

# NOTICE OF THE NINETY-FOURTH ORDINARY GENERAL MEETING OF SHAREHOLDERS

---

Date and Time June 28, 2018 (Thursday)  
10:00 a.m. (Reception desk to be opened at 9:00 a.m.)

Place The International Conference Hall  
2nd floor of The Keidanren (Japan Business Federation) Bldg.,  
3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo

## Matters to be resolved

### Proposal 1

Appropriation of Retained Earnings

### Proposal 2

Election of Nine (9) Directors

### Proposal 3

Election of Two (2) Audit & Supervisory Board Members

### Proposal 4

Election of One (1) Substitute Audit & Supervisory Board Member

## Table of Contents

Group Mission	1
Notice of the Ordinary General Meeting of Shareholders	3
Reference Documents for the Ordinary General Meeting of Shareholders	8
Business Report	27
Consolidated Financial Statements	56
Financial Statements	58
Audit Report	60

**Nippon Paper Industries Co., Ltd.**

Ticker Code: 3863

# Nippon Paper Group Mission

## Mission

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

## Vision

A corporate group that meets the following requirements and is sustainably needed by society

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

## Values

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

## Slogan

### **Shaping the future with trees**

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

Over many years, we have nurtured trees, made paper, and offered a wide range of products that support people's life and culture.

We have managed forests in an appropriate manner, and pursued a variety of businesses by fully utilizing wood resources out of sustainably managed forests. Those businesses address social issues such as global warming and depletion of resources on earth, and contribute to running sustainable society.

Going forward, we will continue to provide a wide range of products and services that make the most of the outstanding properties of wood, as we strive to maximize the value of sustainable forest resources for the future.

## To Our Shareholders

June 2018

Fumio Manoshiro

President, Representative Director

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 94th Ordinary General Meeting of Shareholders of Nippon Paper Industries Co., Ltd. to be held on June 28, 2018 (Thursday).

The Nippon Paper Group aspires to be a corporate group that will continue to be trusted and needed by society, by contributing to better living and cultural progress of people all over the world through its business activities.

We ask for the further support of our shareholders in our endeavors.

**Nippon Paper Industries Co., Ltd.**  
(Head Business Office)  
4-1 Oji 1-chome, Kita-ku, Tokyo  
(Headquarters)  
6 Kanda-surugadai 4-chome, Chiyoda-ku, Tokyo

**NOTICE OF THE NINETY-FOURTH  
ORDINARY GENERAL MEETING OF SHAREHOLDERS**

(Ticker Code: 3863)

June 5, 2018

Dear Shareholders:

This is to inform you that the 94th Ordinary General Meeting of Shareholders of Nippon Paper Industries Co., Ltd. will be held as set forth below and that you are cordially invited to attend it.

If you are not able to attend the meeting, you may exercise your voting rights either in writing or through electronic means (i.e., via the Internet, etc.). You are kindly requested to exercise your voting rights on or before 5:00 p.m. on June 27 (Wednesday), 2018, after examining the attached Reference Documents for the Ordinary General Meeting of Shareholders and in accordance with the guidance on pages 4 through 7.

1. Date and Time	June 28, 2018 (Thursday), at 10:00 a.m. (Reception desk is scheduled to be opened at 9:00 a.m.)
2. Place	The International Conference Hall on the 2nd floor of the Keidanren (Japan Business Federation) Bldg., 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo (Please see the attached access map.)
3. Purpose Matters to be reported	(1) Report on the contents of the Business Report and the contents of the Consolidated Financial Statements, and the outcome of the audit conducted on the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Boards for the 94th Fiscal Period (from April 1, 2017, to March 31, 2018). (2) Report on the contents of the Financial Statements for the 94th Fiscal Period (from April 1, 2017, to March 31, 2018)
Matters to be resolved	Proposal 1: Appropriation of Retained Earnings Proposal 2: Election of Nine (9) Directors Proposal 3: Election of Two (2) Audit & Supervisory Board Members Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member

<p>· Please understand that there will be no commemorative gift (small gift) on the day of general meeting of shareholders. · Shareholders' complimentary gift is scheduled to be delivered around the first half of July, as usual.</p>
--

Yours truly,

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

[End]

## Guidance Notes on the Exercise of Voting Rights

### 1. Exercising voting rights by attending the Ordinary General Meeting of Shareholders

The date and time of the Ordinary General Meeting of Shareholders

June 28, 2018 (Thursday), at 10:00 a.m. (Reception desk is scheduled to be opened at 9:00 a.m.)

Please submit the Voting Form enclosed herewith at the reception desk.

### 2. Exercising voting rights in writing

Voting Deadline: No later than June 27, 2018 (Wednesday), at 5:00 p.m.

Please indicate your approval or disapproval of each of the proposals on the Voting Form enclosed herewith, and return the Voting Form to the Company so that it reaches us by no later than the above-mentioned voting deadline.

⇒ Please see page 6 for further information.

### 3. Exercising voting rights via the Internet

Voting Deadline: No later than June 27, 2018 (Wednesday), at 5:00 p.m.

Please access the Company's designated website for exercising voting rights (<https://www.web54.net/>) and exercise your voting rights by entering your approval or disapproval of each of the proposals.

⇒ Please see pages 6 to 7 for further information.

## Disclosure through the Internet

◎ The following items are not included in the provided documents attached to this Notice of the Ordinary General Meeting of Shareholders since the Company discloses such information on the Company's website in accordance with laws and ordinances and Article 16 of the Company's Articles of Incorporation:

- ① Basic Policy on Control of the Stock Company in the Business Report
- ② Consolidated Statement of Changes in Shareholders' Equity, etc., in the Consolidated Financial Statements
- ③ Notes to the Consolidated Financial Statements
- ④ Statement of Changes in Shareholders' Equity, etc., in the Non-Consolidated Financial Statements
- ⑤ Notes to the Non-Consolidated Financial Statements

Accordingly, the provided documents attached to this Notice of the 94th Ordinary General Meeting of Shareholders are only part of the subject matter audited by the Accounting Auditor, Audit & Supervisory Board Members and the Audit & Supervisory Board at the time of preparation of the audit reports.

- ◎ In the case where the Company finds need for any amendment to the Reference Documents for the Ordinary General Meeting of Shareholders, the Business Report, Non-Consolidated Financial Statements and/or Consolidated Financial Statements, such amendments will be posted on the Company's website.

The Company website: <http://www.nipponpapergroup.com/>

## Guidance Notes on the Exercise of Voting Rights

### Guidance Notes on the Exercise of Voting Rights in writing

Please indicate your approval or disapproval of each of the proposals on the Voting Form.

#### Proposal 1 and 4

- ▶ Approval ⇒ Enter ○ mark in 「賛」 column
- ▶ Disapproval ⇒ Enter ○ mark in 「否」 column

#### Proposal 2 and 3

- ▶ Approval of all candidates ⇒ Enter ○ mark in 「賛」 column
- ▶ Disapproval of all candidates ⇒ Enter ○ mark in 「否」 column
- ▶ Indicating approval or disapproval of only some of the candidates  
⇒ Enter ○ mark in 「賛」 column or 「否」 column and enter the candidate No. described in the Reference Document for the Ordinary General Meeting of Shareholders.

The “Exercise of Voting Rights code” and the “Password,” both of which are necessary to exercise voting rights via the Internet, are stated on the Voting Form.

### Guidance Notes on the Exercise of Voting Rights via the Internet

Exercising voting rights through the Internet is only possible by using the company’s website designated below for voting.

The URL of the website for voting

<https://www.web54.net/>

#### 1. Access to the website

↓

#### 2. Login

↓

#### 3. Enter password

↓

Enter your approval or disapproval of each of the proposals by following the instructions on the screen.

#### ■For Institutional Investors

In addition to exercising voting rights through the Internet as described above, the electronic voting platform operated by ICJ Inc., a joint corporation established by the Tokyo Stock Exchange, Inc., etc., is available for nominal shareholders (including standing proxies) such as trust and custody banks when prior application for use of such platform has been made.

## **1. Handling of the Exercise of Voting Rights**

- When you exercise your voting rights more than once via the Internet, etc., only the vote received last shall be accepted as valid.
- When you exercise your voting rights both in writing and via the Internet, etc., only the vote received last shall be accepted as valid.  
When both votes via the Internet, etc. and in writing arrive on the same day, only the vote via the Internet, etc. shall be accepted as valid.
- When you exercise your voting rights via the Internet, etc., please make sure to exercise your voting rights by no later than 5:00 p.m. on June 27, 2018 (Wednesday).

## **2. Handling of Password**

- Your password is a tool used to confirm that the person who is voting is in fact the shareholder himself/herself. Please keep it safe until this Ordinary General Meeting of Shareholders has ended. Please note that we will not reply to any inquiry about passwords by telephone.
- When you enter an incorrect password more than a certain number of times, the password will be locked and become invalid. If you wish your password to be reissued, please follow the instructions on the screen.

## **3. For Inquiries relating to Operation Method of Computer, etc.**

- If you have any question about computer operation method, etc., relating to the exercise of voting rights on the website, please contact the following:
  - Web Support Dedicated Dial:  
Stock Transfer Agency Web-Support Department  
Sumitomo Mitsui Trust Bank, Ltd.  
Telephone: 0120-652-031  
(Operating Hours: 9:00 a.m. to 9:00 p.m.)
- For other inquiries, please contact the following:
  1. Shareholders with accounts at securities companies  
Please contact the securities company where you have your account.
  2. Shareholders without accounts at securities companies (those with a special account)  
Stock Transfer Agency Services, Business Center  
Sumitomo Mitsui Trust Bank, Ltd.  
Telephone: 0120-782-031  
(Operating Hours: 9:00 a.m. to 5:00 p.m. excluding Sat., Sun. and Holidays)



## **■Reference Documents for the Ordinary General Meeting of Shareholders**

### **Proposals and Reference Matters**

#### **Proposal 1: Appropriation of Retained Earnings**

The Company is striving to meet the expectations of shareholders by strengthening its management platform and profitability of the group as a whole, and by achieving sustainable growth of corporate value.

The basic policy concerning dividends is to continue to pay stable dividends to the greatest extent possible on the basis of a comprehensive consideration of such factors as the business performance of the group and retention of sufficient internal reserves, etc.

The Company would like to propose that the year-end dividend for the current fiscal year be disbursed as follows:

---

<b>1</b>	Type of dividend property	Cash
----------	---------------------------	------

---

<b>2</b>	Allotment of dividend property to shareholders and its total amount	30 yen per common share of the Company stock Total amount: 3,477,540,120 yen
----------	--	--

---

<b>3</b>	Effective date of dividend of retained earnings	June 29, 2018
----------	--	---------------

---

(Reference)  
Changes in the dividend per share

(unit: yen)

	90th Term (Fiscal year ended March 2014)	91st Term (Fiscal year ended March 2015)	92nd Term (Fiscal year ended March 2016)	93rd Term (Fiscal year ended March 2017)	94th Term (Current) (Fiscal year ended March 2018)
Interim	10	20	30	30	30
Year-end	30	30	30	30	30
Annual	40	50	60	60	60

(Note) The dividend for the current fiscal year will be 60 yen per share of stock in the Company including the interim dividend of 30 yen per share paid on December 1, 2017.

## Proposal 2. Election of Nine (9) Directors

The terms of office of all nine (9) Directors will expire as of the conclusion of this General Meeting of Shareholders. Accordingly, the Company requests that the shareholders elect nine (9) Directors (two (2) of them to be Outside Directors).

The candidates were determined by the Board of Directors upon receiving a report by the Personnel & Remuneration Advisory Committee on the selection of candidates. Furthermore, two (2) candidates for Outside Director fulfill the requirements for an Independent Officer prescribed by the Tokyo Stock Exchange.

The candidates for Director are as follows:

No.	Name	Current title and responsibilities at the Company	Attendance at the Board of Directors meetings
1	[Reappointment] Yoshio Haga	Chairman, Representative Director	13/13 (100%)
2	[Reappointment] Fumio Manoshiro	President, Representative Director, President Corporate Officer	13/13 (100%)
3	[Reappointment] Kazufumi Yamasaki	Executive Vice President, Representative Director, Executive Vice President Corporate Officer, Aide to the President General Manager of Research & Development Div. and CSR Div.	13/13 (100%)
4	[Reappointment] Akihiro Utsumi	Director, Managing Corporate Officer, General Manager of Personnel & General Affairs Div.	13/13 (100%)
5	[Reappointment] Toru Nozawa	Director, Managing Corporate Officer, General Manager of Corporate Planning Div., in charge of Affiliates & Subsidiaries	12/13 (92.3%)
6	[New appointment] Takeo Konno	Corporate Officer, General Manager of Sales Management & Planning Div.	—
7	[Reappointment] Shoji Ueda	Director, Corporate Officer, General Manager of Technical & Engineering Div. and Energy Business Div.	10/10 (100%)
8	[Reappointment] Yoshimitsu Aoyama [Outside] [Independent Officer]	Outside Director	13/13 (100%)
9	[Reappointment] Makoto Fujioka [Outside] [Independent Officer]	Outside Director	13/13 (100%)

(Note) Attendance at the Board of Directors meetings for Mr. Shoji Ueda refers to the number of meetings attended after he assumed office on June 29, 2017.

**Candidate**

<b>No. 1</b>	<b>YOSHIO HAGA</b> (Date of Birth: Dec. 24, 1949)	<b>Reappointment</b>
--------------	---	----------------------

**No. of shares in the****Company held**

36,680 shares

**Brief personal history, title and responsibilities**

Apr. 1974	Joined Jujo Paper Co., Ltd.
Jun. 2002	General Manager of Komatsushima Mill of the Company
Jun. 2004	Director, Deputy General Manager of Corporate Planning Div. of the Company
Jun. 2005	Director, General Manager of Corporate Planning Div. of the Company
Apr. 2006	Managing Director, General Manager of Corporate Planning Div. of the Company
Jun. 2008	President, Representative Director of the Company
Apr. 2013	President, Representative Director, President Corporate Officer of the Company
Jun. 2014	<b>Chairman, Representative Director of the Company</b> (currently serving)

Tenure as a Director

14 years

Attendance at the Board of Directors meetings

13/13 (100%)

**Reasons for selecting the candidate for Director**

Mr. Yoshio Haga successively held the positions of General Manager of the Komatsushima Mill and General Manager of the Corporate Planning Div. as stated in the brief personal history above. Having served as President and Representative Director of the Company for about six years, he now works to contribute to raising the corporate value of the Company as Chairman and Representative Director (from June 2014). Regarding the initiatives toward the restoration of the Ishinomaki Mill after the Great East Japan Earthquake, he presented resolute policies and strong leadership to drive the entire Company to achieve early reconstruction of the mill. The Company reappoints him as a candidate for Director based on its judgment that he sufficiently understands social responsibility and the mission of business operations and qualifies for this position, taking into account his abundant experience and good track record with an excellent personality, broad insight and stringent self-discipline as a top management executive who fairly and precisely executes business administration and business operation, and that we can expect him to drive the Company in the pursuit of further development.

Candidate	
No. 2	FUMIO MANOSHIRO (Date of Birth: Mar. 3, 1953) <span style="float: right; background-color: #cccccc;">Reappointment</span>

No. of shares in the Company held	Brief personal history, title and responsibilities	
23,446 shares	Apr. 1975 Jul. 2001 Jun. 2004 Jun. 2006 Apr. 2007 Jun. 2009 Jun. 2010 Jun. 2012 Apr. 2013 Jun. 2014	Joined Jujo Paper Co., Ltd. General Manager of Forestry Dept. of Raw Material & Purchasing Div. of the Company Deputy General Manager of Raw Material & Purchasing Div. of the Company Director, Deputy General Manager of Raw Material & Purchasing Div. of the Company Director, General Manager of Yatsushiro Mill of the Company Director, General Manager of Raw Material & Purchasing Div. of the Company Managing Director, General Manager of Raw Material & Purchasing Div. of the Company Managing Director, General Manager of Corporate Planning Div. of the Company Director, Managing Corporate Officer, General Manager of Corporate Planning Div. and in charge of Affiliates & Subsidiaries of the Company <b>President, Representative Director, President Corporate Officer of the Company</b> (currently serving)

Tenure as a Director

12 years

Attendance at the Board of Directors meetings

13/13 (100%)

#### **Reasons for selecting the candidate for Director**

Mr. Fumio Manoshiro successively held the positions of General Manager of the Yatsushiro Mill, General Manager of the Raw Material & Purchasing Div. and General Manager of the Corporate Planning Div. as stated in the brief personal history above. At present, he works to contribute to raising the corporate value of the Company as President and Representative Director of the Company (from June 2014). As for the Fifth Medium-Term Business Plan (April 2015 to March 2018), he drove the entire Company with his strong leadership and promoted strengthening the future-oriented growth foundation of the Company in line with the key strategies of reinforcement of existing businesses and growth by reform of the business structure. The Company reappoints him as a candidate for Director based on its judgment that he sufficiently understands social responsibility and the mission of business operations and qualifies for this position, taking into account his abundant experience and good track record with an excellent personality, broad insight and stringent self-discipline as a top management executive who fairly and precisely executes business administration and business operation, and that we can expect him to drive the Company in the pursuit of further development.

**Candidate**No. 3 KAZUFUMI YAMASAKI (Date of Birth: Jun. 6, 1955) Reappointment**No. of shares in the****Company held**

16,020 shares

**Brief personal history, title and responsibilities**

Apr. 1980	Joined Sanyo-Kokusaku Pulp Co., Ltd.
Jun. 2010	Director, Deputy General Manager of Engineering Div. of the Company
Mar. 2011	Director, Deputy General Manager of Disaster Restoration Div. and Deputy General Manager of Technical & Engineering Div. of the Company
Jun. 2012	Director, General Manager of Technical & Engineering Div. of the Company
Apr. 2013	Director, Corporate Officer, General Manager of Technical & Engineering Div. and in charge of Research & Development Div. of the Company
Jun. 2013	Director, Corporate Officer, General Manager of Technical & Engineering Div. and General Manager of Energy Business Div., and in charge of Research & Development Div. of the Company
Oct. 2013	Director, Corporate Officer, General Manager of Technical & Engineering Div. and General Manager of Energy Business Div. of the Company
Jun. 2014	Director, Managing Corporate Officer, General Manager of Technical & Engineering Div. and General Manager of Energy Business Div. of the Company
Jun. 2015	Director, Managing Corporate Officer, General Manager of Research & Development Div., and in charge of Technical & Engineering Div. and Energy Business Div. of the Company
Jun. 2017	<b>Executive Vice President, Representative Director, Executive Vice President Corporate Officer, Aide to the President, General Manager of Research &amp; Development Div. and CSR Div. of the Company</b> (currently serving)

**Status of important concurrent office in other entities**

Director of Nippon Paper Papyrus Co., Ltd.

Tenure as a Director

8 years

Attendance at the Board of Directors meetings

13/13 (100%)

**Reasons for selecting the candidate for Director**

Mr. Kazufumi Yamasaki successively held the positions of General Manager of the Technical & Engineering Div. and General Manager of the Energy Business Div. as stated in the brief personal history above. At present, he vigorously promotes transformation of the business structure (new businesses such as CNF) and works to contribute to raising the corporate value of the Company as Executive Vice President and Representative Director, General Manager of Research & Development Div. and CSR Div. of the Company (from June 2017). The Company reappoints him as

a candidate for Director based on its judgment that he sufficiently understands social responsibility and the mission of business operations and qualifies for this position, taking into account his abundant experience and good track record with an excellent personality, broad insight and stringent self-discipline as a top management executive who fairly and precisely executes business administration and business operation, and that we can expect him to drive the Company in the pursuit of further development.

**Candidate**

No.	4	<u>AKIHIRO UTSUMI</u> (Date of Birth: Dec. 20, 1956)	<u>Reappointment</u>
-----	---	--	----------------------

No. of shares in the Company held	Brief personal history, title and responsibilities	
7,946 shares	Apr. 1979 Jun. 2008  Jun. 2009  Jul. 2011  Apr. 2013  Jun. 2015  Jun. 2017	Joined Jujo Paper Co., Ltd. Deputy General Manager of Personnel & General Affairs Div. and General Manager of Personnel Dept. of the Company Deputy General Manager of Personnel & General Affairs Div. and General Manager of General Affairs Dept. of the Company Deputy General Manager of Iwakuni Mill of the Company Corporate Officer, General Manager of Yatsushiro Mill of the Company Director, Corporate Officer, General Manager of Personnel & General Affairs Div. of the Company <b>Director, Managing Corporate Officer, General Manager of Personnel &amp; General Affairs Div. of the Company</b> (currently serving)

Tenure as a Director

3 years

Attendance at the Board of Directors meetings

13/13 (100%)

**Reasons for selecting the candidate for Director**

Mr. Akihiro Utsumi successively held the positions of General Manager of the Personnel Dept., General Manager of the General Affairs Dept. and General Manager of the Yatsushiro Mill as stated in the brief personal history above. At present, he works to contribute to raising the corporate value of the Company as Director, Managing Corporate Officer and General Manager of the Personnel & General Affairs Div. of the Company (from June 2017). The Company reappoints him as a candidate for Director based on its judgment that he sufficiently understands social responsibility and the mission of business operations and qualifies for this position, taking into account his abundant experience and good track record with an excellent personality, broad insight and stringent self-discipline as a top management executive who fairly and precisely executes business administration and business operation, and that we can expect him to drive the Company in the pursuit of further development.



**Candidate**

No. 5	TORU NOZAWA (Date of Birth: Mar. 10, 1959)	Reappointment
-------	--	---------------

**No. of shares in the  
Company held**

8,305 shares

**Brief personal history, title and responsibilities**

Apr. 1981	Joined Jujo Paper Co., Ltd.
Jun. 2005	General Manager of Treasurer's Dept. of Financial Div. of the Company
Feb. 2008	General Manager of Accounting & Budgeting Dept. of Financial Div. of the Company
Jun. 2009	Deputy General Manager of Financial Div. of the Company
Apr. 2013	Corporate Officer, Deputy General Manager of Financial Div. of the Company
Jun. 2014	Director, Corporate Officer, General Manager of Corporate Planning Div., in charge of Affiliates & Subsidiaries of the Company
Jun. 2017	<b>Director, Managing Corporate Officer, General Manager of Corporate Planning Div., in charge of Affiliates &amp; Subsidiaries of the Company</b> (currently serving)

**Status of important concurrent offices in other entities**

Director of Nippon Paper Creca Co., Ltd.  
Outside Director of LINTEC Corporation

Tenure as a Director

4 years

Attendance at the Board of Directors meetings

12/13 (92.3%)

**Reasons for selecting the candidate for Director**

Mr. Toru Nozawa successively held the positions of General Manager of the Treasurer's Dept., General Manager of the Accounting & Budgeting Dept. and Deputy General Manager of Financial Div. as stated in the brief personal history above. At present, he works to contribute to raising the corporate value of the Company as Director, Managing Corporate Officer and General Manager of Corporate Planning Div. of the Company (from June 2017). The Company reappoints him as a candidate for Director based on its judgment that he sufficiently understands social responsibility and the mission of business operations and qualifies for this position, taking into account his abundant experience and good track record with an excellent personality, broad insight and stringent self-discipline as a top management executive who fairly and precisely executes business administration and business operation, and that we can expect him to drive the Company in the pursuit of further development.

## Candidate

No. 6 TAKEO KONNO (Date of Birth: Jul. 11, 1957) New appointment

No. of shares in the Company held	Brief personal history, title and responsibilities	
6,961 shares	Apr. 1981	Joined Jujo Paper Co., Ltd.
	Jun. 2008	General Manager of Production Dept. of Technical & Engineering Div. of the Company
	Jun. 2010	Deputy General Manager of Iwanuma Mill of the Company
	Jun. 2012	Deputy General Manager of Technical & Engineering Div. of the Company
	Jun. 2014	Corporate Officer, General Manager of Hokkaido Mill of the Company
	Jun. 2017	<b>Corporate Officer, General Manager of Sales Management &amp; Planning Div. of the Company</b> (currently serving)

### Reasons for selecting the candidate for Director

Mr. Takeo Konno successively held the positions of General Manager of Production Dept., Deputy General Manager of Technical & Engineering Div. and General Manager of Hokkaido Mill as stated in the brief personal history above. At present, he works to contribute to raising the corporate value of the Company as Corporate Officer and General Manager of Sales Management & Planning Div. (from June 2017). The Company appoints him as a candidate for Director based on its judgment that he sufficiently understands social responsibility and the mission of business operations and qualifies for this position, taking into account his abundant experience and good track record with an excellent personality, broad insight and stringent self-discipline as a top management executive who fairly and precisely executes business administration and business operation, and that we can expect him to drive the Company in the pursuit of further development with a focus on business strategies and planning.

**Candidate**No. 7 SHOJI UEDA (Date of Birth: Jun.12, 1960) Reappointment

No. of shares in the Company held	Brief personal history, title and responsibilities	
4,666 shares	Apr. 1983	Joined Jujo Paper Co., Ltd.
	Jun. 2012	Deputy General Manager of Hokkaido Mill of the Company
	Apr. 2013	Deputy General Manager of Yatsushiro Mill of the Company
	Jul. 2014	Deputy General Manager of Technical & Engineering Div. and General Manager of Plant Engineering Dept. of the Company
	Jun. 2015	Corporate Officer, General Manager of Technical & Engineering Div. and General Manager of Plant Engineering Dept. of the Company
	Jun. 2017	<b>Director, Corporate Officer, General Manager of Technical &amp; Engineering Div. and Energy Business Div. of the Company</b> (currently serving)

Tenure as a Director

1 year

Attendance at the Board of Directors meetings

10/10 (100%)

**Reasons for selecting the candidate for Director**

Mr. Shoji Ueda successively held the positions of Deputy General Manager of the Hokkaido Mill, Deputy General Manager of the Yatsushiro Mill and General Manager of the Plant Engineering Dept. as stated in the brief personal history above. At present, he works to contribute to raising the corporate value of the Company as Director, Corporate Officer and General Manager of the Technical & Engineering Div. and Energy Business Div. (from June 2017). The Company reappoints him as a candidate for Director based on its judgment that he sufficiently understands social responsibility and the mission of business operations and qualifies for this position, taking into account his abundant experience and good track record with an excellent personality, broad insight and stringent self-discipline as a top management executive who fairly and precisely executes business administration and business operation, and that we can expect him to drive the Company in the pursuit of further development with a focus on overall technical and engineering divisions including energy business.

Candidate

No. 8 YOSHIMITSU AOYAMA (Date of Birth: Apr. 4, 1939) Reappointment  
Independent Officer (Outside)

No. of shares in the  
Company held

0 shares

Brief personal history, title and responsibilities

Dec. 1965	Associate Professor of the Faculty of Law at Tokyo University
Apr. 1977	Professor of the Faculty of Law at Tokyo University
Apr. 1996	Dean of the Faculty of Law at Tokyo University, Head of Tokyo University Graduate School for Law and Politic
Apr. 1999	Vice President of Tokyo University
Apr. 2001	Professor of the Faculty of Law at Seikei University
May 2001	Professor emeritus of Tokyo University
Apr. 2004	Professor of Meiji University School of Law
Apr. 2006	Dean of Meiji University School of Law
Feb. 2007	Chairman of Legislative Council of the Ministry of Justice (thru Feb. 2011)
Feb. 2008	Head Director of the Public Interest Incorporated Foundation of <i>Shinano Tsuzoku Daigaku-Kai</i> (thru Jun. 2017)
Apr. 2009	<b>Head Director of the Public Interest Incorporated Foundation of Dispute Resolution Center for Automotive Product Liability</b> (currently serving)
Apr. 2010	Specially Appointed Professor of Meiji University School of Law (thru Mar. 2015)
Jun. 2013	<b>Outside Director of the Company</b> (currently serving)
Feb. 2018	<b>Representative Director of the Japan International Dispute Resolution Center</b> (currently serving)

Status of important concurrent offices in other entities

Head Director of the Public Interest Incorporated Foundation of Dispute Resolution Center for Automotive Product Liability  
Representative Director of the Japan International Dispute Resolution Center

Tenure as a Director

5 years

Attendance at the Board of Directors meetings

13/13 (100%)

**Reasons for selecting the candidate for Outside Director**

Mr. Yoshimitsu Aoyama is a candidate for Outside Director as defined in Article 2, Paragraph 3, Item 7, of the Ordinance for Enforcement of the Companies Act.

Mr. Aoyama has studied and taught jurisprudence at Tokyo University and other universities for many years and has held important positions, including Vice President of Tokyo University and Chairman of the Legislative Council of Ministry of Justice as stated in the brief personal history above. Although he does not have experience of direct involvement in actual business operation, Mr. Aoyama is expected to supervise and provide advice on compliance and the execution of duties of

Directors of the Company by drawing on his professional knowledge and experience accumulated as a legal expert. Accordingly, he is renominated for Outside Director.

**Special notes on the candidate for Outside Director**

1. In determining a candidate for Outside Director, the Company judges his or her independence by considering whether the candidate fulfills the standards of independence set by the Tokyo Stock Exchange, in addition to the statutory qualifications for being described as outside as stipulated by law, and confirming whether there are any conflicts of interest with the general shareholders of the Company.
2. In light of the aforementioned standards and qualifications, the Company judges that Mr. Aoyama has the independence required to be an independent officer and has reported to the Tokyo Stock Exchange that Mr. Aoyama is an Independent Officer under the provisions of said Exchange. If his reappointment is approved, the Company intends to keep his registration as an Independent Officer.
3. The Company has concluded a contract with Mr. Aoyama to limit the liability for damages as prescribed in Article 423, Paragraph 1, of the Companies Act to the amount stipulated by law, in accordance with Article 427, Paragraph 1, of said Act. If his reappointment is approved, the Company intends to extend the relevant contract with him.

Candidate	
No. 9	<u>MAKOTO FUJIOKA</u> (Date of Birth: Mar. 27, 1950) <span style="float: right;">Reappointment Independent Officer (Outside)</span>

No. of shares in the Company held	Brief personal history, title and responsibilities	
1,000 shares	Apr. 1972	Entered the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
	Jun. 1996	Deputy Director-General for Trade and Economy
	Jul. 1998	Deputy Director-General for International Exhibitions
	Feb. 2001	Ambassador extraordinary and plenipotentiary to the United Arab Emirates
	Sep. 2003	Retired from the Ministry of Economy, Trade and Industry
	Oct. 2003	Full-time adviser of Nippon Light Metal Co., Ltd.
	Jun. 2004	Director, Executive Officer of the same
	Jun. 2007	Director, Senior Executive Officer of the same
	Oct. 2012	Director of Nippon Light Metal Holdings Co., Ltd. (in charge of CSR & Auditing Administration Dept. (thru Jun. 2015))
	Jun. 2013	Director, Executive vice president, Senior executive officer of Nippon Light Metal Co., Ltd. (thru Jun. 2015)
	Jul. 2015	<b>Senior Director of Japan Association for Chemical Innovation</b> (currently serving)
	Jun. 2016	<b>Outside Director of Eagle Industry Co., Ltd.</b> (currently serving) <b>Outside Director of NOK CORPORATION</b> (currently serving) <b>Outside Director of the Company</b> (currently serving)

Tenure as a Director

2 years

Attendance at the Board of Directors meetings

13/13 (100%)

Status of important concurrent offices in other entities

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

**Reasons for selecting the candidate for Outside Director**

Mr. Makoto Fujioka is a candidate for Outside Director as defined in Article 2, Paragraph 3, Item 7, of the Ordinance for Enforcement of the Companies Act.

While he was with the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry), Mr. Fujioka held important positions as stated in the brief personal history above, including Deputy Director-General and Ambassador extraordinary and plenipotentiary to the United Arab Emirates. He also has experience in corporate management in the private sector. By using his broad knowledge and international perspective based on his experiences both in the public and private sectors, Mr. Fujioka is expected to supervise and provide advice on the execution of duties of the Company's Directors from an objective standpoint and is therefore renominated for Outside Director.

### Special notes on the candidate for Outside Director

1. In determining a candidate for Outside Director, the Company judges his or her independence by considering whether the candidate fulfills the standards of independence set by the Tokyo Stock Exchange, in addition to the statutory qualifications for being described as outside as stipulated by law, and confirming whether there are any conflicts of interest with the general shareholders of the Company.
2. In light of the aforementioned standards and qualifications, the Company judges that Mr. Fujioka has the independence required to be an independent officer, and has registered him as an Independent Officer pursuant to the relevant provisions of Tokyo Stock Exchange. Subject to the approval of his reelection, the Company will reappoint him as an Independent Officer.
3. Mr. Fujioka had served as Director of Nippon Light Metal Co., Ltd. through June 2015. Although the Company has purchase transactions related to raw materials with Nippon Light Metal Co., Ltd., the amount of the transactions is negligible (the amount of the Company's purchases from Nippon Light Metal Co., Ltd. is less than 1% of the net sales of Nippon Light Metal Co., Ltd.).
4. Mr. Fujioka currently serves as Senior Director of Japan Association for Chemical Innovation. Although the Company pays membership fees to said association, the amount of the fees is negligible (less than 1 million yen per year).
5. Mr. Fujioka currently serves as Outside Director of Eagle Industry Co., Ltd. Although the Company has purchase transactions related to equipment with Eagle Industry Co., Ltd., the amount of transactions is negligible (the amount of the Company's purchases from Eagle Industry Co., Ltd. is less than 1% of the net sales of Eagle Industry Co., Ltd.).
6. The Company has concluded a contract with Mr. Fujioka to limit the liability for damages as prescribed in Article 423, Paragraph 1, of the Companies Act to the amount stipulated by law, in accordance with Article 427, Paragraph 1, of said Act. If his reappointment is approved, the Company intends to extend the relevant contract with him.
7. Nippon Light Metal Co., Ltd., which Mr. Fujioka served as a Director from June 2004 to June 2015, received a cease-and-desist order and a payment order for a surcharge from the Japan Fair Trade Commission in February 2016, in relation to an act in violation of the Antimonopoly Act—prior determination of suppliers that would take orders for chemicals placed by a local government in Niigata—which allegedly started around 2011.

---

#### Notes:

1. There are no special conflicts of interest between each of the candidates and the Company.
2. The number of shares in the Company held by each candidate includes the number of shares held through the Nippon Paper Officers Share Ownership.
3. The attendance at meetings of the Board of Directors represents the status of attendance in office in the fiscal year ended March 31, 2018. Because Mr. Shoji Ueda was newly appointed at the 93rd Ordinary General Meeting of Shareholders held on June 29, 2017, and assumed the office of Director at that time, the number of Board meetings he was able to attend differed from that of the other Directors.
4. Jujo Paper Co., Ltd., stated in the section of brief personal history, changed its trade name to Nippon Paper Industries Co., Ltd., as of April 1, 1993.
5. Sanyo-Kokusaku Pulp Co., Ltd., stated in the section of brief personal history, merged with the Company as of April 1, 1993.

---

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

### Proposal 3. Election of Two (2) Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members Hiroshi Matsuo and Mitsuo Nagoshi will expire as of the conclusion of this General Meeting of Shareholders. Accordingly, the Company requests that the shareholders elect two (2) Audit & Supervisory Board Members.

The candidates were determined by the Board of Directors upon receiving a report by the Personnel & Remuneration Advisory Committee on the selection of candidates.

The candidates for Audit & Supervisory Board Members are as follows:

This proposal has already received the consent of the Audit & Supervisory Board.

#### Candidate

No. 1 HIROFUMI FUJIMORI (Date of Birth: Oct.13, 1955) New appointment

No. of shares in the Company held	Brief personal history, title and responsibilities	
7,795 shares	Nov. 1987	Joined Sanyo-Kokusaku Pulp Co., Ltd.
	Dec. 2004	Chief of IR Office of the Nippon Paper Group, Inc.
	Apr. 2006	Deputy Chief of the Monitoring Room of Financial Div. of the Company
	Apr. 2008	Chief of the Management Monitoring Office of Nippon Paper Group, Inc.
	Jun. 2010	General Manager of CSR Dept. of CSR Div. of the same
	Jun. 2012	Deputy General Manager of CSR Div. and General Manager of CSR Dept. of the same
	Jul. 2012	Vice President of Paper Australian Pty Ltd.
	Feb. 2014	President of the same
	Jun. 2014	Corporate Officer, Deputy General Manager of Financial Div. and General Manager of Accounting & Budgeting Dept. of the Company
	Jun. 2015	<b>Director, Corporate Officer and General Manager of Financial Div. of the Company</b> (currently serving)

Attendance at the Board of Directors meetings

13/13 (100%)

#### Reasons for selecting the candidate for Audit & Supervisory Board Member

Mr. Hirofumi Fujimori successively held the positions of General Manager of the CSR Dept., President of Paper Australian Pty Ltd. and General Manager of the Accounting & Budgeting Dept. as stated in the brief personal history above. At present, he works to contribute to raising the corporate value of the Company as Director, Corporate Officer and General Manager of the Financial Div. of the Company (from June 2015). The Company appoints him as a candidate for Audit & Supervisory Board Member based on its judgment that he has an excellent personality and insights that contribute to an increase in soundness and transparency of management by auditing the Directors' execution of duties from a fair and objective standpoint, with many years of experience and good track record in the Company Group and his abundant knowledge regarding business administration and business operation.



## Candidate

No. 2 MITSUO NAGOSHI (Date of Birth: Aug. 5, 1954) Reappointment

No. of shares in the Company held	Brief personal history, title and responsibilities	
6,702 shares	Apr. 1978	Joined Sanyo-Kokusaku Pulp Co., Ltd.
	Apr. 2006	Assistant to Division General Manager of Asia Business Div. of the Company
	Apr. 2007	Deputy General Manager of Corporate Planning Div. of the Company
	May 2009	Director of Paper Australian Pty Ltd.
	Nov. 2012	Chief of the Management Monitoring Office of Nippon Paper Group, Inc.
	Apr. 2013	Chief of the Management Audit Office of the Company
	Jun. 2014	<b>Audit &amp; Supervisory Board Member of the Company</b> (currently serving)

Tenure as an Audit & Supervisory Board Member

4 years

Attendance at the Board of Directors meetings

13/13 (100%)

Attendance at the Audit & Supervisory Board meetings

14/14 (100%)

### Status of important concurrent offices in other entities

Statutory Auditor of NP Trading Co., Ltd. (full-time)

### Reasons for selecting the candidate for Audit & Supervisory Board Member

Mr. Mitsuo Nagoshi successively held the positions of Deputy General Manager of Corporate Planning Div., Director of Paper Australian Pty Ltd. and Chief of the Management Audit Office as stated in the brief personal history above. At present, he serves as Audit & Supervisory Board Member of the Company (from June 2014). The Company reappoints him as a candidate for Audit & Supervisory Board Member based on its judgment that he has an excellent personality and insights that contribute to an increase in soundness and transparency of management by auditing the Directors' execution of duties from a fair and objective standpoint, with many years of experience and good track record in the Company Group and his abundant knowledge regarding business administration and business operation.

### Notes:

1. There are no special conflicts of interest between each of the candidates and the Company.
2. The number of shares in the Company held by each candidate includes the number of shares held through the Nippon Paper Officers Share Ownership.
3. The attendance at meetings of the Board of Directors and at the Audit & Supervisory Board meetings represents the status of attendance in office in the fiscal year ended March 31, 2018.
4. Sanyo-Kokusaku Pulp Co., Ltd., stated in the section of brief personal history, merged with the Company as of April 1, 1993.
5. Nippon Paper Group, Inc., stated in the section of brief personal history, merged with the Company as of April 1, 2013.

## Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member

To prepare for a situation where the number of Audit & Supervisory Board Member does not satisfy the number prescribed by laws and regulations, we request the election of one (1) substitute Audit & Supervisory Board Member as a substitute for any of the Outside Audit & Supervisory Board Members.

The candidate was determined by the Board of Directors upon receiving a report by the Personnel & Remuneration Advisory Committee on the selection of a candidate.

The candidate for substitute Audit & Supervisory Board Member is as follows.

This proposal has already received the consent of the Audit & Supervisory Board.

AKIO OTSUKA (Date of Birth: Jan. 28, 1959)

Independent Officer (Outside)

No. of shares in the Company held	Brief personal history, title and responsibilities	
0 shares	Apr. 1986	Registered as attorney (Daiichi Tokyo Bar Association), Shinmyo & Osanai
	Aug. 1991	Hamayotsu & Hamayotsu
	Apr. 1999	President of Aoyama Century Law Office
	Apr. 2004	Professor of Tokai University Law School
	Apr. 2005	<b>Professor of University of Tsukuba Law School</b> (currently serving)
		Partner of Tokyo Century Law Office
	Aug. 2012	<b>President of Otsuka Sogo Law Office</b> (currently serving)
	Apr. 2013	Dean of University of Tsukuba Law School (thru Mar. 2015)
	Apr. 2017	<b>Audit &amp; Supervisory Board Member of Nippon Export and Investment Insurance</b> (currently serving)
	Apr. 2018	<b>Dean of Graduate School of Business Sciences, University of Tsukuba</b> (currently serving)
	<b>Status of important concurrent offices in other entities</b> Dean of Graduate School of Business Sciences, University of Tsukuba and Professor of University of Tsukuba Law School President of Otsuka Sogo Law Office Audit & Supervisory Board Member of Nippon Export and Investment Insurance	

### Reasons for selecting the candidate for substitute Outside Audit & Supervisory Board Member

Mr. Akio Otsuka is a candidate for Outside Audit & Supervisory Board Member as defined in Article 2, Paragraph 3, Item 8, of the Ordinance for Enforcement of the Companies Act.

Although he does not have experience of direct involvement in actual business operation, we expect that Mr. Otsuka will reflect his professional knowledge and experience accumulated through the practice of law and experience in research and teaching of law at University of Tsukuba and other institution in performing audits of the Company if he assumes the office of Outside Audit &

Supervisory Board Member, and he is therefore nominated for substitute Outside Audit & Supervisory Board Member.

**Special notes on the candidate for substitute Outside Audit & Supervisory Board Member**

1. In determining a candidate for Outside Audit & Supervisory Board Member, the Company judges his or her independence by considering whether the candidate fulfills the standards of independence set by the Tokyo Stock Exchange, in addition to the statutory qualifications for being described as outside, and confirming whether there are any conflicts of interest with the general shareholders of the Company.
2. In light of the aforementioned standards and qualifications, the Company judges that Mr. Otsuka has the independence required to be an independent officer. When he assumes the office of Audit & Supervisory Board Member, the Company will notify the Tokyo Stock Exchange that Mr. Otsuka is an Independent Officer under the provisions of said Exchange.
3. When Mr. Otsuka assumes the office of Audit & Supervisory Board Member, the Company intends to conclude a contract with him to limit the liability for damages as prescribed in Article 423, Paragraph 1, of the Companies Act to the amount stipulated by law, in accordance with Article 427, Paragraph 1, of said Act.

Note:

There are no special conflicts of interest between the candidate and the Company.

(Attachment)

**Business Report (From April 1, 2017, through March 31, 2018)**

**1. Status of the Company Group (a corporate group)**

(1) Business Progress and Results

The Japanese economy in the current fiscal year continued on a moderate recovery trend with improvements in employment and income situations, though there are concerns such as policy trends in the U.S. and situations in the East Asia region.

With regard to the business environment surrounding the Company Group, a challenging business environment continued, despite revision of prices of our core paper and paperboard products as prices of raw materials and fuels rose.

As a result of the above measures, as to the consolidated performance of the current term, sales revenue increased by 54,070 million yen (5.4%) from the previous term to 1,046,499 million yen, whereas operating income decreased by 6,150 million yen (25.9%) to 17,613 million yen and ordinary income decreased by 8,344 million yen (30.9%) to 18,649 million yen. Net income attributable to owners of the parent decreased by 552 million yen (6.6%) to 7,847 million yen.

Sales Revenue	1,046,499 million yen (increase of 5.4% Y o Y)	Operating Income	17,613 million yen (decrease of 25.9% Y o Y)
---------------	---	------------------	---

Ordinary Income	18,649 million yen (decrease of 30.9% Y o Y)	Net Income Attributable to Owners of the Parent	7,847 million yen (decrease of 6.6% Y o Y)
-----------------	---	---	---

Principal Businesses (As of March 31, 2018)

	Principal Products
Paper and Pulp Business	Paper, paperboard, household tissue, pulp, paper making materials
Paper-Related Business	Processed paper products, chemical products
Lumber, Construction Materials, Civil Engineering and Construction-Related Business	Lumber, construction materials, civil engineering and construction
Other Business	Logistics, leisure, other

Sales Revenue and Operating Income of Each Business Segment

Business Segment	Sales Revenue			Operating Income		
	Current Fiscal year (million yen)	Comparison with the Previous Term		Current Fiscal year (million yen)	Comparison with the Previous Term	
		Change in Amount (million yen)	% of Change (%)		Change in Amount (million yen)	% of Change (%)
Paper and Pulp Business	868,487	48,439	5.9	3,254	-7,593	-70.0
Paper-Related Business	94,666	5,437	6.1	7,087	1,843	35.1
Lumber, Construction Materials, Civil Engineering and Construction Related Business	62,777	-752	-1.2	4,481	-278	-5.9
Other Business	20,567	945	4.8	2,790	-121	-4.2
Total	1,046,499	54,070	5.4	17,613	-6,150	-25.9

Note: Figures rounded down to nearest million yen.

The status of each business segment is as follows:

#### **Paper and Pulp Business**

Sales Revenue: 868,487 million yen (increase of 5.9% Y o Y)

In the paper business, domestic sales volume was low overall and fell below that of the previous term as a result of a decline of circulation of newspapers and low demand for advertising in the printing paper business.

On the other hand, export sales volume exceeded that of the previous term due to strong demand for both paper and paperboard mainly in Asia.

In the household tissues business, the sales volume exceeded that of the previous term due to strong demand for products such as healthcare products and business use products for hotels, while tissues with more pleasant textures than conventional products were developed to strengthen the Kleenex® brand.

Furthermore, Nippon Dynawave Packaging Company LLC, which commenced its operation in September 2016, and Nippon Tokai Industrial Paper Supply Co., Ltd., which commenced its operation in October 2016, were included in the scope of consolidation from the previous term and therefore sales of these companies contributed to sales growth year on year.

As a result of the above, the sales revenue of this segment increased by 48,439 million yen (5.9%) from the previous term to 868,487 million yen and operating income decreased by 7,593 million yen (70.0%) from the previous term to 3,254 million yen due to effects from factors such as higher price of raw materials and fuels including wastepaper.

#### **Paper-Related Business**

Sales Revenue: 94,666 million yen (increase of 6.1% Y o Y)

As to the liquid-packaging carton, the sales volume exceeded that of the previous term mainly for products for fruit and vegetable juice thanks to the launch of resealable paper cartons and acquisition of new customers.

As to dissolving pulp (DP), sales volume exceeded that of the previous term due to positive effects of production increase initiatives and recovery in market trends. As to chemical products, sales volume exceeded that of the previous term due to steady sales of functional coating resins for automobile use and functional cellulose. As to functional films, the launch of a newly developed product contributed to sales growth year on year.

As a result of the above, the sales revenue of this segment increased by 5,437 million yen (6.1%) from the previous term to 94,666 million yen and operating income increased by 1,843 million yen (35.1%) from the previous term to 7,087 million yen.

#### Lumber, Construction Material, Civil Engineering and Construction-Related Business

Sales Revenue: 62,777 million yen (decrease of 1.2% Y o Y)

As to the lumber and construction material business, sales volume of raw timber and others exceeded that of the previous term, though the number of new housing construction projects had been weak.

As to the civil engineering and construction-related business, sales decreased from the previous term mainly due to exclusion of a consolidated subsidiary in the housing business from the scope of consolidation.

As a result of the above, the sales revenue decreased by 752 million yen (1.2%) from the previous term to 62,777 million yen and operating income decreased by 278 million yen (5.9%) from the previous term to 4,481 million yen.

#### Other Business

Sales Revenue: 20,567 million yen (increase of 4.8% Y o Y)

As to the consolidated results of the logistics, leisure, and other business, the sales revenue of this segment increased by 945 million yen (4.8%) from the previous term to 20,567 million yen and operating income decreased by 121 million yen (4.2%) from the previous term to 2,790 million yen.

### (2) Status of Capital Investment

The amount of capital investment of the Company Group during the current fiscal year reached a total of 72,700 million yen. The major capital investment was the installation of new facilities for the power generation business, the renovation and conversion of facilities for the paper and pulp business, and the establishment of the printing paper products management system.

### (3) Status of Financing Activities

The Company Group procured funds through a long-term loan of 53,500 million yen, issuance of corporate bonds of 10,000 million yen, etc. for the purpose of

operating capital and for investments and loans to affiliated companies in the group.

Further, the Company Group has introduced a cash management system (CMS) and is managing funds in the group in an integrated fashion and allocating funds throughout the group efficiently and flexibly.

#### (4) Issues to be addressed

##### ① Review of Fifth Medium-Term Business Plan (from April 2015 to March 2018)

The Company promoted its Fifth Medium-Term Business Plan, with the major goals being the “enhancement of the competitiveness of existing business” and the “transformation of business structures.”

As to the household tissues, healthcare, packaging, chemical and energy business, each of which the Company positioned as a growth field in the Fifth Medium-Term Business Plan, we have almost achieved profit targets as they were successfully put on a growth trajectory through investment and measures for business expansion.

In our healthcare business for which the market continues to expand, we made concentrated investment in the Kyoto Mill of Nippon Paper Crecia Co., Ltd. and promoted sales expansion with a focus on products for which deodorant sheets made of functional cellulose nanofibers are used. In our household tissues business, we strengthened the product lineup through development of products such as triple roll toilette tissues and kitchen towels and worked on rebranding of “Kleenex®.” In the packaging business, we concluded a license agreement on the liquid-packaging carton with ELOPAK in Norway and successfully launched chilled liquid packaging cartons attached with a closure sold by ELOPAK on to the market in Japan. In addition, we made efforts to strengthen cost competitiveness by rebuilding production systems and newly established a technical center as a base for product development. In the chemical business, we strengthened the base of the Gotsu Mill including ramping up work for dissolving paper and promoted development and sales expansion of hard coat films used for organic electroluminescent displays. In the energy business, we promoted a power generation project which launched as scheduled and it has been continuing stable operation.

In our overseas business for which the target is to erase chronic deficits, we returned to profitability since we implemented measures to improve profitability with a focus on cost reduction and sales expansion of highly value-added products, withdrew from the newspaper and publishing paper business, and acquired the



business of base paper for liquid-packaging in North America. We launched a paper container processing business in India and a paper container processing business and disposable diapers business in Vietnam to expand our presence in rapidly growing Asia.

With regard to cellulose nanofiber (hereinafter referred to as “CNF”), a promising new material, we installed a mass production facility at the Ishinomaki Mill and the Gotsu Mill, and a facility for demonstrating production of CNF-reinforced resins at the Fuji Mill. Last year, we established the Innovative Material Sales Div. to prepare a system for merchandising our new materials and products such as CNF, MinerPa, and SHIELDPLUS of which the Company is focusing on development.

In the domestic paper and paperboard business, we strived to enhance competitiveness of existing business. Concerning the paperboard business, amid steady demand, we promoted a business partnership with Tokushu Tokai Paper Co., Ltd. regarding the containerboard business and the sack and general purpose kraft paper business and realized synergies such as further cost reductions at Shin Tokai Paper Co., Ltd., the improvement of transportation overlaps and the joint procurement of raw materials and fuels. We revised the product prices of containerboard to improve profitability. Meanwhile, we suffered from significantly lower profitability as a result of internal factors such as a delay in progress of cost improvements due to frequent operational problems combined with external factors such as a worse-than-expected drop in domestic demand in the paper business, failure to revise printing paper prices, and rising prices of raw materials and fuels including wastepaper both in the paper and paperboard business. These were the primary factors led to a failure to achieve the Group’s profit target.

In regard to our financial condition, we shifted our assets to growing fields, by selling Lee & Man Paper Manufacturing Limited and Shikoku Coca-Cola Bottling Co., Ltd. and acquiring a liquid packaging board business in North America. In this way, we worked to improve asset efficiency and realized significant contributions to profits.

## ②Promotion of the Sixth Medium-Term Business Plan (from April 2018 to March 2021)

During the three-year Sixth Medium-Term Business Plan from April 2018, we will promote the transformation of business structures to realize sustainable growth of the Company Group.

The biggest issue toward the transformation of business structures is to secure stable profits from existing business. In **the newspaper and printing paper business**, which is facing a severe business environment due to a significant decrease in demand and higher prices of raw materials and fuels, we decided to withdraw from the paper business at the Hokkaido Mill – Yufutsu and the Fuji Mill (Fuji) and stop one paper machine at the Kushiro Mill, following stoppage of the No. 1 coater at the Akita Mill and the No. 2 coater at the Ishinomaki Mill in May 2018. Through this reorganization of the production structure, we plan to reduce 10 production machines including coaters at the Akita Mill and the Ishinomaki Mill, which is equivalent to 760,000 tons or 18% of facility capacity of the Company Group. We aim to recover a profitable structure of the newspaper and printing paper business by reducing fixed costs for excess facilities thoroughly and maintaining a high operational rate with stable operations. As to two bases which are scheduled to withdraw from the paper business, we will consider shifting to new business and make maximum use of assets that we hold.

As to **the paperboard business**, as demand for containerboard is globally increasing, we will promote further optimization of the production structure through the business partnership with Tokushu Tokai Paper Co., Ltd. to improve profitability by aggressive exporting, etc., and aim to build a solid base.

We will continue to position the household tissues, healthcare, packaging, chemical and energy business as growth fields. In **the household tissues and healthcare business**, demand will continue to grow in the context that the number of hotels is growing associated with an increase in inbound tourists and people's lifestyles have been changing due to the increased number of households with growth of nuclear families and a progressively aging society. In **the packaging business**, shifting from plastic packages to paper packages is accelerating worldwide as environmental awareness has been rising, though demand is decreasing due to a declining population in Japan. In the **chemical business**, demand for highly profitable products, such as functional cellulose (CMC) used for lithium-ion batteries for electric vehicles and functional coating agents used for automobile paints, is expanding mainly in Asia, though the market size is small. In **the energy business**, expectations for biomass generation are getting higher as renewable energy gains attention. We will make aggressive investments in these businesses and accelerate the transformation of our business structure to promote business expansion by understanding exact needs and creating new demand through development of new products. We will continue to develop applications for

new materials such as CNF, MinerPa, and SHIELDPLUS, aiming to achieve early commercialization

Regarding investment under the Sixth Medium-Term Business Plan, we will implement measures to maximize the business value of existing businesses and the growth fields of the Company Group by allocating our resources including human resources and assets as well as our capital to the growth fields appropriately, while giving full consideration to financial discipline.

(5) Changes of Assets and Profit/Loss Status

Category	91st Term (Ended March 2015)	92nd Term (Ended March 2016)	93rd Term (Ended March 2017)	94th Term (Current) (Ended March 2018)
(million yen) Sales Revenue	1,052,491	1,007,097	992,428	1,046,499
(million yen) Ordinary Income	23,204	17,123	26,994	18,649
(million yen) Net income attributable to owners of the parent	23,183	2,424	8,399	7,847
(Yen) Basic earnings per share	200.27	20.95	72.57	67.80
(million yen) Total Assets	1,495,622	1,390,918	1,388,885	1,433,036
(%) ROE (Return on equity)	5.1	0.5	2.0	1.8
(%) ROA (Return on assets)	2.2	2.0	2.6	1.8

- (Notes)
1. Figures rounded down to nearest million yen.
  2. ROE (Return on Equity) and ROA (Return on assets) were calculated using the following formula.  

$$\text{ROE (Return on Equity)} = \text{Net income attributable to owners of the parent} / \text{average of the balance at the beginning of the term and the balance at the term-end of Shareholders' equity and Accumulated other comprehensive income}$$

$$\text{ROA (Return on assets)} = (\text{Ordinary income} + \text{Interest expenses}) / \text{Total assets at the term-end}$$

(6) Status of Principal Subsidiaries, etc. (As of March 31, 2018)

① Status of Principal Subsidiaries

Company Name	Capital	The Company's voting rights ratio	Principal business operation
[Paper & Pulp Business]	Million yen	%	
Nippon Paper Papyrus Co., Ltd.	3,949	100.0	Manufacture and sales of specialty paper
Nippon Paper Crexia Co., Ltd.	3,067	100.0	Manufacture and sales of household tissues
Paper Australian Pty Ltd.	(1,000 AUD) 662,280	100.0	Manufacture and sales of paper, paperboard, pulp and office supplies
Nippon Dynawave Packaging Company LLC	(1,000 USD) 200,000	100.0	Manufacture, processing and sales of base paper for paper containers of liquid including soft drink and milk, and base paper for cup containers, etc.
NP Trading Co., Ltd.	Million yen 1,000	100.0	Sales of paper, pulp and chemicals
Nippon Tokai Industrial Paper Supply Co., Ltd.	350	65.0	Sales of paper and paperboard
[Lumber, Construction Materials, Civil Engineering and Construction-Related Business]			
Nippon Paper Lumber Co., Ltd.	Million yen 440	100.0	Sales of lumber and sawed lumber
[Others]			
Nippon Paper Logistics Co., Ltd.	Million yen 70	100.0	Warehouse, transport, and freight shipment

(Note) Figures rounded down to nearest million yen, nearest thousand Australian dollars and nearest thousand U.S. dollars.

② Status of Business Combinations

The number of consolidated subsidiaries for the current term is 44 companies and the number of equity method affiliates is 11 companies.

(7) Primary Sales Offices and Mills (As of March 31, 2018)

Domestic	<p>Nippon Paper Industries Co., Ltd.: Head Office (Chiyoda-ku, Tokyo)  Sales Bases: Head Office, 5 sales branch offices and others  Production Bases:  Kushiro Mill (Kushiro-shi, Hokkaido), Hokkaido Mills (Tomakomai-shi, Asahikawa-shi, and Shiraoi-cho, Hokkaido), Akita Mill (Akita-shi, Akita) Ishinomaki Mill (Ishinomaki-shi, Miyagi), Iwanuma Mill (Iwanuma-shi, Miyagi), Nakoso Mill (Iwaki-shi, Fukushima), Kanto Mill (Ashikaga-shi, Tochigi; Soka-shi, Saitama), Fuji Mill (Fuji-shi, Shizuoka), Gotsu Mill (Gotsu-shi, Shimane), Otake Mill (Otake-shi, Hiroshima), Iwakuni Mill (Iwakuni-shi, Yamaguchi), Yatsushiro Mill (Yatsushiro-shi, Kumamoto), Higashimatsuyama Mill (Higashimatsuyama-shi, Saitama), Nippon Paper Liquid Package Product Co., Ltd. Egawa Mill (Gokamachi, Ibaraki), Miki Mill (Miki-shi, Hyogo), Ishioka Mill (Ishioka-shi, Ibaraki)</p> <p>Laboratories: Research Laboratory (Kita-ku, Tokyo), Packaging Research Laboratory (Kita-ku, Tokyo), Cellulose Nanofiber (CNF) Research Laboratory (Fuji-shi, Shizuoka), Chemical Products Research Laboratory (Iwakuni-shi, Yamaguchi), Functional Materials Development Laboratory (Higashimatsuyama-shi, Saitama)</p>
	<p>Nippon Paper Papyrus Co., Ltd.: Head Office (Chiyoda-ku, Tokyo)  Sales bases: Head Office, 1 branch office  Production Bases:  Harada Mill (Fuji-shi, Shizuoka), Suita Mill (Suita-shi, Osaka), Kochi Mill (Ino-cho, Kochi)</p>
	<p>Nippon Paper Crecia Co., Ltd.: Head Office (Chiyoda-ku, Tokyo)  Sales bases: Head Office, 9 sales branch offices  Production Bases:  Tokyo Mill (Soka-shi, Saitama), Kaisei Mill (Kaisei-cho, Kanagawa), Koyo Mill (Fuji-shi, Shizuoka), Kyoto Mill (Fukuchiyama-shi, Kyoto)</p>
Overseas	Paper Australian Pty Ltd. (Australia)
	Nippon Dynawave Packaging Company LLC (U.S.)

- (Notes) 1. Nippon Paper Industries Co., Ltd. changed the organization of sales bases, production bases and laboratories as of June 29, 2017.
2. As of October 1, 2017, Nippon Paper Liquid Package Product Co., Ltd. was established by integrating the liquid packaging carton production subsidiaries. Soka Paper-Pak Co., Ltd. was dissolved as of March 31, 2018.

## (8) Status of Employees (As of March 31, 2018)

Names by Business Segment	Number of employees	Comparison with the end of previous term
Paper and Pulp Business	7,939	-108
Paper-Related Business	1,297	-
Lumber, Construction Materials, Civil Engineering and Construction-Related Business	2,192	-81
Other Business	1,253	+27
All Companies (Cross-organization)	200	-14
Total	12,881	-176

- (Notes) 1. Number of employees means the number of personnel who are actually working.  
2. "All Companies (Cross-organization)" indicates employees who belong to the administrative department and cannot be classified by specific business segment.

## (9) Status of Main Lenders (As of March 31, 2018)

Creditor	Balance of Borrowings
Mizuho Bank Ltd.	104,736 million yen
Sumitomo Mitsui Banking Corporation	72,712 million yen
Development Bank of Japan, Inc.	67,440 million yen
The Norinchukin Bank	48,534 million yen
Meiji Yasuda Life Insurance Company	30,500 million yen
Sumitomo Mitsui Trust Bank, Ltd.	30,190 million yen
Nippon Life Insurance Company	29,000 million yen
Mitsubishi UFJ Trust & Banking Corporation	25,800 million yen
Mitsui Life Insurance Company Limited	23,000 million yen
Mizuho Trust & Banking Co., Ltd.	23,000 million yen

- (Notes) 1. In addition to the above, the Company procured syndicated loan which amounts to 20,500 million yen.  
2. Figures rounded down to nearest million yen.

## 2. Shares of the Company (As of March 31, 2018)

- (1) Total number of authorized shares      300,000,000 shares
- (2) Total number of issued shares            116,254,892 shares  
(including 336,888 treasury shares)
- (3) Number of shareholders                    91,931
- (4) Major shareholders (Top 10)

Name	Number of shares held	Percentage of shares held
Ichigo Trust Pte. Ltd.	10,978,600	9.47%
Japan Trustee Services Bank, Ltd. (Trust Account)	9,017,200	7.78%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,386,100	5.51%
Chase Manhattan Bank Gts Clients Account Escrow	4,616,801	3.98%
Mizuho Bank Ltd.	4,341,855	3.75%
Nippon Paper Industries Co., Ltd. Employee Share Ownership	3,060,729	2.64%
Nippon Life Insurance Company	2,473,165	2.13%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,367,500	2.04%
Mitsui Life Insurance Company Limited	2,258,900	1.95%
Sumitomo Mitsui Banking Corporation	1,993,846	1.72%

(Note) Percentage of shares held is calculated excluding the 336,888 treasury shares.



### 3. Officers and Directors of the Company

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2018)

Title in the Company	Name	Areas of responsibility, important offices concurrently held in other companies or organizations
Chairman, Representative Director	Yoshio Haga	
President, Representative Director	Fumio Manoshiro	President Corporate Officer Chairman of Japan Paper Association
Executive Vice President, Representative Director	Kazufumi Yamasaki	Executive Vice President Corporate Officer, Aide to the President, General Manager of Research & Development Div. and CSR Div. Director of Nippon Paper Papyrus Co., Ltd.
Director	Akihiro Utsumi	Managing Corporate Officer, General Manager of Personnel & General Affairs Div.
Director	Toru Nozawa	Managing Corporate Officer, General Manager of Corporate Planning Div., in charge of Affiliates & Subsidiaries, Director of Nippon Paper Creca Co., Ltd, Outside Director of LINTEC Corporation
Director	Hirofumi Fujimori	Corporate Officer, General Manager of Financial Div.
Director	Shoji Ueda	Corporate Officer, General Manager of Technical & Engineering Div. and Energy Business Div.
Outside Director	Yoshimitsu Aoyama	Head Director of the Public Interest Incorporated Foundation of Dispute Resolution Center for Automotive Product Liability and Representative Director of the Japan International Dispute Resolution Center
Outside Director	Makoto Fujioka	Senior Director of Japan Association for Chemical Innovation, Outside Director of NOK CORPORATION, Outside Director of Eagle Industry Co., Ltd.
Audit & Supervisory Board Member (full-time)	Hiroshi Matsuo	Statutory Auditor of Nippon Paper Creca Co., Ltd.
Audit & Supervisory Board Member (full-time)	Mitsuo Nagoshi	Statutory Auditor of NP Trading Co., Ltd.
Outside Audit & Supervisory Board Member	Seiichi Fusamura	Attorney at Law, Chairman of the Public Security Examination Commission, Chairman of Tokyo Metropolitan Government Labor Relations Commission
Outside Audit & Supervisory Board Member	Yoko Hatta	Auditor of International Christian University, Outside Corporate Auditor of IHI Corporation, Outside Audit & Supervisory Board Member of Kobayashi Pharmaceutical Co., Ltd.

- (Notes) 1. Mr. Shoji Ueda was newly elected as Director at the 93rd Ordinary General Meeting of Shareholders held on June 29, 2017, and took the office.  
2. Mr. Shuhei Marukawa retired from Director as of the conclusion of the 93rd Ordinary General Meeting of Shareholders held on June 29, 2017.

3. Changes of post, responsibilities and important concurrently holding offices of the Officers made during the current fiscal year are as follows:

Name	New post, responsibility, etc.	Former post, responsibility, etc.	Date of Change
Kazufumi Yamasaki	Executive Vice President, Representative Director, Executive Vice President Corporate Officer, Aide to the President, General Manager of Research & Development Div. and CSR Div.	Director, Managing Corporate Officer, General Manager of Research & Development Div., and in charge of Technical & Engineering Div. and Energy Business Div.	June 29, 2017
Akihiro Utsumi	Managing Corporate Officer, General Manager of Personnel & General Affairs Div.	Corporate Officer, General Manager of Personnel & General Affairs Div.	June 29, 2017
Toru Nozawa	Managing Corporate Officer, General Manager of Corporate Planning Div., in charge of Affiliates & Subsidiaries	Corporate Officer, General Manager of Corporate Planning Div., in charge of Affiliates & Subsidiaries	June 29, 2017
Yoshimitsu Aoyama	(Retired)	Head Director of the Public Interest Incorporated Foundations of Shinano Tsuzoku Daigaku-Kai	June 13, 2017
	Representative Director of the Japan International Dispute Resolution Center	(Newly appointed)	February 16, 2018

4. Changes of post, responsibilities and important concurrently holding offices of the Officers made after April 1, 2018 are as follows:

Fumio Manoshiro	(Retired)	Chairman of Japan Paper Association	May 21, 2018
-----------------	-----------	-------------------------------------	--------------

5. Mr. Yoshimitsu Aoyama and Mr. Makoto Fujioka are Outside Directors set forth in Article 2, Item 15 of the Companies Act.
6. Mr. Seiichi Fusamura and Ms. Yoko Hatta are Outside Audit & Supervisory Board Members as set forth in Article 2, Item 16 of the Companies Act.
7. Audit & Supervisory Board Member (full-time), Mr. Hiroshi Matsuo has work experience in accounting departments for many years and has considerable expertise in finance and accounting.
8. Audit & Supervisory Board Member (full-time), Mr. Mitsuo Nagoshi has held the position in overseas business management departments for many years, and has experience of managing overall operations, including accounting and financing aspects of overseas subsidiaries. He has considerable expertise in finance and accounting.
9. Outside Audit & Supervisory Board Member, Ms. Yoko Hatta has work experience in international accounting firms, etc. for many years, and has considerable expertise in finance and accounting.
10. The Company has filed Outside Director Mr. Yoshimitsu Aoyama, Outside Director Mr. Makoto Fujioka, Outside Audit & Supervisory Board Member Mr. Seiichi Fusamura and Outside Audit & Supervisory Board Member Ms. Yoko Hatta as Independent Officers of the Tokyo Stock Exchange in accordance with the provisions thereof.

[For reference: Corporate Officers (as of March 31, 2018)]

Title in the Company	Name	Responsibilities
President Corporate Officer	Fumio Manoshiro	
Executive Vice President Corporate Officer	Kazufumi Yamasaki	Aide to the President, General Manager of Research & Development Div. and CSR Div.
Managing Corporate Officer	Toru Otowa	Manager of Ishinomaki Mill and Manager of Iwanuma Mill
Managing Corporate Officer	Takahiro Maeda	General Manager of Newsprint Sales Div.
Managing Corporate Officer	Akihiro Utsumi	General Manager of Personnel & General Affairs Div.
Managing Corporate Officer	Toru Nozawa	General Manager of Corporate Planning Div., in charge of Affiliates & Subsidiaries
Managing Corporate Officer	Kazumori Fukushima	General Manager of Business Communication & Industrial Paper Sales Div.
Corporate Officer	Yozo Igarashi	General Manager of Chemical Sales Div.
Corporate Officer	Satoru Muto	President of Nippon Tokai Industrial Paper Supply Co., Ltd.
Corporate Officer	Hirofumi Fujimori	General Manager of Financial Div.
Corporate Officer	Takeo Konno	General Manager of Sales Management & Planning Div.
Corporate Officer	Kunihiko Kashima	President of Paper Australian Pty Ltd.
Corporate Officer	Akihiko Yoshida	General Manager of Iwakuni Mill and Otake Mill
Corporate Officer	Tetsuya Yamamoto	General Manager of Kanto Mill
Corporate Officer	Shoji Ueda	General Manager of Technical & Engineering Div. and Energy Business Div.
Corporate Officer	Atsushi O'haru	General Manager of Printing Paper Sales Div.
Corporate Officer	Yasuhito Obayashi	General Manager of Paper-Pak Sales Div.
Corporate Officer	Shigeru Inoue	General Manager of Raw Materials & Purchasing Div.
Corporate Officer	Atsumi Yasunaga	General Manager of Kushiro Mill
Corporate Officer	Masanobu Izuka	General Manager of Hokkaido Mill

(2) Total amount of remuneration, etc., for Directors and Audit & Supervisory Board Members for the current fiscal year

	Number of Persons	Total amount of remuneration, etc. (million yen)
Directors	10	360
Audit & Supervisory Board Members	4	56

- Notes:
1. Figures rounded down to the nearest million yen.
  2. The numbers above include one (1) Director who retired during the relevant business year.
  3. A resolution for maximum total remuneration for Directors to be 800 million yen per fiscal year was adopted at the Extraordinary General Meeting of Shareholders held on February 22, 2013.
  4. A resolution for maximum total remuneration for Audit & Supervisory Board Members to be 120 million yen per fiscal year was adopted at the 83rd Ordinary General Meeting of Shareholders held on June 22, 2007.

(3) Policies on Determination of Remuneration, etc., for Directors and Audit & Supervisory Board Members

1) Remuneration system

- (a) In regard to remuneration for Directors, to provide an incentive to strive to improve shareholder value through management with conscious efforts for the medium- to long-term enhancement of corporate value, the Company has formulated a guideline for the purchase and holding of the Company's own shares. Based on this guideline, part of each Director's monthly remuneration shall be contributed to the Nippon Paper Officers Share Ownership to purchase shares of the Company. The purchased shares shall continue to be held by each Director during his/her term of office.
- (b) In regard to monthly remuneration for Directors, the base amounts shall be determined according to their respective responsibilities in the Company. 70% of the base amount is to be paid as a fixed amount and 30% of it, in principle, is to be varied depending on the business results of the preceding fiscal year. There are no bonuses or retirement benefits.
- (c) In regard to Outside Directors and Audit & Supervisory Board Members, monthly remuneration is paid to them at fixed amounts. In light of the type of their responsibilities, contribution to the Nippon Paper Officers Share Ownership shall be voluntary.

2) Procedure to determine remuneration

- (a) To further strengthen corporate governance, the Company shall establish the Personnel & Remuneration Advisory Committee as an advisory body for the Board of Directors. The majority of this Committee shall consist of Independent Outside Directors.

- (b) The Personnel & Remuneration Advisory Committee, being consulted by the Board of Directors regarding the system for remuneration for Directors and Audit & Supervisory Board Members of the Company and other related matters, shall deliberate the appropriateness of such a system, etc., and provide advice based on the evaluation of business performance and other factors of the Company.
- (c) The Personnel & Remuneration Advisory Committee shall consist of the President and Representative Director, the General Manager of the Personnel & General Affairs Division and the Independent Outside Directors, and its secretariat shall be the General Manager of the Personnel Department.
- (d) The Personnel & Remuneration Advisory Committee shall deliberate, with the appropriate involvement of the Independent Outside Directors who are the members of the Committee, receiving their advice.
- (e) The Board of Directors shall determine the remuneration, etc. for Directors, receiving the opinions of the Personnel & Remuneration Advisory Committee.

#### (4) Matters Regarding Outside Officers

- ① Concurrently served executive posts, etc. in other entities, etc., and relationship between the Company and such entities, etc.

Title in the Company	Name	Concurrent Position	Relationship between the Company and Such Other Entities
Outside Director	Yoshimitsu Aoyama	Head Director of the Public Interest Incorporated Foundation of Dispute Resolution Center for Automotive Product Liability	No special relationship
		Representative Director of the Japan International Dispute Resolution Center	No special relationship
Outside Director	Makoto Fujioka	Senior Director of Japan Association for Chemical Innovation	Although the Company pays membership fees to said association, the amount of the fees is negligible (less than one million yen per year).
		Outside Director of NOK CORPORATION	No special relationship
		Outside Director of Eagle Industry Co., Ltd.	Although the Company has purchase transactions related to equipment with Eagle Industry Co., Ltd., the amount of transactions is negligible (The amount of the Company's purchases from Eagle Industry Co., Ltd. is less than 1% of the net sales of Eagle Industry Co., Ltd.).
Outside Audit & Supervisory Board Member	Seiichi Fusamura	Chairman of the Public Security Examination Commission	No special relationship
		Chairman of Tokyo Metropolitan Government Labor Relations Commission	No special relationship
Outside Audit & Supervisory Board Member	Yoko Hatta	Auditor of International Christian University	No special relationship
		Outside Corporate Auditor of IHI Corporation	Although the Company has purchase transactions related to equipment with IHI Corporation, the amount of transactions is negligible (The amount of the Company's purchases from IHI Corporation is less than 1% of the net sales of IHI Corporation.).
		Outside Audit & Supervisory Board Member of Kobayashi Pharmaceutical Co., Ltd.	No special relationship

② Major activities in the current fiscal year

Title in the Company	Name	Board of Directors Meeting Attendance	Board of Auditors Meeting Attendance	Main Activities
Outside Director	Yoshimitsu Aoyama	13 of 13 (100%)	—	He asked suitable questions both on resolutions and on reports from the perspective of an expert, mainly as a legal expert, as well as voiced his opinion from an independent perspective, as necessary.
Outside Director	Makoto Fujioka	13 of 13 (100%)	—	He asked suitable questions both on resolutions and on reports based on his extensive experience in governments and the private sector, as well as voiced his opinion from an independent perspective, as necessary.
Outside Audit & Supervisory Board Member	Seiichi Fusamura	13 of 13 (100%)	14 of 14 (100%)	He asked suitable questions both on resolutions and on reports from the perspective of an expert, mainly as an attorney at law, as well as voiced his opinion from an independent perspective, as necessary. Further, he made reports regarding his audit conducted as an Outside Audit & Supervisory Board Member, discussed material matters about the audit, as well as asked suitable questions regarding other Audit & Supervisory Board Members' audits and as necessary, voiced his opinions from an independent perspective.
Outside Audit & Supervisory Board Member	Yoko Hatta	13 of 13 (100%)	14 of 14 (100%)	She asked suitable questions both on resolutions and on reports based on her extensive experience in international accounting firms, etc., as well as voiced her opinion from an independent perspective, as necessary. Further, she made reports regarding her audit conducted as an Outside Audit & Supervisory Board Member, discussed material matters about the audit, as well as asked suitable questions regarding other Audit & Supervisory Board Members' audits and as necessary, voiced her opinions from an independent perspective.

③ Outline of the Contract for Limitation of Liabilities

Pursuant to Article 427, Paragraph 1, of the Companies Act, the Company entered into a Contract for Limitation of Liabilities with Outside Director Mr. Yoshimitsu Aoyama, Outside Director Mr. Makoto Fujioka, Outside Audit & Supervisory Board Member Mr. Seiichi Fusamura and Outside Audit & Supervisory Board Member Ms. Yoko Hatta, which limits the amount of their liability for damages under Article 423,

Paragraph 1 of the Companies Act to the amount provided in laws and ordinances.

④ Total amount of remuneration

	Number	Total Amount of Remuneration, etc.
Outside Officer	4	37 million yen

(Note) Figures rounded down to nearest million yen.



#### 4. Status of Accounting Auditor

(1) Name of Accounting Auditor Ernst & Young ShinNihon LLC

(2) Amount of remuneration, etc. for the Accounting Auditor during the relevant fiscal year

	Amount
① Amount of remuneration, etc. to be paid to Accounting Auditor by the Company	180 million yen
② Total amount of cash and other financial benefits to be paid to accounting auditor by the company and subsidiaries of the Company	276 million yen

(Notes) 1. Figures rounded down to nearest million yen.

2. The Audit & Supervisory Board gave consent on the amount of remuneration, etc. to be paid to the Accounting Auditor as a result of the careful screening of details of the audit plan for the current fiscal year such as the number of hours required for the audit and the staff allocation, checking and evaluation of the audit performance for the preceding fiscal year, appropriateness of the Accounting Auditor's auditing operation concerning the business operation of the Company and the grounds for calculation of the estimates that become the basis of the amount of remuneration, etc.
3. Since the amounts of remuneration, etc. for audits under the Companies Act and that for audits under the Financial Instruments and Exchange Act are not explicitly distinguished in the audit contract between the Company and Accounting Auditor and cannot be practically distinguished, the amount in ① above includes remuneration, etc. for audits under the Financial Instruments and Exchange Act.
4. Among the Company's primary subsidiaries, Paper Australian Pty Ltd. and Nippon Dynawave Packaging Company LLC have undergone a statutory audit by Ernst & Young, which belongs to the same network as the Company's Accounting Auditor.

(3) Policy for determining Accounting Auditor dismissal or non-reappointment

- ① If the Accounting Auditor falls under any of the items under Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board will dismiss the Accounting Auditor by the unanimous consent of all Audit & Supervisory Board Members pursuant to the provision of the same Article.
- ② The Audit & Supervisory Board shall determine the contents of any proposal regarding dismissal or non-reappointment to be submitted to the General Meeting of Shareholders with due consideration for the independence and the qualifications of the accounting auditor provided in the related laws and regulations or standards, etc. (Business Accounting Council "Quality Control Standards for Audit" Oct. 28, 2005, etc.).

## **5. System to ensure the appropriateness of business operation and the status of operation of such system**

### **(1) System to ensure the appropriateness of business operation**

The Company formulated the Basic Policies to Establish the Internal Control Systems by a resolution adopted at the Board of Directors meeting held on May 25, 2006, and has made necessary amendments as needed. The details of the Basic Policies are as follows:

#### **1) “System to ensure execution of duties by Directors in conformity with laws and ordinances or the Articles of Incorporation”**

- ① For appropriate and sound execution of the Company’s business, the Board of Directors establishes an effective internal control system and establishes an organizational structure that complies with laws and ordinances or the Articles of Incorporation.
- ② The Audit & Supervisory Board audits the effectiveness and function of the internal control systems.

#### **2) “System to ensure the propriety of business operation of the Company and its subsidiaries”**

- ① System for preservation and management of information related to execution of duties by Directors

The statutory documents and any other documents related to execution of duties by Directors shall be appropriately preserved and managed in accordance with the rules for documents management, etc.

- ② Rules and other systems related to the management of risks of loss of the Company and its subsidiaries

For risks related to execution of the business of the Company and its group companies, depending on the type of individual risk, the department in charge of such risk will endeavor to prevent risk by means such as implementing education and training under manuals, in addition to establishing necessary rules and guidelines. If any problem occurs, the parent company will, together with its subsidiaries, prevent enlargement of damage to the Company Group, and lay out a framework necessary to minimize such damage.

- ③ System to ensure efficient execution of duties by Directors of the Company and its subsidiaries

- (a) Establish a system with which each body and organizations including the Board of Directors functions effectively and exercises its duties properly and efficiently in accordance with the rules for decision-making such as the rules of the Board of Directors, rules of approval, and rules for segregation of duties.
  - (b) Introduce the Corporate Officer System and separate the function of overall management supervision and decision making by the Board of Directors from the function of execution of each individual department's business by the Corporate Officers, to clarify where the responsibility and authority lay.
  - (c) Each business sector and each group company will not only establish a three (3) year medium-term business plan and clarify its issues and goals, but also manage its performance thoroughly under such plan during each fiscal year.
  - (d) To pursue the development of the entire Company Group, the Company shall hold meetings of the Management Strategy Committee as needed to deliberate on important matters related to the Company Group such as management strategies for each business field.
- ④ System to ensure execution of duties by employees of the Company and its subsidiaries in conformity with laws and ordinances or the Articles of Incorporation
- (a) Establish the "Nippon Paper Group Action Charter" and "Nippon Paper Codes of Conduct," and familiarize all employees with compliance thereto.
  - (b) The Management Audit Office implements internal audits of the Company and its group companies pursuant to the Internal Audit Rules, etc.
  - (c) Establish "Nippon Paper Group Help Line" as an internal report system within the Company Group and operate this system strictly.
- ⑤ Systems related to the reporting of the matters concerning execution of duties by Directors, etc., of the Company's subsidiaries to the Company
- (a) In order to ensure appropriate operation of business within the Group, the Company shall establish a fundamental policy for the Group companies' business management and operation rules for affiliated companies, and appropriately manage business operations in the Group according to such systems as application for approval, advance and ex post facto report to the Company, etc.

- (b) The Audit & Supervisory Board Members ensure appropriate operation of business within the Group through presiding over the “Nippon Paper Group Audit & Supervisory Board Member Liaison Committee,” which consists of the Audit & Supervisory Board Members of the primary group companies of the Company, and the Audit & Supervisory Board of the Company, and have periodic discussions about audit policy and audit method, etc., and enhance mutual collaboration by exchanging information, etc.
  - (c) The Company shall hold Presidents’ Meetings of associated companies to receive reports on the current situation and issues of the primary group companies of the Company.
- ⑥ System related to employees who assist in execution of duties by the Audit & Supervisory Board Members, matters related to the independence of such employees from the Directors and matters related to ensuring the effectiveness of the instructions given to such employees
- (a) Assign some employees of the Company as the assistants of the Audit & Supervisory Board Members who assist the Audit & Supervisory Board Members in executing their duties. For such assignment, prior consent by the Audit & Supervisory Board Members is required.
  - (b) The Company’s employees who assist the Audit & Supervisory Board Members in executing their duties shall follow the instructions from the Audit & Supervisory Board Members and prioritize performing the duties related to their instructions.
- ⑦ System for Directors and employees to report to the Audit & Supervisory Board Members; other system related to the report to the Audit & Supervisory Board Members; and system to ensure effective audit by the Audit & Supervisory Board Members
- (a) Directors, Corporate Officers and employees will report to the Audit & Supervisory Board without delay when he/she becomes aware of any material breach of laws and ordinances or the Articles of Incorporation, concerning the execution of duties, any fact of wrongdoing or any possibility of material damage to the Company. And the Audit & Supervisory Board Members may, at any time, request that the Directors, Corporate Officers and employees make a report to them.
  - (b) Further, in order to appropriately convey the Company’s information to the Audit & Supervisory Board Members, without limiting to the reports from the Directors, Corporate Officers and employees, the

Company shall facilitate an environment to allow the Audit & Supervisory Board Members to exchange information closely with the Accounting Auditor and legal advisors, etc.

- (c) Representative Directors endeavor to communicate closely with the Audit & Supervisory Board Members through such means as holding meetings as often as possible with Audit & Supervisory Board Members, etc. Moreover, Representative Directors ensure, upon request by the Audit & Supervisory Board Members, attendance of the Audit & Supervisory Board Members at any material meetings.
  - (d) At meetings of the Nippon Paper Group Audit & Supervisory Board Member Liaison Committee, the Audit & Supervisory Board Members of the Company shall receive explanation from the Audit & Supervisory Board Members of the group companies on the content of reports received from the officers and employees of such group companies.
  - (e) The department in charge of the Company's Nippon Paper Group Help Line shall report regularly to the Company's Audit & Supervisory Board Members on the status of internal reporting from the officers and employees of the Company Group.
  - (f) The Company shall provide rules for operation of the Nippon Paper Group Help Line, in which it is to be clearly stipulated that users of the internal reporting system should not suffer disadvantageous treatment and that an internal disciplinary measure might be imposed on those who give disadvantageous treatment to such users.
  - (g) Based on the audit plans formulated by the Audit & Supervisory Board Members, the Company shall provide an annual budget for paying expenses and costs that are incurred by the execution of duties by the Audit & Supervisory Board Members.
  - (h) When the Audit & Supervisory Board Members request the Company to make an advance payment of expenses based on Article 388 of the Companies Act that are necessary to execute their duties, the Company shall process such expenses or debts promptly.
- ⑧ System to ensure the reliability of financial reports of the Company and its subsidiaries

In order to ensure the reliability of financial reports, the Company shall improve an internal control system for financial reporting and operate such system properly in accordance with rules of internal control for

financial reports. Further, the Company shall evaluate the system's effectiveness on a continuing basis and take necessary measures to improve the system.

⑨ System of the Company and its subsidiaries toward elimination of anti-social forces

The Company and its subsidiaries shall never have any relationship with any anti-social force or organization. The Company and its subsidiaries shall take a resolute stand against unreasonable demand and respond to such incident in coordination with outside specialized agencies, as needed.

(2) Status of operation of the system to ensure the appropriateness of operation  
The outline of the operation of the system to ensure the appropriateness of operation of the Company during the current fiscal year was as follows.

① Risk management system

- (a) The Company established the Environmental Committee, the Safety and Disaster Prevention Committee and the Product Safety Committee to promote risk management activity across the entire Company Group. Each Committee was held twice during the current fiscal year to confirm efforts of each group company.
- (b) Common measures for environment, safety and disaster, and product safety include various type of audits. The Company implements internal audits at each mill, document inspection and on-site audits by the section responsible in the head office and mutual audits among group companies and share the summary and results of audits within the Group through each committee organization.

② Compliance system

- (a) The Company operates the Nippon Paper Group Help Line as its internal reporting system. The Compliance Office of the CSR Department, which is in charge of this system, has responded to all the items reported and consulted via this system and addressed each issue appropriately in alliance with related departments, specialized external companies and attorneys. The status of such internal reporting was reported quarterly from the Compliance Office of the CSR Department to the Audit & Supervisory Board Members.
- (b) Regarding bribery and competition laws, to prevent violation of laws and regulations in the entire Company Group, the Company's Board of Directors made a resolution and announcement about basic policies on

prevention of the bribery and compliance with competition laws. To distribute the details of basic policies across the entire Company Group, training was provided through e-learning and educational articles were posted on the Group's bulletin.

- (c) With prevention of bribery and compliance with competition laws as topics, a seminar for officers was held where a corporate attorney delivered a lecture. The participants were Directors and Audit & Supervisory Board Members as well as Corporate Officers and presidents of the main subsidiaries.
- ③ Audit & Supervisory Board Members' audit and internal audit
- (a) The Audit & Supervisory Board Members held six meetings of the Nippon Paper Group Audit & Supervisory Board Member Liaison Committee, at which they received reports on audit activities at each group company.
  - (b) The Management Audit Office performed internal audits of the Company and the group companies and made reports on the results to President and Representative Director and full-time Audit & Supervisory Board Members four times and Outside Directors and Outside Audit & Supervisory Board Members twice. The Management Audit Office also performed evaluation on validity of internal audits regarding financial reporting of the Company and the group companies. President and Representative Director reported summaries of these result to the Board of Directors.
- ④ The Group companies' business management
- (a) The Presidents' Meeting of associated companies was held among the Company and its 21 primary group companies, where each group company reported the status of progress of the Medium-Term Business Plan and issues to be addressed regarding preparation of the next Medium-Term Business Plan.
- ⑤ System of execution of duties
- (a) The Board of Directors held thirteen regular meetings. Material matters are deliberated in advance at the Management Strategy Committee and Management Execution Committee and submitted to the Board of Directors.

- (b) With regard to the effectiveness of the Board of Directors, self-evaluation was performed by each Director and Audit & Supervisory Board Member in the form of a questionnaire and deliberated at the Board of Directors meeting. The Board of Directors evaluated that their current state was almost appropriate and confirmed that it will further work to improve the way of showing materials and reporting.



**Consolidated Financial Statements**  
**Consolidated Balance Sheet**

(As of March 31, 2018)

(Unit: million yen)

Category	Amount	Category	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>[496,630]</b>	<b>Current liabilities</b>	<b>[529,717]</b>
Cash and Deposit	59,003	Notes payable and accounts payable-trade	142,275
Notes receivable and accounts receivable-trade	220,766	Short-term loan payable	288,063
Merchandise and finished goods	82,180	Corporate income taxes payable, etc.	1,968
Work in process	17,176	Other current liabilities	97,409
Raw materials and Supplies	66,541	<b>Fixed liabilities</b>	<b>[459,921]</b>
Deferred tax assets	6,150	Bonds payable	60,000
Other current assets	45,323	Long-term loan payable	343,334
Allowance for doubtful accounts	(511)	Deferred tax liabilities	32,710
<b>Fixed assets</b>	<b>[936,406]</b>	Provision for environmental measure	314
<b>(Tangible fixed assets)</b>	<b>[717,927]</b>	Retirement benefits liabilities	12,925
Buildings and Structures	138,264	Other fixed liabilities	10,635
Machinery, Equipment and Vehicles	312,390	<b>Total liabilities</b>	<b>989,638</b>
Land	218,318	<b>Net assets</b>	
Forested land and forestation	27,508	<b>Shareholders' equity</b>	<b>[393,386]</b>
Construction in progress	15,721	<b>Capital</b>	<b>104,873</b>
Other tangible fixed assets	5,724	<b>Capital Surplus</b>	<b>216,420</b>
<b>(Intangible assets)</b>	<b>[13,868]</b>	<b>Retained earnings</b>	<b>73,506</b>
Intangible assets	<b>13,868</b>	<b>Treasury Stocks</b>	<b>(1,414)</b>
<b>(Investment and other assets)</b>	<b>[204,610]</b>	<b>Accumulated other comprehensive income</b>	<b>[43,638]</b>
Investment securities	178,550	<b>Valuation difference on other securities</b>	<b>23,243</b>
Retirement benefits assets	6,048	<b>Deferred gain or loss on hedges</b>	<b>(1,566)</b>
Deferred tax assets	2,502	<b>Currency translation adjustment account</b>	<b>23,338</b>
Other investment and other assets	18,034	<b>Accumulated adjustment of retirement benefits</b>	<b>(1,376)</b>
Allowance for doubtful accounts	(524)	<b>Non-controlling interests</b>	<b>[6,373]</b>
		<b>Total net assets</b>	<b>443,398</b>
<b>Total assets</b>	<b>1,433,036</b>	<b>Total liabilities /net assets</b>	<b>1,433,036</b>

## Consolidated Statement of Profit and Loss

(From April 1, 2017 through March 31, 2018)

(Unit: million yen)

Category	Amount	
<b>Net sales</b>		<b>1,046,499</b>
<b>Cost of sales</b>		<b>846,109</b>
<b>Gross income</b>		200,390
Expenses for sales and general administration		182,776
<b>Operating income</b>		<b>17,613</b>
<b>Non-operating income</b>		
Interest Income	528	
Dividend Income	2,055	
Equity in earnings of affiliates	5,731	
Revenue from sales of trial operation electricity	2,709	
Miscellaneous income	4,246	15,271
<b>Non-operating expenses</b>		
Interest expenses	7,826	
Trial operation expenses	2,448	
Miscellaneous expenses	3,959	14,235
<b>Ordinary income</b>		<b>18,649</b>
<b>Extraordinary income</b>		
Gain on contribution of securities to retirement benefit trust	6,923	
Gain on sales of fixed assets	2,637	
Gain on sales of investment securities	2,414	
Others	80	12,055
<b>Extraordinary losses</b>		
Impairment losses	4,797	
Loss on retirement of fixed assets	2,433	
Loss on valuation of investment securities	1,731	
Others	3,411	12,373
<b>Net income before tax and other adjustment for the current term</b>		<b>18,332</b>
Corporate income tax, inhabitant tax and business tax	1,106	
Adjustment for corporate income tax, etc.	10,430	11,536
<b>Net income for the current term</b>		<b>6,795</b>
Net loss attributable to non-controlling interests		1,051
<b>Net income attributable to owners of the parent</b>		<b>7,847</b>

## TRANSLATION

**Financial Statements****Balance Sheet**

(As of March 31, 2018)

(Unit: million yen)

<b>Category</b>	<b>Amount</b>	<b>Category</b>	<b>Amount</b>
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>[356,086]</b>	<b>Current liabilities</b>	<b>[373,384]</b>
Cash and Deposit	41,671	Notes payable	12,865
Notes receivable	854	Accounts payable-trade	57,987
Accounts receivable-trade	125,642	Short-term loan payable	234,535
Merchandise and finished goods	44,583	Account payable	50,277
Work in process	11,783	Accrued expenses	6,804
Raw materials and Supplies	46,683	Corporate income taxes payable, etc.	1,069
Short-term loan receivable	68,498	Other current liabilities	9,845
Other accounts receivable	10,395	<b>Fixed liabilities</b>	<b>[411,007]</b>
Deferred tax assets	1,336	Bonds payable	60,000
Other current assets	14,298	Long-term loan payable	321,328
Allowance for doubtful accounts	(9,659)	Provision for environmental measure	167
<b>Fixed assets</b>	<b>[783,806]</b>	Deferred tax liabilities for revaluation	25,245
<b>(Tangible fixed assets)</b>	<b>[496,422]</b>	Other fixed liabilities	4,265
Buildings	78,745		
Structures	20,248	<b>Total liabilities</b>	<b>784,392</b>
Machinery and Equipment	190,590		
Vehicles	28	<b>Net assets</b>	
Tools, furniture and fixture	3,468	<b>Shareholders' equity</b>	<b>[315,090]</b>
Land	172,206	<b>Capital</b>	<b>104,873</b>
Forested land & forestation	18,608	<b>Capital surplus</b>	<b>130,229</b>
Lease assets	939	Legal capital surplus	83,552
Construction in progress	11,586	Other capital surplus	46,677
<b>(Intangible assets)</b>	<b>[4,681]</b>	<b>Retained earnings</b>	<b>81,089</b>
Software	3,102	Legal retained earnings	432
Other intangible assets	1,579	Other retained earnings	80,657
<b>(Investment and other assets)</b>	<b>[282,702]</b>	Reserve for prevention of specific disasters	118
Investment securities	54,529	Reserve for reduction entry of fixed assets	3,631
Shares in and investment in capital of affiliates	217,255	Retained earnings carried forward	76,906
Long-term loan receivable	137	<b>Treasury Stocks</b>	<b>(1,101)</b>
Long-term prepaid expenses	882	<b>Valuation and translation adjustments, etc.</b>	<b>[40,410]</b>
Prepaid pension cost	4,877	<b>Valuation difference on other securities</b>	<b>19,413</b>
Deferred tax assets	449	<b>Deferred gain or loss on hedges</b>	<b>(1,061)</b>
Other investment and other assets	4,899	<b>Revaluation difference on land</b>	<b>22,057</b>
Allowance for doubtful accounts	(327)	<b>Total net assets</b>	<b>355,501</b>
<b>Total assets</b>	<b>1,139,893</b>	<b>Total liabilities/net assets</b>	<b>1,139,893</b>

TRANSLATION

**Statement of Profit and Loss**

(From April 1, 2017 through March 31, 2018)

(Unit: million yen)

Category	Amount	
<b>Net sales</b>		<b>611,735</b>
<b>Cost of sales</b>		<b>496,828</b>
<b>Gross income</b>		114,906
Expenses for sales and general administration		110,682
<b>Operating income</b>		<b>4,223</b>
<b>Non-operating income</b>		
Interest and dividend Income	31,364	
Miscellaneous income	4,268	35,632
<b>Non-operating expenses</b>		
Interest expenses	6,360	
Miscellaneous expenses	2,709	9,070
<b>Ordinary income</b>		<b>30,786</b>
<b>Extraordinary income</b>		
Gain on contribution of securities to retirement benefit trust	6,923	
Gain on sales of investment securities	2,402	
Gain on sales of fixed assets	1,174	
Others	33	10,533
<b>Extraordinary losses</b>		
Loss on valuation of shares in affiliates	4,853	
Provision for allowance for doubtful accounts	2,693	
Impairment losses	2,221	
Loss on retirement of fixed assets	2,067	
Others	1,012	12,848
<b>Pre-tax net income for the current term</b>		<b>28,471</b>
Corporate income tax, inhabitant tax and business tax	(1,826)	
Adjustment for corporate income tax, etc.	11,233	9,407
<b>Net income for the current term</b>		<b>19,063</b>

## TRANSLATION

### **Audit Report**

Independent Auditor's Report on the Consolidated Financial Statements: True Copy

#### Independent Auditor's Report

May 18, 2018

To: The Board of Directors  
Nippon Paper Industries Co., Ltd.

Ernst & Young ShinNihon LLC  
Designated Limited Liability Partner  
Executive Member CPA Kazuomi Nakamura (Seal)  
Designated Limited Liability Partner  
Executive Member CPA Minoru Io (Seal)  
Designated Limited Liability Partner  
Executive Member CPA Tadashi Watanabe (Seal)

Pursuant to the provisions in the Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of profit and loss, the consolidated statement of changes in shareholders' equity, and the notes to the consolidated financial statement for the consolidated fiscal year from April 1, 2017 through March 31, 2018 of Nippon Paper Industries Co., Ltd.

#### Responsibilities of the Management for the Consolidated Financial Statements

Responsibilities of the management are to prepare and properly present the consolidated financial statements in compliance with the corporate accounting standards generally accepted as fair and appropriate in Japan. It includes to set up and to operate the internal control system which the management deemed necessary for preparation and proper presentation of the consolidated financial statements without material misrepresentation caused by fraud or error.

#### Responsibilities of the Auditors

Our responsibilities as an accounting firm are to express our opinion from an independent standpoint on the consolidated financial statements based on the audit we conducted. We conducted our audit in accordance with the auditing standards generally accepted as fair and appropriate in Japan. The auditing standards require us to draw up an audit plan and to conduct audit based on such plan in order to obtain a reasonable assurance as to whether the consolidated financial statements are free of any material misrepresentation.

The audit involves taking procedures to obtain audit evidences about the amounts and disclosure of the consolidated financial statements. The audit procedures are selected and applied, at our own discretion, based on our evaluation on risks for material misrepresentation in the consolidated financial statements caused by fraud or error. The purpose of audit is not to express opinion on the effectiveness of internal control system; however, in order to draw up appropriate audit procedures corresponding to the situation, we review the internal control system relating to the preparation of and proper presentation of the consolidated financial statements at the time of risk assessment. Further, the audit also involves reviewing the overall presentation of the consolidated financial statements including evaluation of the accounting policy adopted by the management and the method of its application, as well as the estimates made by the management.

We believe that we have obtained sufficient and adequate audit evidence for a basis for expressing our opinion.

#### Audit Opinion

We find that the above consolidated financial statements are in compliance with the corporate accounting standards generally accepted as fair and appropriate in Japan, and present properly, in all material aspects, the status of the assets and profit/loss of the corporate group consisting of Nippon Paper Industries Co., Ltd. and its consolidated subsidiaries for the period relevant to the consolidated financial statement.

#### Conflict of Interest

There is no vested interest required to be stated under the provisions of the Certified Public Accountant Act between the Company and our auditing firm or its executive members.

[END]

## TRANSLATION

Accounting Auditor's Report; True Copy

### Independent Auditor's Report

May 18, 2018

To: The Board of Directors  
Nippon Paper Industries Co., Ltd.

Ernst & Young ShinNihon LLC  
Designated Limited Liability Partner  
Executive Member CPA Kazuomi Nakamura (Seal)  
Designated Limited Liability Partner  
Executive Member CPA Minoru Io (Seal)  
Designated Limited Liability Partner  
Executive Member CPA Tadashi Watanabe (Seal)

Pursuant to the provisions in the Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, which consist of the balance sheet, the statement of profit and loss, the statement of changes in shareholders' equity and the notes to the non-consolidated financial statement and its supplementary schedule for the 94<sup>th</sup> fiscal term from April 1, 2017 through March 31, 2018 of Nippon Paper Industries Co., Ltd.

#### Responsibilities of the Management for the Financial Statements

Responsibilities of the management are to prepare and properly present the financial statements and its supplementary schedule in compliance with the corporate accounting standards generally accepted as fair and appropriate in Japan. It includes to set up and to operate the internal control system which the management deem necessary for preparation and proper presentation of the financial statements and its supplementary schedule without material misrepresentation caused by fraud or error.

#### Responsibilities of the Auditor

Our responsibilities as an accounting firm are to express our opinion from an independent standpoint on the financial statements and its supplementary schedule based on the audit we conducted. We have conducted our audit in accordance with the auditing standards generally accepted as fair and appropriate in Japan. The audit standards require us to draw up an audit plan and to conduct audit based on such plan in order to obtain a reasonable assurance about whether the financial statements and its supplementary schedule are free from any material misrepresentation.

The audit involves taking procedures to obtain audit evidences about the amount and disclosure of the financial statement and its supplementary schedule. The audit procedures are selected and applied, at our own discretion, based on our evaluation on risks for material misrepresentation in the financial statements and its supplementary schedule caused by fraud or error. The purpose of audit is not to express opinion on the effectiveness of internal control system; however, in order to draw up appropriate audit procedures corresponding to the situation, we review the internal control system relating to preparation of and proper presentation of the financial statements and its supplementary schedule at the time of risk assessment. Further, the audit also involves reviewing the overall presentation of the financial statements and its supplementary schedule including evaluation of the accounting policy adopted by the management and the method of its application, as well as the estimates made by the management.

We believe that we have obtained sufficient and adequate audit evidences to be the basis for forming our opinion.

#### Audit Opinion

We find that the above financial statements and its supplementary schedule are in compliance with the corporate accounting standards generally accepted as fair and appropriate in Japan, and present properly, in all material aspects of the status of the assets and profit/loss for the period relevant to the financial statement and its supplementary schedule.

#### Conflict of Interests

There are no vested interests required to be stated pursuant to the provisions of the Certified Public Accountant Act between the Company and our auditing firm or its executive member.

[End]

## TRANSLATION

### Audit Report of the Audit & Supervisory Board: True Copy

#### Audit Report

The Audit & Supervisory Board, upon deliberation based on the audit reports prepared by each of the Audit & Supervisory Board Members on execution of duties by the Directors during the 94<sup>th</sup> fiscal year, from April 1, 2017 through March 31, 2018, has prepared this Audit Report and presents as follows;

#### 1. Method and detail of audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board determined the audit policy and the task division, and in addition to receiving reports about the status of implementation of audit and result thereof from each Audit & Supervisory Board Member, received reports from Directors, etc. and from the Accounting Auditor on the status of execution of their duties, and, when necessary requested their explanations.
- (2) In compliance with the Audit & Supervisory Board Members' audit standards which the Audit & Supervisory Board established, and in accordance with the audit policy and task division, each Audit & Supervisory Board Members endeavored to gather information and to improve audit environment through communicating well with the Directors, the management monitoring office, and other employees, etc. and conducted audits by the following methods;
  - (i) Attended the Board of Directors' meetings and other important meetings to receive reports from the Directors and employees, etc. on the status of execution of their duties and requested their explanations as needed; reviewed important documents of decision making, etc.; and examined the status of performance and assets at the Company's head office and primary business offices. As to the subsidiaries, we communicated with and exchanged information with the Directors and Audit & Supervisory Board Members, etc., of the subsidiaries, and visited the subsidiaries, etc. and received reports on their businesses as needed.
  - (ii) Received reports regularly, requested their explanations as necessary and expressed our opinion about the status of formation and operation of the systems (the internal control system), including the system to ensure execution of duties by Directors in conformity with laws or ordinances and the Articles of Incorporation described in the Business Report and the system formed in accordance with the resolutions and the substance thereof by the Board of Directors regarding formulation of other system which is provided in the paragraph 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act as a necessary system to ensure appropriate business operation of a corporate group consisting of the stock company and its subsidiaries.
  - (iii) As to the basic policy on suitability of person who controls the decision making over the financial and business policies of the Company stipulated in the Ordinance for Enforcement of the Companies Act, and each of its approach as described in the Business Report, we conducted study of the contents in view of the status, etc. of deliberation by the Board of Directors and other bodies.
  - (iv) Monitored and verified whether the Accounting Auditor maintained its independent position and implemented appropriate audits, and received reports from the Accounting Auditor on the status of execution of their duties, and, when necessary, requested explanation from them. We also received the notice from the Accounting Auditor to the effect that the firm has established the "system to ensure appropriate execution of their duties" (as stipulated in each Item in the Article 131 of the Corporate Accounting Rule) in accordance with the "Quality Control Standards for Audit" (Business Accounting Council, October 28, 2005), etc., and, when necessary, requested their explanations.

Through the methods above, we examined the Business Report and its Supplementary Schedule, the financial statements (the balance sheet, the statement of profit and loss, the statement of changes in shareholders' equity, and the notes to the non-consolidated financial statements) and its supplementary schedule as well as the consolidated financial statement (the consolidated balance sheet, the consolidated statement of profit and loss, the consolidated statement of changes in shareholders' equity, etc., and the notes to the consolidated financial statement) for the current fiscal term.

#### 2. Conclusion of the audit

##### (1) Conclusion of audit of the Business Report, etc.

- (i) We find that the business report and its supplementary schedule fairly present the status of the Company in compliance with the laws or ordinances and the Articles of Incorporation.
- (ii) We find that there is no material fact of misconduct or serious violation of laws or ordinances or the Articles of Incorporation by any Directors in executing of their duties.
- (iii) We find that the substance of resolutions by the Board of Directors regarding the internal control system

## TRANSLATION

is appropriate. And we find that there is no item to be pointed out as to the entries in the Business Report regarding the relevant internal control system or as to execution of duties by the Directors including the internal control system relating to the financial report.

- (iv) We find that there is no item to be pointed out as to the entries in the business report regarding the basic policy on suitability of person(s) who controls the decision making over the financial and business policies of the Company stipulated in the Ordinance for Enforcement of the Companies Act. Further, we find that each of its approach meets the current basic policy and will not impair the common interest of shareholders of the Company, and not intended to maintain the positions of officers in the Company.

(2) Conclusion of audit on the Financial Statement and its Supplementary Schedule

We find that the method and result of audit by the Ernst & Young Shin Nihon LLC are appropriate.

(3) Conclusion of audit on the Consolidated Financial Statement

We find that the method and result of audit by the Ernst & Young Shin Nihon LLC are appropriate.

May 21, 2018

Audit & Supervisory Board

Nippon Paper Industries Co., Ltd.

Standing Audit & Supervisory Board Member (full-time) Hiroshi Matsuo  
(Seal)

Audit & Supervisory Board Member (full-time) Mitsuo Nagoshi (Seal)

Audit & Supervisory Board Member Seiichi Fusamura (Seal)

Audit & Supervisory Board Member Yoko Hatta (Seal)

(Note) Audit & Supervisory Board Member Seiichi Fusamura and Audit & Supervisory Board Member Yoko Hatta are the Outside Audit & Supervisory Board Members stipulated in the item 16 of Article 2 and the paragraph 3 of Article 335 of the Companies Act.

[End]