philosophy and Basic Policy on Product Safety, in pursuit of quality that will continue to earn the trust of customers.

The Group has established the Nippon Paper Group Product Safety Committee, which is chaired by the General Manager of Nippon Paper Industries Co., Ltd.'s Technical & Engineering Division. The committee oversees all activities concerning product safety, including deliberating and determining important matters concerning product safety policies and activities.

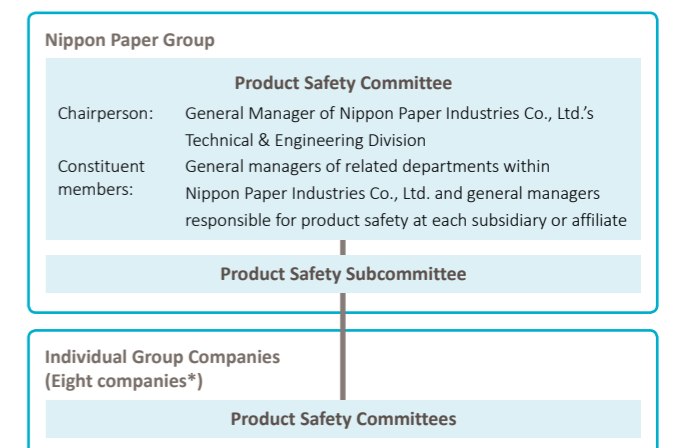
Under the Product Safety Committee, the Group has established the Product Safety Subcommittee to monitor and manage activities at each Group company. Drawing on information and the exchange of opinions between Group companies, the subcommittee also deliberates optimal responses to matters of concern and submits its findings to the Product Safety Committee. In addition, each Group company establishes its own product safety committee and implements activities to promote product safety.

Acting in compliance with laws, including Japanese laws such as the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, PRTR Law, and Food Sanitation Act, the Group

works to ensure product safety by employing management approaches adapted to the characteristics of particular operations and products.

Further, in line with the Basic Guidelines for Management of Product Safety, the Company has established a product safety risk management system for new products to be launched that cannot be managed under the current system.

Product Safety Management System



* Nippon Paper Industries Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Lumber Co., Ltd., Nippon Seitai Corporation, NP Trading Co., Ltd., Nippon Paper Development Co., Ltd., Akita Jujo Chemicals Co., Ltd. (As of March 31, 2019)

Philosophy and Basic Policy on Product Safety

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

Respect for Human Rights

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2019_e_humanrights.pdf#page=2

Basic Stance

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

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

Philosophy and Basic Policy on Human Rights, Employment and Labor

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

Initiatives on Respect for Human Rights

In 2014, Nippon Paper Industries met with Amnesty International Japan to share opinions. As a product of this meeting, we embarked on the examination of human rights conditions at subcontractors in Japan and at overseas chip suppliers from 2015. Based on our examination results, we are working toward improvements by employing PDCA cycles while continuing our dialogue with Amnesty International Japan.

Assessing Human Rights Issues at Affiliated Companies in Japan

Since 2015, Nippon Paper Industries has been conducting surveys on human rights issues at its affiliated companies in Japan, with emphasis on ensuring compliance with labor and safety laws and regulations. The results of these surveys are provided to the human resources managers of each mill, and used to consider ways for improvement.

Concern for Human Rights across the Supply Chain

Concern for human rights and labor across the entire supply chain is clearly defined in the Nippon Paper Group's Philosophy and Basic Policy Concerning Raw Materials Procurement. The Group audits suppliers through surveys and conducts interviews with them regarding these concerns (see pages 56–57). In addition, in FY2019/3 employees responsible for procurement performed on-site inspections of suppliers in Vietnam and Chile. These were supplemented with interviews covering matters such as health, hygiene, safety, disaster preparedness, and local environmental concerns.

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

Inspections of Suppliers in Vietnam (Excerpt)



Confirmation of garbage collection points



Confirmation of truck driver rest areas



Confirmation of first aid supplies



Confirmation of work safety (helmet use, etc.)

Human Resources

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2019_e_humanrights.pdf#page=8

Basic Stance

The Nippon Paper Group aims to be a dynamic organization where each of its diverse human resources—the driving force behind corporate activities—has a high sense of ethics and exceptional capabilities, and can fully demonstrate those capabilities.

Our Vision for Human Resources Development

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

We are also working to strengthen the cultivation of leaders who push for these changes. When hiring employees, we look for people with the ability to keep taking on new challenges, the ability to make fair judgments and act accordingly, the ability to work in a team and incorporate surrounding personnel, and the mental fortitude to overcome hardships. To develop employees into leaders, we are working to enhance our human resources development system to create “autonomous human resources” who can determine how to approach a challenge and then take action to overcome it, while also seeking new challenges from a global perspective.

Our Leader Development System

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

Scheduled rotation to internal and external departments as well as affiliated companies fosters the ability to see matters from a wide variety of perspectives without being tied to a single one. Our off-the-job training is a career development program that provides stratified education prior to managerial appointments while also comprising a dispatch system to overseas bases. After employees are appointed to managerial positions, we also provide training at the time of appointment and promotion and offer elective training for cultivating candidates for executive positions.

Initiatives Aimed at Developing Human Resources

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



Internal training session

Human Resources

Promoting Diversity

Our Stance on Promoting Diversity

The Nippon Paper Group works to promote diversity in line with its view that the creation of workplaces wherein a wide range of people can express their individuality is essential to the continuous development of a company.

Efforts to Promote the Advancement of Women

The need for organizational invigoration and to secure human resources against the backdrop of a declining birthrate are indicative of the growing importance for providing women with opportunities to succeed in the workplace. In working to create an environment that enables women to advance their careers, in April 2016 Nippon Paper Industries Co., Ltd. established its Action Plan Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace.

Action Plan Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace (Adopted by Nippon Paper Industries Co., Ltd. in April 2016)

1. Have women account for at least 25% of new graduate hires for career-track positions.
2. For career-track female employees hired 8 to 12 fiscal years ago,* achieve an average continuous employment rate that is at least 80% that of men.
3. To expand the range of roles performed by women at production sites, identify issues that could arise with the assignment of women to each workplace, consider solutions to these issues, and develop concrete plans for the workplaces to which women will be assigned.

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

Occupational Safety and Health

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2019_e_humanrights.pdf#page=4

Basic Stance

We cannot expect workplaces to be completely free of risk. For that reason, it is imperative that we continue to work to discover and reduce risks on a daily basis. Moreover, striving to maintain and improve the health of employees and build a pleasant and comfortable workplace is critical for honoring the trust of our employees and engaging in sound management. Based on this awareness, we established a labor safety and health system under our Philosophy and

Basic Policy on Safety and Health Measures and all employees and members of management unite as one to engage in efforts to ensure occupational safety and disaster preparedness.

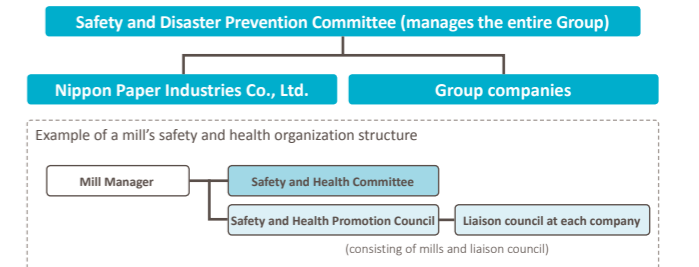
Philosophy and Basic Policy on Safety and Health Measures
<https://www.nipponpapergroup.com/english/csr/policies/>

Occupational Safety and Health Assurance System

The Safety and Disaster Prevention Committee, which works to ensure the safety and disaster preparedness of the entire Company, constantly works to prevent accidents and provide safe, pleasant working environments throughout the Group.

At Nippon Paper Industries Co., Ltd., we hold a labor and management occupational safety and health meeting once a year with the members in charge of safety and health assurance at the head office, mills, and labor unions; a safety and health assurance leaders’ meeting twice a year with the members in charge of safety at the head office and mills; and a meeting of General Managers at Safety & Environmental Control Departments once a year in order to discuss and formulate safety and health assurance policies, the annual occupational safety and health management plan, and measures related to safety and health for the entire Group. In addition, we have in place separate safety and health committees and safety and health promotion councils at each of our mills and business sites.

The Company has also set up and stipulated a communication system whereby in the case of a disaster, communication can be maintained between the mills and the head office as well as with the respective departments within the head office. In this way, we have put in place a framework that enables critical information to be shared with the Safety and Disaster Prevention Committee and management.



Occupational Safety and Health Management System

In 2009, the Group established its own occupational safety and health management system (NPSS*) in order to continuously pursue occupational safety and health management activities at the organization level. Within the NPSS we have incorporated specific, continuous, and voluntary activities into a health and safety assurance plan for each mill and business site that are in line with the Group’s

policies and measures on safety and health assurance. The NPSS is helping improve occupational health and safety standards by preventing labor-related accidents, improving employee health, and providing a comfortable and pleasant work environment.

* Nippon Paper Occupational Safety and Health Management System

Coexistence with Local Communities and Society

→ Please refer to the following website
https://www.nipponpapergroup.com/english/csr/npg_csrr2019_e_communities.pdf

Basic Stance and Promotion System

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

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

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

Philosophy and Principles for Social Contribution Activities

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

The Nippon Paper Group's Main Social Contribution Activities (Japanese only)

<https://www.nipponpapergroup.com/csr/society/activity/>

Marunuma Highland Tree-Planting 2019

Nippon Paper Industries is advancing initiatives aimed at leaving thriving forests for future generations. As part of this effort, the Company has been holding yearly tree-planting activities at its Sugenuma Forest (Marunuma Highland) in Gunma Prefecture since May 2010. The eighth iteration of this activity—the Marunuma Highland Tree Planting 2019—took place in May 2019. The number of participants, mainly from Tokyo, came to about 90 in all, and included those from both inside and outside of the Nippon Paper Group.

Under the guidance of the event staff, participants used hoes to plant a total of 350 seedlings for five different types of trees, including beech and mizunara oak.



Participants planting trees

Conducting the Annual School of Friendship for Forests and Paper

The School of Friendship for Forests and Paper is a hands-on course on the natural environment utilizing forests (approximately 90,000 hectares) owned by Nippon Paper Industries in Japan. With the aim of introducing participants to the beauty and abundance of forests owned by the company, the school is also an opportunity to experience the connection between forests and paper, an essential item for everyday life. This initiative was first launched in the Sugenuma Forest of Gunma Prefecture in October 2006. As of FY2019/3, the school has been conducted 23 times, for a total of 767 participants, including parents and children, and students from local schools.

Since FY2008/3, the Toyono School of Friendship for Forests and Paper has been held annually at Nippon Paper Industries' Toyono Forest in Kumamoto Prefecture. Organized mainly by the Company's Yatsushiro Mill, particular emphasis is placed on activities deeply rooted in the local community.



Children listening to staff instructions