



NIPPON PAPER INDUSTRIES CO., LTD.

(Securities code: 3863)

4-6 Kanda-Surugadai, Chiyoda-ku, Tokyo 101-0062, Japan
(Ochanomizu sola city)

Inquiries:

Corporate Planning Department TEL +81-3-6665-1002

Sustainability Management Department TEL +81-3-6665-1015

Website:

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

Shaping the Future with Trees

NIPPON PAPER GROUP
Integrated Report 2023

For the Fiscal Year Ended March 31, 2023



Contribute to better living and cultural progress
everywhere the Group does business

Only ambition and action make change possible.
We are advancing our mission to contribute to
better living and cultural progress, and to
“become a Corporate Group that is permanently
needed by society.”



Goals to Realize Our Mission

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

Challenge
Fairness
Teamwork

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



Shaping the Future with Trees — Nippon Paper Group —

Nippon Paper Group is a comprehensive biomass company that properly cultivates and manages forests, effectively utilizes and recycles sustainably procured wood resources without waste, and develops a wide variety of businesses.

We aim to build a sustainable society through a business model that helps prevent global warming and depletion of resources on earth.

Contents

| | |
|----|--|
| 09 | The Nippon Paper Group's Goals |
| 09 | At a Glance |
| 10 | Message from the President |
| 16 | Value Creation Strategy |
| 16 | The Nippon Paper Group's Value Creation Story |
| 18 | Important Management Resources |
| 20 | Value Created by the Three Circulations |
| 22 | Important Issues (Materiality) to Realize the Group Mission |
| 26 | Toward the Realization of the 2030VISION |
| 26 | Message from the Executive Officer Responsible for Finance |
| 30 | Human Resource Strategy |
| 34 | Early Positive Contribution from New Businesses and Innovative Materials |
| 38 | Response to Climate Change |
| 42 | The Foundation of Value Creation |
| 42 | Directors and Audit & Supervisory Board Members |
| 44 | Corporate Governance |
| 48 | Compliance |
| 49 | Message from Outside Directors |
| 52 | Risk Management |
| 53 | Product Safety |
| 54 | Respect for Human Rights |
| 56 | Procurement |
| 57 | Forest Management / Preservation of Biodiversity |
| 58 | Environmental Management |
| 60 | Toward Solid Growth |
| 60 | Progress of the Medium-Term Business Plan 2025 |
| 62 | Strategy by Business |
| 62 | Paper Business / Paperboard Business |
| 63 | Liquid Packaging Carton Business / Opal |
| 64 | Household Paper and Healthcare Business / Chemical Business |
| 65 | Energy Business / Wood/Building Material Business |
| 66 | Data Section |
| 66 | History of Nippon Paper Group |
| 68 | Eleven-Year Financial Summary |
| 70 | Eleven-Year ESG Data / Three-Year Data by Business |
| 72 | Company Profile / Investor Information |

Group Mission

Mission

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

Vision

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

Value

Challenge, Fairness, Teamwork

Slogan

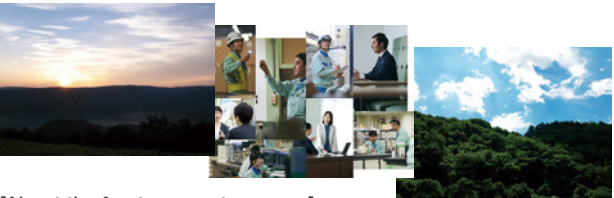
Shaping the Future with Trees —Nippon Paper Group—

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.



[About the front page rotogravure]

The Group Mission is expressed along with pictures of Nippon Paper Group's company-owned forests and employees.

The Nippon Paper Group's Goals

At a Glance

[Goal to Be Achieved in 2030]

Realize sustainable growth as a comprehensive biomass company shaping the future with trees

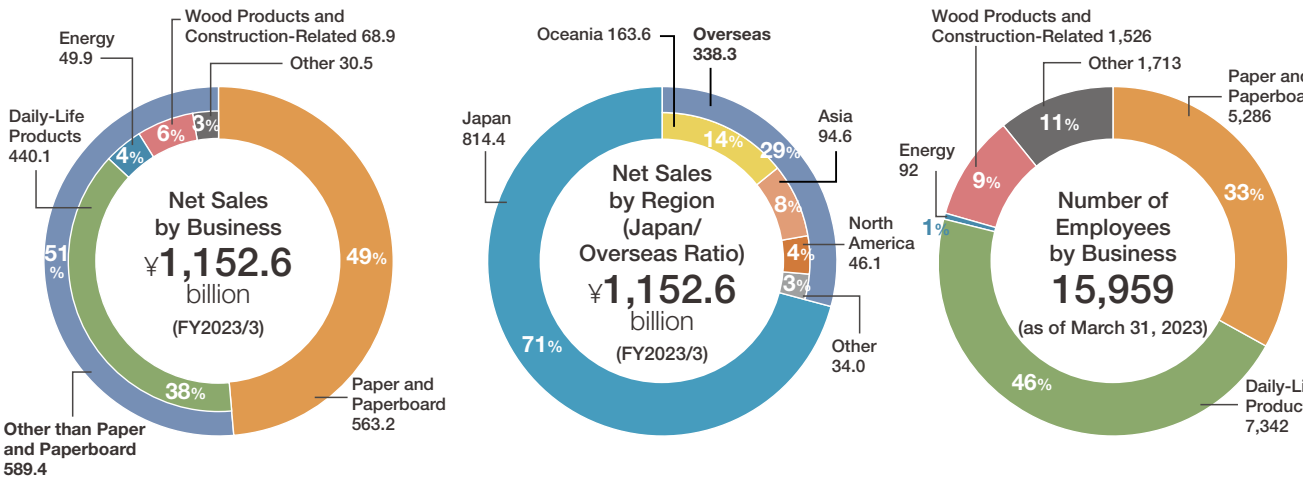
What it means to be a comprehensive biomass company: A company group that consists of multiple businesses which generate stable profits and realize better living and cultural progress. It achieves this by using diverse technologies and know-how to maximize the use of renewable wood resources. This provides a wide range of products that help form a circulation-oriented society, supporting profit growth.

Scale of Business

(as of March 31, 2023)

| | | | |
|---------------------------------------|--------------------------------|--------------------------------|---|
| Consolidated total assets | ¥1,666.5 billion | Managed forest areas | Approx. 160,000 hectares (as of December 31, 2022) |
| Net sales | ¥1,152.6 billion (FY2023/3) | Domestic company-owned forests | Approx. 90,000 hectares Approx. 400 locations |
| Operating income (loss) | (¥26.9 billion) (FY2023/3) | Overseas plantation areas | Approx. 70,000 hectares |
| Number of employees (consolidated) | 15,959 | Number of group companies | 160 |
| | | Domestic affiliated companies | 115 |
| | | Overseas affiliated companies | 45 |

Net Sales by Business / Net Sales by Region / Number of Employees by Business



In FY2023/3, sales from businesses other than the Paper and Paperboard Business accounted for more than 50% of total sales. The Group aims to increase the ratio of sales of Daily-Life Products Business to total sales to 40% by FY2026/3 and to more than 50% by FY2031/3.

In FY2023/3, the ratio of overseas sales to total sales was 29%. In the future, the Group plans to expand sales mainly in Oceania and South-east Asian markets where economic growth is expected, aiming for an overseas sales ratio of 30% or more by FY2031/3.

The Group is promoting a shift of management resources, such as human capital, to growing businesses. The Group will accelerate the transformation of the business structure by putting human resources to work based on their skills and career aspirations, such as by reallocating them from the Graphic Paper Business to growing fields.

Message from the President

Achieving the Medium-Term Business Plan 2025 with a Strong Sense of Duty

Toru Nozawa

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

Looking Back on FY2023/3

In FY2023/3, drastic changes in world affairs following Russia's invasion of Ukraine sharply and significantly drove up the prices of various raw materials and fuel, especially that of coal. These surging prices for raw materials and fuel had a significant impact on our business performance, resulting in an overall cost increase of more than ¥100.0 billion in the Paper and Paperboard Business and the Daily-Life Products Business. In particular, the Paper and Paperboard Business was severely affected because coal accounts for a large percentage of its fuel consumption.

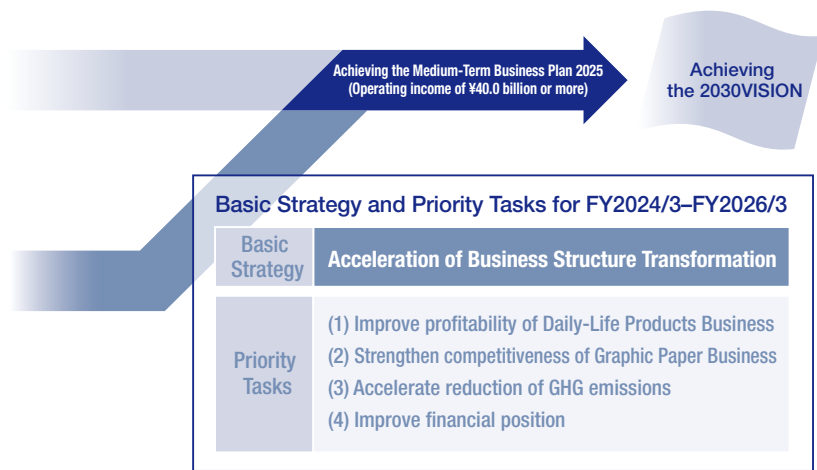
Amid such circumstances, the entire Nippon Paper Group shared a sense of urgency and promoted cost cuts through self-help efforts. For example, under the policy of "don't buy, don't use, and don't store extra" with regard to coal, we launched a Coal Reduction Project led by the General Manager of the Technical & Engineering Division and took measures at mills such as enhancing energy saving and controlling output of coal boilers. As a result, in FY2023/3 we reduced coal consumption by 360,000 tonnes, which is over

20% of the previous year's amount. Furthermore, we achieved cost reductions of approximately ¥16.0 billion in the Paper and Paperboard Business through efforts such as stable operations.

Despite these self-help efforts, we asked our customers to accept product price increases to cover the remaining deficiencies. We managed to raise prices, but this was not enough to offset the unprecedented surging prices for raw materials and fuel. In addition, Opal in Australia decided to withdraw from the Graphic Paper Business in response to the sudden and unexpected suspension of the supply of wood chips.

As a result, in FY2023/3, we faced an operating loss for the first time since our listing, and regrettably, we decided to postpone dividend payments. Despite this very difficult business environment, our net sales increased by more than 10% year on year. Therefore, we consider FY2024/3 to be a very important year for us to get back on track with the Medium-Term Business Plan 2025 at all costs and to resume dividend payments as soon as possible.

Getting Back on Track to Achieve the Targets of the Medium-Term Business Plan 2025



Improving Profitability of Daily-Life Products Business, the Core of Business Structure Transformation

FY2024/3 is the halfway point for the Medium-Term Business Plan 2025, which we rolled out in the midst of the recovery from the COVID-19 pandemic. The basic strategy for FY2024/3-FY2026/3 continues to be “acceleration of business structure transformation,” and the priority tasks are to “improve profitability of Daily-Life Products Business,” “strengthen competitiveness of Graphic Paper Business,” “accelerate reduction of GHG emissions,” and “improve financial position.”

Our Daily-Life Products Business will serve as the core of our business structure transformation. In order to improve the profitability of the Daily-Life Products Business, we are focusing on increasing net sales and recovering the operating income margin. We aim to restore the operating income margin of the Daily-Life Products Business to 5% by FY2026/3, and to reach 7% by FY2031/3.

Our Daily-Life Products Business consists of three core businesses, namely the Liquid Packaging Carton, Household Paper and Healthcare, and Chemical Businesses. In the Liquid Packaging Carton Business, we will further expand sales of products that will enable differentiation from competitors such as School POP® strawless milk cartons for school. At the same time, we will leverage our alliances with Shikoku Kakoki Co., Ltd. and Elopak ASA in Norway to grow our business in global markets such as Australia.

The Household Paper and Healthcare Business is a highly competitive B-to-C business, but we are increasing the sales volume of our unique and beloved products such as long-lasting toilet paper rolls, and will continuously check and assure the quality of our products. We are also determined to take advantage of the trend of recovering inbound demand.

We are developing our Chemical Business globally, including through exports. There are concerns that economic trends

and financial problems in various countries, particularly in North America and China, could possibly have an impact on our lines of business. However, we expect a steady growing demand, especially for environmentally friendly products, over the medium- to long-term. Therefore, we are pushing proactive product development and capital investment.

In addition to strengthening these businesses, it is essential and of top priority that we recover the profitability of Opal in Australia in order to meet our Daily-Life Products Business targets. Unfortunately, Opal has not been able to achieve its business plan for FY2023/3, as the Australian corrugated

box market was severely affected by increasing costs and decreasing demand due to the COVID-19 pandemic. We are planning to completely withdraw from the Graphic Paper Business by the end of 2023, after which we intend to establish a system that will allow us to leverage our competitive edge as a supplier with integrated packaging production. We will launch a new corrugated plant as scheduled to improve production efficiency, and increase sales volume as demand recovers, aiming for a quick business turnaround to expand earnings toward FY2026/3, the final year of the Medium-Term Business Plan 2025.

I sense that we still lack sufficient face-to-face communication with Opal, partly due to the lingering impact of COVID-19. As the president, I feel responsible for this situation, and will continue to visit Opal directly and reemphasize how much Opal means to the Group in order to enhance governance.

As for the domestic Graphic Paper Business, we assume that the demand will further decline due to factors such as the advancement of digital transformation and price hikes. We will continually implement various measures based on backcasting, bearing in mind our long-term goals of strong cost competitiveness, low GHG emissions, and a stable supply of products. We intend to strengthen our competitiveness by thoroughly reducing costs and maintaining appropriate prices. We will also consolidate our graphic paper domestic production sites to approximately three locations by 2030. In addition, we will reduce GHG emissions by shutting down coal boilers and reducing coal consumption in conjunction with the reorganization of our production structure.

In order to improve our financial position, we will carefully select and promote capital investments while remaining conscious of financial discipline. We will ensure that the effects of the capital investments we have made thus far will be leveraged to increase sales and earnings.

While we have been able to make progress in business structure transformation by implementing these measures, we have not seen enough of a speed increase to be called an

acceleration. We recognize this is because the progress has not been accompanied by profits. At the same time, we are certain that we will feel a sense of speed once we are able to generate profits. Therefore, FY2024/3 will be a critical year for us to achieve this.

Our Three Circulations Business Model Is an Overwhelming Advantage

The Group's business model called “Three Circulations” develops business that achieves resource circulation. The Three Circulations refer to the following three types of resource recycling: circulation of sustainable forest resources, circulation of wood resources used for various purposes with technological capabilities, and active product recycling.

Amid turbulent world affairs and global risks arising one after another, including energy crises, food security, environmental issues, and supply chain disruptions, we believe that our renewable forest resources and technologies to effectively utilize them will be an overwhelming advantage in the years to come when we will be required to solve environmental and social problems and realize a sustainable society. To fully leverage this strength, we must figure out how to maximize forest value and expand the types of new products that can be created from wood resources.

In order to maximize forest value, we are expanding our Elite Tree Seedling Production Business by utilizing our proprietary propagation technologies. These low-pollen, fast-growing elite trees are expected not only to help boost the competitiveness of the plantation business in Japan, but also to increase the amount of fixed CO₂ and contribute to the government's measures to fight hay fever.

J-Credit methodologies have been revised to allow for an extension of the period covered and a fixed emissions amount to be deducted by conducting reforestation after final cutting. In addition, J-Credits are now eligible for emissions trading in the GX League. The Company is also working on creating J-Credits based on the revised methodologies, and in

September 2022, we obtained J-Credit certification for CO₂ forest absorption from thinning at the Kazaki company-owned forest in Shizuoka Prefecture. We will continue to closely monitor future trends, as possibilities for acquiring and expanding J-credits have been growing.

For new products that can be created from wood resources, we have invested many resources in research and development aimed at broadening the use of cellulose, and we are taking various measures to expand sales and develop new markets, mainly through the Biomass Material Business Division, which was established in 2021.

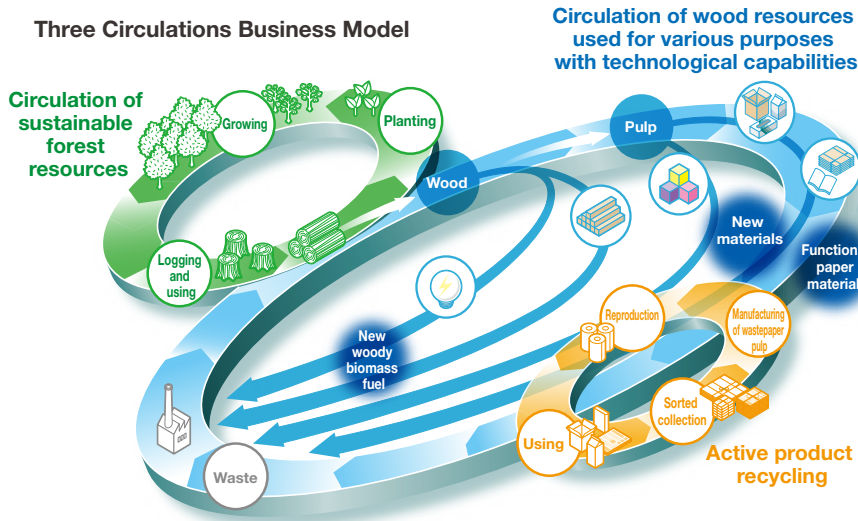
Adoption of cellulose nanofiber (CNF) has increased, mainly for food and cosmetics applications, and its use has expanded significantly by approximately four times compared to FY2021. We believe that this is the result of our initiatives based on market-oriented concepts. We are a leader in the field of CNFs and will continue to lead the way by implementing our products in society.

In the early commercialization of new products, we are strengthening business alliances with other companies. For example, we have begun joint studies for biocomposite with Mitsui Chemicals, Inc. and for bioethanol with Sumitomo Corporation and Green Earth Institute Co., Ltd. Biocomposite is a composite material made from resin and biomass and is expected to be used as an alternative to plastic. We have begun providing samples in the fields of daily goods, building materials, home appliances, and automobiles. Bioethanol is expected to be used as feedstock for sustainable aviation fuel (SAF) in place of fossil fuels, and has great potential for the development of domestically produced SAF.

In response to the trend of moving away from plastic and replacing it with paper, we will be quick to introduce products that meet the growing demand for the transition to functional packaging materials and paper cartons.

As demand for graphic paper will continue to decline, the question of how to utilize pulp is a major theme. We will continue to persevere in the development and commercialization of pulp applications.

Although forest resources are renewable, the Earth's surface area is of course limited and forests cannot be expanded indefinitely. Trees absorb and fix CO₂ as they grow. It is important to continue the cycle of planting, growing, logging, using, and planting again in a sustainable way, not only for our own forests, but also for the resources of other companies. At the same time, from the perspective of protecting resources, we recognize that recycling resources through product recycling will become even more important in the future. In 2022, we installed recycling facilities for paper containers used for food and



The Nippon Paper Group's Goals

Message from the President

beverages at the Fuji Mill. Currently, the paper cups we collect are recycled into paperboards and toilet paper rolls, but in the future, we aim to achieve horizontal recycling, where paper cups are recycled into paper cups.

Balancing the proper use and recycling of forest resources can have a positive effect on the global environment. We hope to demonstrate this to the world through the Three Circulations business model.

Revision of GHG Emissions Reduction Targets

When we formulated the 2030VISION, we had set a goal of reducing greenhouse gas (GHG) emissions in FY2031/3 by 45% from the FY2014/3 level. Despite the challenges we have faced in business performance, we have promoted measures such as reduction of coal consumption, fuel conversion, and energy saving measures, resulting in a 30% reduction by FY2023/3 compared to FY2014/3, and we are on track to achieve the 45% reduction target early. Therefore, after considering additional measures such as improving production efficiency through a reorganized production structure, shutting down coal boilers, fuel conversion, maximizing the use of black liquor*, and energy saving, we have revised our target for FY2031/3 to a 54% reduction.

Given the difficulty of developing new coal mines and the unlikelihood of considerable growth in coal production, prices for fossil fuel resources are expected to remain high and not decrease as the world advances toward decarbonization.

Furthermore, there is a movement toward carbon pricing. The government's Basic Policy for the Realization of GX proposed carbon pricing, which requires companies to bear the burden of GHG emissions, and introduced a carbon levy system to start in FY2029/3. It is essential for us to go carbon neutral and reduce our fossil fuel consumption by FY2029/3. We will also utilize the TCFD scenario analysis as we continue striving to reduce GHG emissions.

* Black liquor: A black liquid that contains resin, lignin, and other major components of wood that are separated during the pulping process. Concentrated black liquor is burned in boilers for use as biomass energy.

Aiming to Instill Pride in Employees

One of the corporate goals in our Group Mission is to instill pride in our employees. Since assuming the position of president, I have been striving to achieve this goal, and what I consider most important is engagement. As the Company grows, I want our employees to feel that they are growing with the Company.

However, some employees are concerned about the future because of the current accelerating pace of decline in demand for graphic paper. That is why we present the sustainable future image we are aiming for in the 2030VISION, implement measures and treatment for career development and skill improvement, and improve our working environment.

We want our employees to experience the transformation of the business structure and see a new world of possibilities. We will be more proactive in promoting reassignments between different businesses and increase opportunities for employees to gain diverse experiences, not just experience in one business.

I believe that it is up to us to nurture the human resources that lead to the improvement of corporate value. In order for employees to grow, they should be involved in many different businesses and have the experience of hearing words of appreciation and encouragement from people in various positions. We have introduced such programs as recurrent education and an internal side occupations system because they let employees experience new things. Through these efforts, we will increase engagement by letting employees directly experience the Company's growth.

Strengthening the Functions of the Board of Directors and Utilizing the Opinions of Outside Directors

In strengthening the supervisory function of the Board of Directors, we consider the frank and diverse opinions of outside directors to be indispensable in envisioning the future of the Group, and we intend to thoroughly utilize them in management.

At the Board of Directors meetings, discussions are held based on reports such as monthly business reports and quarterly operational issues reports, and outside directors have expressed opinions that they would like to see reports with a greater awareness of the 2030VISION and Medium-Term Business Plan 2025, and that more comparison and verification should be made between initial forecasts and current performance. While clarifying the progress of our targets and confirming the horizontal functions led by chief officers, we are working to deepen discussions on progress, issues, and future strategies in order to achieve the Medium-Term Business Plan 2025.

From FY2023/3, the Personnel & Remuneration Advisory Committee has increased the frequency of its meetings from twice to four times a year, expanding opportunities for in-depth discussion of management issues with outside directors. The expanded agenda includes discussion on the executive structure and evaluation of representative directors. At these meetings, I mainly explain about management issues, answer questions from the outside directors, and exchange opinions with them. We are quite straightforward in our exchange of opinions, and it is a good opportunity for me to share with the outside directors the future direction of the Company and the issues we must address.

When promoting management strategies including investments, the Company periodically holds Group Management Strategy Committee meetings, and engages in discussions from various angles that feature participation by not only those from relevant divisions but a wide variety of people such as

presidents from main Group companies and our outside directors. Outside directors also attend the meetings of the Management Executive Committee, which makes decisions about the execution of management projects and files reports, when monthly results are reported. I also make sure to talk openly with outside directors about matters that may be thought of as unpleasant.

Demonstrating Leadership with a Strong Sense of Duty

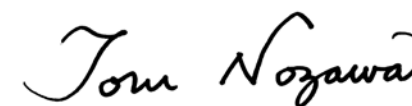
During periods when demand for paper was growing, mills were able to continue a cycle that generated profit by expanding production, which improved resource intensity per unit. However, as demand for paper is declining significantly due to the impact of COVID-19 and the accelerated pace of digital transformation, I felt that it was necessary to change the Company's understanding of the sales divisions' role; namely, to take ultimate responsibility for profit and loss and to generate profits. In 2021, as an initiative to strengthen governance, I personally took the lead in developing a policy to change the Paper and Paperboard Business' profit center from the mills to the sales divisions. This meant changing the employee mindset, which had been built up over our 150-year history, and I knew that this change would not be easy. However, in the face of surging prices for raw materials and fuel, the sales divisions themselves began to think about what they needed to do next to increase profits and ensure that they could work together with mills to run the business, and this mindset shift took root more quickly than I had expected.

In addition, in FY2023/3, we were able to change the employee mindset in the process of our cost reduction initiatives, making lateral communication possible across the entire company, including the mills. We believe that this also helped the Coal Reduction Project mentioned at the beginning of this message be achieved swiftly.

Due to its long corporate history, the Group is still a strongly vertically-divided organization, but we will continue to promote various measures to ensure that employees are always aware of the importance of cross-organizational operations.

Again, the Group's business is always based on the Three Circulations. I am determined to meet the goals set forth in the Medium-Term Business Plan 2025 at all costs, and I constantly remind those around me that we must achieve the Medium-Term Business Plan 2025 goals in order to realize the 2030VISION. As a comprehensive biomass company shaping the future with trees, we will convincingly and seamlessly strengthen the Three Circulations to achieve goals of our Medium-Term Business Plan 2025 and ultimately to realize the 2030VISION.

FY2024/3 is a very crucial year for us to get back on track with the Medium-Term Business Plan 2025. We will achieve results by all means necessary to ensure the continued support of all our stakeholders. As the president, I will demonstrate leadership with a strong sense of duty as we take on these endeavors.



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

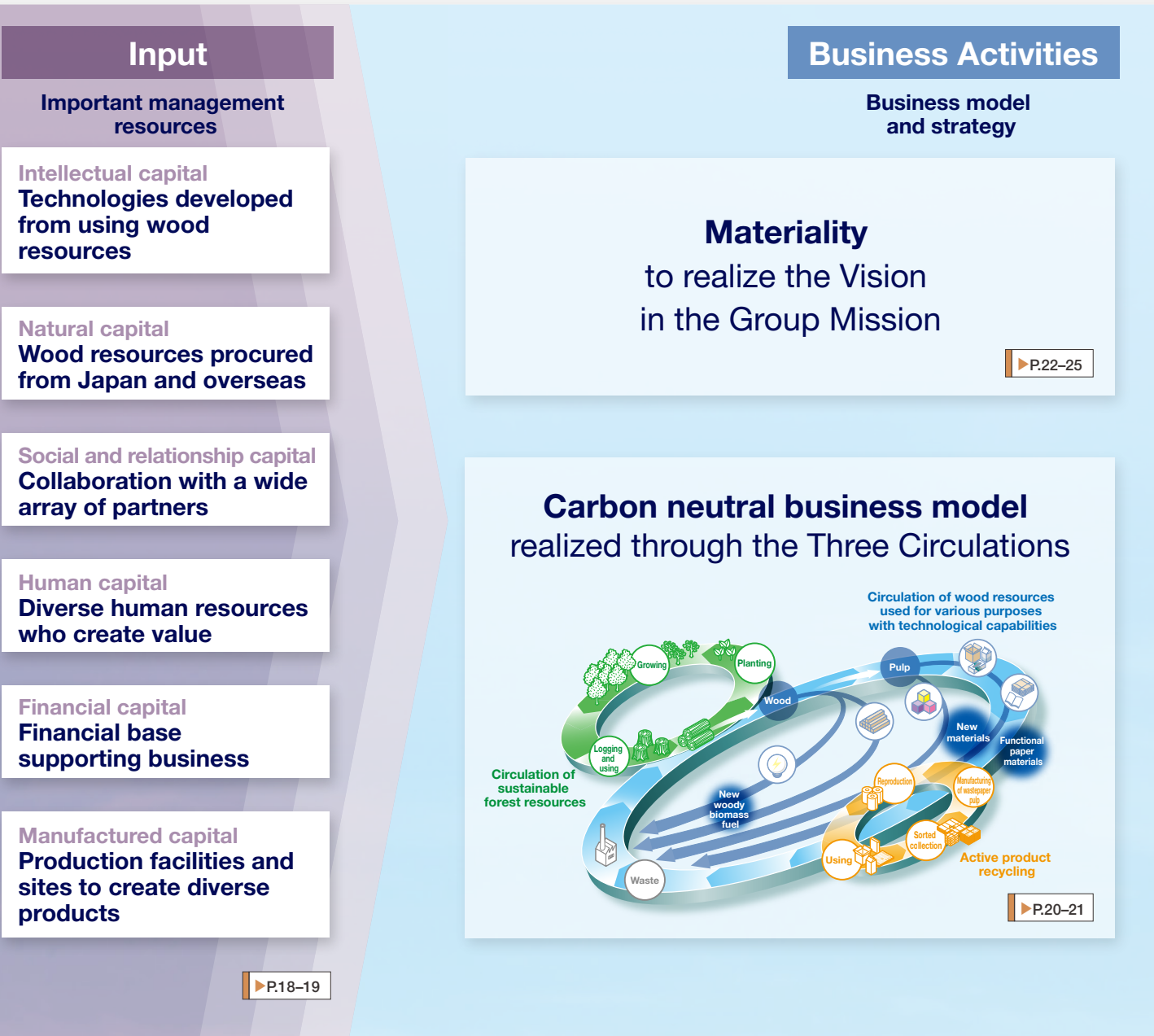


The Nippon Paper Group's Value Creation Story

Achieve sustainable growth and build a circulation-oriented society as a comprehensive biomass company

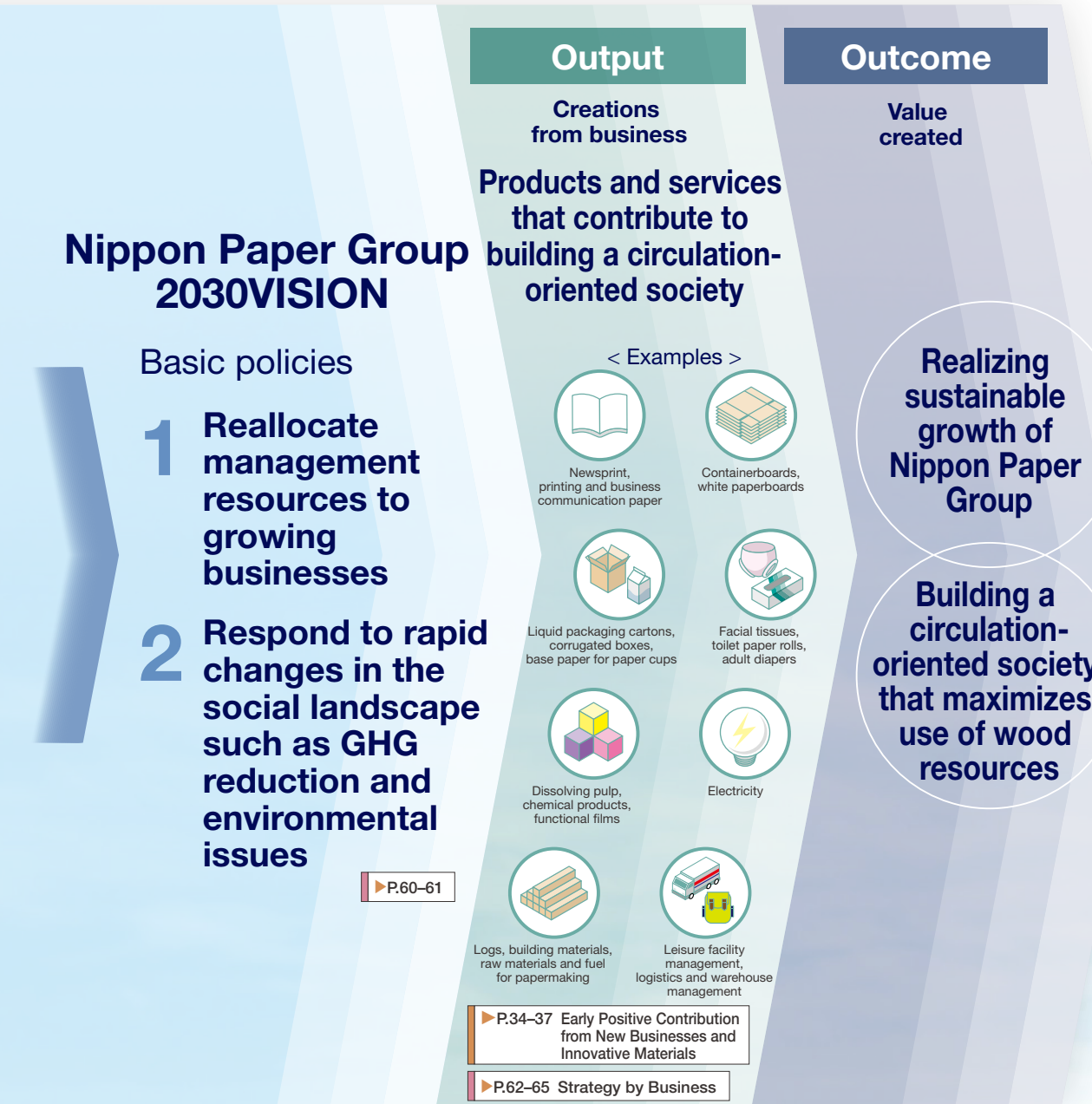
Medium- to long-term business opportunities and risks anticipated by the Group

| | |
|------------------------------------|---|
| Medium- to long-term opportunities | <ul style="list-style-type: none">■ Shift to a carbon neutral society■ Increased consumer awareness of health and hygiene■ Population increase and economic growth in developing countries■ Growth of e-commerce |
|------------------------------------|---|









Nippon Paper Group has formulated the Nippon Paper Group 2030VISION from its materiality and the Three Circulations business model. By maximizing use of management resources and conducting business activities based on the basic policies of the 2030VISION, it will achieve its sustainable growth and build a circulation-oriented society that maximizes use of wood resources. In this way, the Group will realize its mission of “Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.”

| | |
|----------------------------|--|
| Medium- to long-term risks | <ul style="list-style-type: none">■ Progress of digital transformation■ Declining population in Japan■ Increase in natural disasters■ Trends in environmental laws and regulations■ Slowdown in global economy■ Rising geopolitical risks |
|----------------------------|--|



Important Management Resources

| | | |
|---|---|---|
|  <div>Intellectual Capital</div> <div>Technologies developed from using wood resources</div> | <div>Research and development expenses (FY2023/3)</div> <div>Patents held* (as of March 31, 2023)</div> | <div>¥5.8 billion</div> <div>1,832</div> <div><small>* Applies to Nippon Paper Industries, Nippon Paper Papyrus, NP Trading, Nippon Paper Crexia, Flowric, Nippon Paper Lumber, Sakurai and Akita Jujo Chemical</small></div> |
|  <div>Natural Capital</div> <div>Wood resources procured from Japan and overseas</div> | <div>Managed forest area (as of December 31, 2022)</div> | <div>Approx. 160,000 hectares</div> <div><small>[Domestic Company-owned forests] Approx. 90,000 hectares, approx. 400 locations [Overseas plantation areas] Approx. 70,000 hectares</small></div> |
|  <div>Social and Relationship Capital</div> <div>Collaboration with a wide array of partners</div> | <div>[Initiative examples]</div> <div><ul style="list-style-type: none">Agreed to trilateral consideration of the first commercial production of cellulosic bioethanol from woody biomass in Japan and its development into bio-chemical products with Sumitomo Corporation and Green Earth Institute Co., Ltd. in February 2023.Demonstrated the sorting and collection of used paper cups for recycling at the International Media Center for the G7 Hiroshima Summit together with TOKAN KOGYO CO., LTD. in May 2023.Participated in a project subsidized by the New Energy and Industrial Technology Development Organization (NEDO) to develop CNF-related technologies together with UBE Corporation.Participated in the GX League from FY2024/3 to promote green transformation (GX) toward realization of carbon neutrality.</div> | |
|  <div>Human Capital</div> <div>Diverse human resources who create value</div> | <div>Number of employees (consolidated) (as of March 31, 2023)</div> | <div>15,959</div> |
|  <div>Financial Capital</div> <div>Financial base supporting business</div> | <div>Consolidated total assets (as of March 31, 2023)</div> <div>EBITDA (FY2023/3)</div> | <div>¥1,666.5 billion</div> <div>¥42.8 billion</div> |
|  <div>Manufactured Capital</div> <div>Production facilities and sites to create diverse products</div> | <div>Number of Group companies (as of March 31, 2023)</div> | <div>160</div> <div><small>[Domestic affiliated companies] 115 [Overseas affiliated companies] 45</small></div> |

Nippon Paper Group has over the course of many years of business activities accumulated management resources, its source for creating value. These management resources, as the driving force behind value creation, will generate new value through the Three Circulations business model that realizes carbon neutrality. This value will flow back as management resources, and increased management resources will lead to further value creation.

The Group has expanded its research domains based on the technologies for extracting cellulose, the raw material for paper, from wood, as well as papermaking and coating technologies that it has developed through its research and development to date. The Group's technology and expertise in creating diverse biomass products from renewable wood resources is a major strength and an important management resource guiding it to competitive advantage.

Focus is being placed on patent applications in growing fields and new business fields, and the number of overseas patent applications is also increasing as business expands globally.

Expansion of intellectual capital

P.34-37 Early Positive Contribution from New Businesses and Innovative Materials

The wood resources that are the business foundation of the Group are procured from sustainably managed forests. The Group works together with suppliers to build a sustainable supply chain for the stable and continuous procurement of wood resources. As for company-owned forests, the Group leverages technologies and know-how accumulated through the plantation business and strives to improve forest productivity and to secure plantation areas centering on the Asian region.

Expansion of natural capital

P.38-41 Response to Climate Change

P.56-57 Procurement, Forest Management

The Group has, through its many years of business development, built partnerships with a diverse range of stakeholders spanning industries, the public sector and academia, including business partners, customers and suppliers, governments and public administrations and universities and research institutes. It will further strengthen these relationships to expand business, create new business opportunities, and develop markets.

Expansion of social and relationship capital

P.34-37 Early Positive Contribution from New Businesses and Innovative Materials

P.58-59 Environmental Management

■ Deepening relationships with partners to expand business in global markets

In the Liquid Packaging Carton Business, the Group forged a capital and business alliance agreement with Shikoku Kakoki Co., Ltd. and acquired a portion of shares in Elopak ASA. In 2022, the Group deepened the relationship by concluding a license agreement with Elopak for the Oceania region. Since then, it has established a local subsidiary and is working to expand business into global markets (→P.63).

The Group's strength is the fusion of human resources from different backgrounds after mergers and integrations. The Group has approx.16,000 employees in Japan and overseas, and by improving employee engagement, it promotes creation of organizations in which diverse human resources can maximize their capabilities.

Expansion of human capital

P.30-33 Human Resource Strategy

The Group is making environmental investments to reduce GHG emissions and conducting strategic investment in growth fields to strengthen earnings toward achieving the Medium-Term Business Plan 2025 and realizing 2030VISION. We are moving forward with investments of ¥90.0 billion for the three fiscal years from FY2024/3 to FY2026/3.

To strengthen the financial position, we will improve cash flows by ensuring a stable EBITDA of ¥100.0 billion. In addition, we aim to improve the net debt/equity ratio and achieve ROE of 5.0% or higher by selling cross-shareholdings and idle assets, and reducing interest-bearing debt to shrink the balance sheet.

For details, please refer to Message from the Executive Officer Responsible for Finance (P.26) ▶▶▶

The Group has production sites in Japan and overseas and collaborates with Group companies and conducts efficient production activities. This achieves a stable supply of products and cost reductions, strengthening competitiveness. We will promote transformation of the business structure by utilizing facilities and sites of the Graphic Paper Business to expand growing and new businesses.

■ Effective utilization of production sites

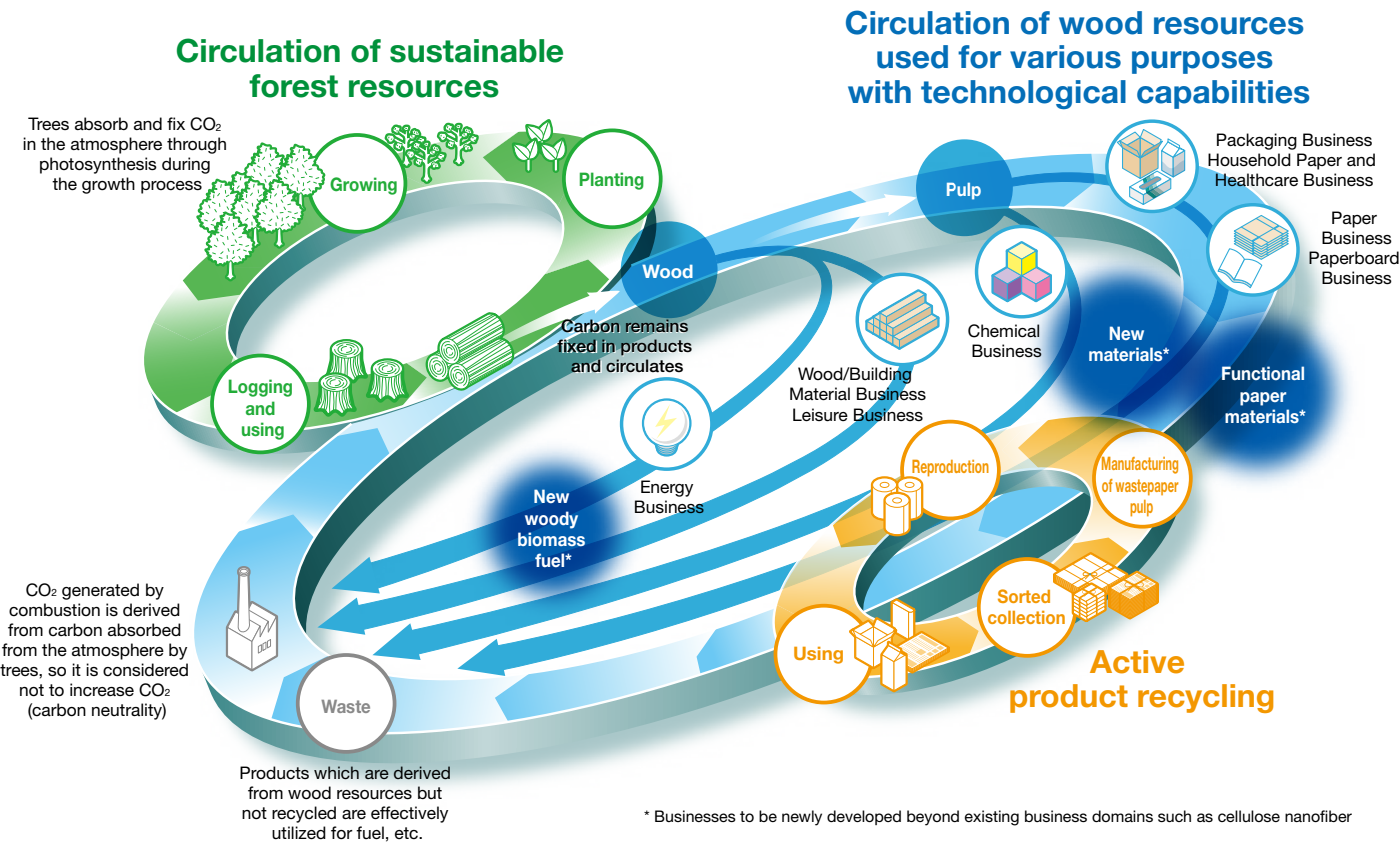
Utilizing the infrastructure of the Shiraoi Mill (Yufutsu), a former paper production site, we constructed a 75 MW biomass power generation facility jointly with Sojitz Corporation and started commercial operations in February 2023 as Yufutsu Energy Center, LLC.

For details, please refer to Yufutsu Energy Center (on the Nippon Paper Group website <only in Japanese>)

Value Created by the Three Circulations

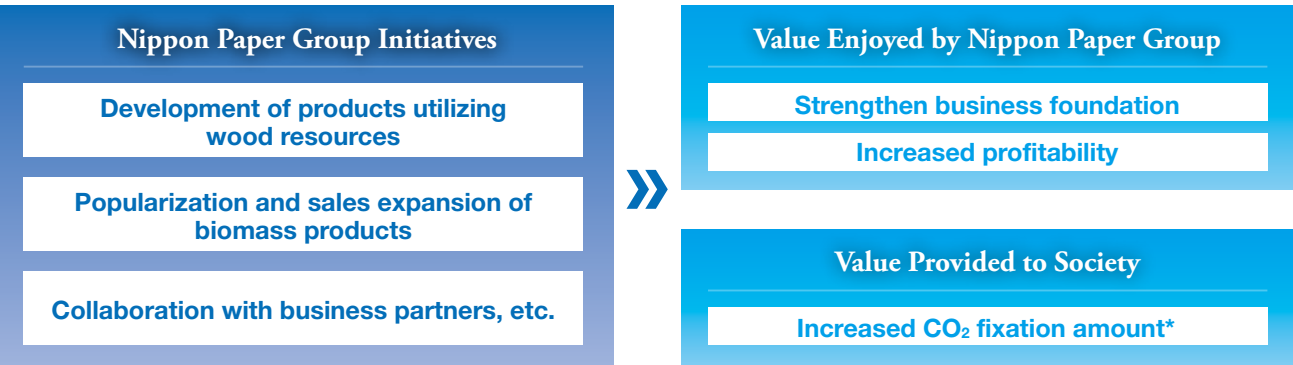
Nippon Paper Group will achieve a carbon neutral business model through the Three Circulations as a comprehensive biomass company shaping the future with trees and achieve sustainable growth of Nippon Paper Group and build a circulation-oriented society that maximizes use of wood resources.

Nippon Paper Group’s Business Development as a Comprehensive Biomass Company “Three Circulations”



Circulation of Wood Resources
—Contributing to building a carbon neutral society by expanding sales of biomass products—

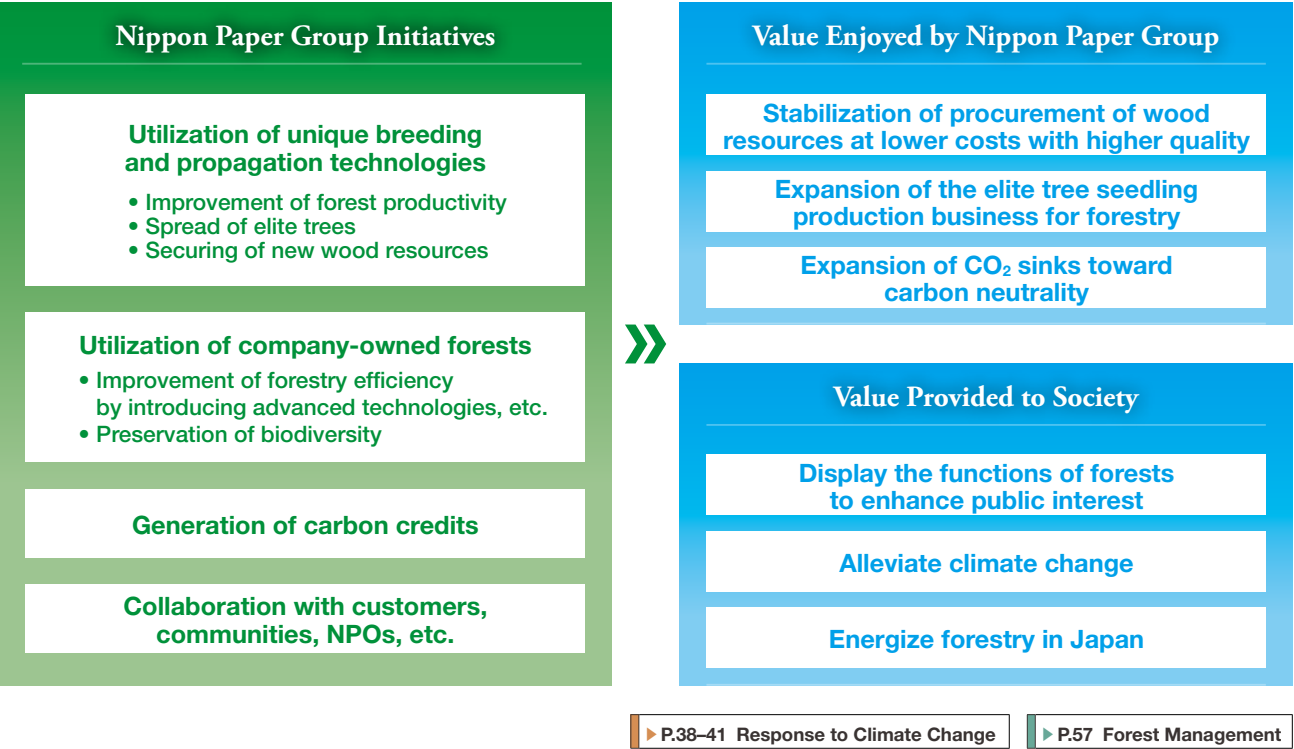
The Group develops business that utilizes renewable wood resources at many stages, based on the accumulation of a wide range of technologies, including pulping, and know-how. It will strive to boost profitability while contributing to the creation of a carbon neutral society by expanding the provision of products and services generated from wood resources.



* Replacing fossil-derived products with biomass products utilizing wood resources will increase the CO₂ fixation amount for society overall. P.34–37 Early Positive Contribution from New Businesses and Innovative Materials P.62–65 Strategy by Business

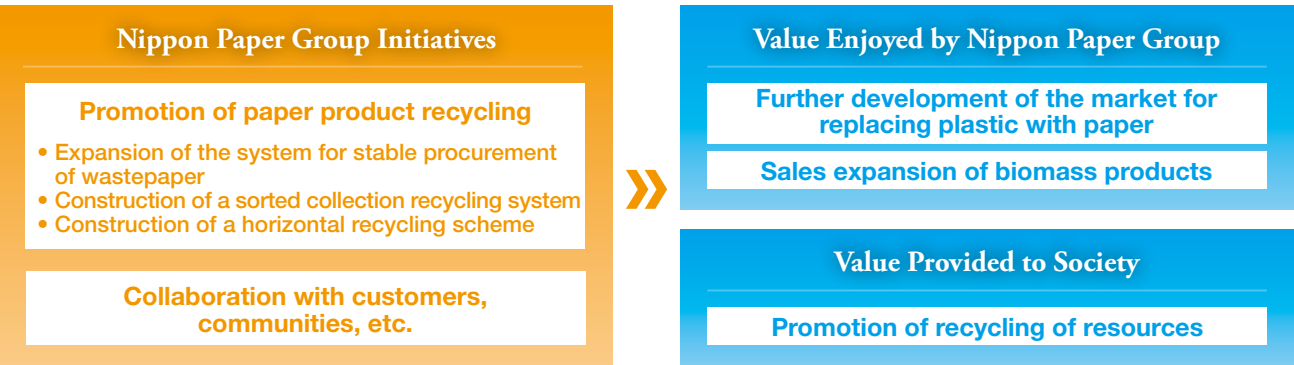
Circulation of Forest Resources
—Maximization of forest value through sustainable forest management—

For the Group, which provides a variety of products that utilize wood resources, forests not only have value as a source of raw materials, but also provide important value to society and the environment, such as public functions. The Group will continue to create diverse value by appropriately managing the approximately 160,000 hectares of forests it owns in Japan and overseas while utilizing the unique technologies and knowledge it has cultivated until now.



Active Product Recycling
—Building a circulation-oriented society through recycling—

For many years, the Group has actively used wastepaper as raw material for paper production. Furthermore, by simultaneously addressing customer needs for replacing plastic with paper and the recycling of paper products, the Group intends to increase demand for biomass products, which in turn will expand the market for replacing plastic with paper. For that reason, the Group will construct a sorted collection recycling system and horizontal recycling scheme, and aim to expand sales of biomass products.



Important Issues (Materiality) to Realize the Group Mission

Nippon Paper Group has clearly identified material issues in order to meet the four requirements of its Vision included in the Group Mission, as it addresses changes in the surrounding environment and is also promoting sustainability management in which it pursues social and environmental sustainability alongside corporate growth.

| Mission | | |
|---|--|---|
| Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business. | | |
| | A corporate group that meets the following requirements and is sustainably needed by society | Nippon Paper Group's Materiality |
| Vision | 1 Drive social sustainability through our business | Achieve the following through the value chain: <ul style="list-style-type: none">● Response to climate change● Utilization of sustainable forest resources● Preservation of biodiversity● Reduction of environmental burden● Promotion of resource circulation● Respect for human rights |
| | 2 Delight our customers | <ul style="list-style-type: none">● Response to changes in the social environment (consideration for the environment, healthcare, etc.)● Stable supply of products, enhanced safety |
| | 3 Instill pride in employees | <ul style="list-style-type: none">● Realization of diverse work styles● Active participation of diverse human resources● Promotion of occupational safety and health |
| | 4 Give back to society | In addition to business growth achieved through activities 1 to 3 above, the Group will realize the following: <ul style="list-style-type: none">● Promotion of business structure transformation● Enhancement of corporate governance● Coexistence with local communities and society● Communication with stakeholders |

Formulation Process

(Implemented in FY2022/3)



Confirmation of Progress on Materiality and the 2030VISION

Nippon Paper Group sets key performance indicators (KPI) (targets to achieve by FY2031/3) under various themes responding to materiality and the 2030VISION and measures their progress.

For results from FY2022/3, the Group summarized the progress of each target, verified efforts and confirmed management's execution toward achieving the 2030VISION, and as a result added the promotion of business structure transformation as materiality. In a Management Executive Committee meeting held in June 2022, this was shared with all executive officers and general managers. Individual explanations were also made to outside directors and outside Audit & Supervisory Board Members.

Similar verification was also carried out for FY2023/3 results. A discussion on materiality was conducted in the Group Management Strategy Committee meeting held in June 2023 to further deepen debate within the entire Group. As a result, while moving ahead on initiatives for FY2024/3, materiality remained unchanged and the corresponding KPI was reviewed.

Going forward, deeper discussion will be held throughout the Group on important management themes.

Important Issues (Materiality) to Realize the Group Mission

Progress of Initiative Themes for Materiality and the 2030VISION

| Vision | Materiality (Important Management Issues) | 2030VISION | | Key Performance Indicators (KPI) to Achieve by FY2031/3 <small>Scope... ■ Nippon Paper Group ■ Nippon Paper Industries</small> | | Main Progress and Initiative Status in FY2023/3 | Integrated Report 2023 Related Pages | Contributions to SDGs |
|---|---|--|--|--|--|---|---|-----------------------|
| | | Basic Policies | Themes | | | | | |
| 1 Drive social sustainability through our business | Response to climate change | Respond to the rapidly changing social landscape, including GHG emissions reduction and environmental issues | GHG reductions | <div>Reduction of GHG emissions through energy saving measures and fuel conversion<ul style="list-style-type: none">Reduce GHG emissions (Scope 1 + Scope 2) by 54% compared with FY2014/3Use non-fossil fuels in 60% or more of total energy usedImprove total energy intensity in production and logistics by 1% year on year</div> | | <div>• GHG emissions (Scope 1 + Scope 2) Reduction by 30% compared with FY2014/3</div> <div>• Ratio of non-fossil fuels usage 42% of total energy usage</div> <div>• Nippon Paper Industries total energy intensity in production (compared with 2021): Paper Business −1.4%, Paperboard Business +2.1%, Logistics +1.3%</div> | <div>▶ P.38–39</div> <div>▶ P.58–59</div> | |
| | | | | <div>Response to climate change initiatives</div> | | <div>• Participated in the FY2024/3 GX League</div> | <div>▶ P.38–41</div> | |
| | Utilization of sustainable forest resources Preservation of biodiversity | | Pursuit of a green strategy (maximize value of forest resources) | <div>Preserve forest resources and construct a business model that revitalizes forestry through utilization of company-owned forests in Japan<ul style="list-style-type: none">Expand elite tree seedling production business for forestry Construction of a production system for 10.0 million elite tree seedlings/year for forestryInitiatives to create J-credits</div> <div>Improvement of forest productivity and expansion of CO₂ fixation amount by using breeding and proliferation technologies<ul style="list-style-type: none">Improve CO₂ fixation efficiency in overseas plantation areas by 30% compared with 2013Secure plantation areas, mainly in Asia</div> <div>Acquisition and maintenance of forestry certification for all company-owned forests in Japan and overseas</div> <div>Display public interest functions through appropriate management of company-owned forests in Japan<ul style="list-style-type: none">Display public interest functions through preservation of water resources and other resources</div> <div>Preservation of biodiversity</div> | | <div>• Opened closed seed plantations in Shizuoka Prefecture, Tottori Prefecture and Hiroshima Prefecture, and a scion plantation in Oita Prefecture</div> <div>• Acquired J-credit certification for the Kazaki company-owned forest</div> <div>• Conducted ongoing R&D on selection of elite plants, etc.</div> <div>• Maintained 100% forest certification acquisition rate for domestic and overseas in company-owned forests of Nippon Paper Industries and overseas plantation subsidiaries</div> <div>• Continued forest preservation and maintenance management work in the watershed area of the Sugemuma company-owned forest, Gunma Prefecture based on a memorandum of understanding with Coca-Cola Bottlers Japan Inc.</div> <div>• Updated an agreement with the Okinawa District Forest Office for the preservation of biodiversity in the Iriomote Island National Forest</div> | <div>▶ P.40–41</div> <div>▶ P.40–41</div> <div>▶ P.57</div> <div>▶ P.57</div> <div>▶ P.57</div> | |
| | Reduction of environmental burden | | Reduction of environmental burden | <div>Reduction of environmental burden generated in the manufacturing process<ul style="list-style-type: none">Reduce air pollutants by 15% and water pollutants by 15% compared with FY2019/3Keep final disposal volume of industrial waste materials at domestic production sites at 2% or lower</div> | | <div>• Reduced at production sites in Japan (compared with FY2019/3): SOx 31%, NOx 30%, dust 22%, COD/BOD 31%, SS 8%</div> <div>• Final disposal volume of industrial waste materials: 1.6%</div> | <div>▶ P.58–59</div> | |
| | Promotion of resource circulation | | Promotion of recycling | <div>Promotion of recycling of resources<ul style="list-style-type: none">Expand the system for stable procurement of wastepaperBuild a sorted collection recycling system, utilize 12,000 tonnes/year of unused, difficult-to-treat wastepaperBuild a horizontal recycling scheme for paper containers used for food and beverages</div> | | <div>• Started operation of recycling facilities at Fuji Mill for paper containers used for food and beverages</div> <div>• Started collection and recycling of paper cups used for in-flight services in collaboration with Japan Airlines Co., Ltd.</div> <div>• Started collection and recycling of release paper (difficult-to-treat wastepaper)</div> | <div>▶ P.58–59</div> | |
| | Respect for human rights | | Respect for human rights | <div>Implementation of human rights due diligence</div> | | <div>• Established Nippon Paper Group Human Rights Policy, revised Principles and Basic Policies Concerning Raw Materials Procurement</div> <div>• Conducted assessments of human rights risks in the value chain and identified priority issues in the Paper and Paperboard Business and in part of the Daily-Life Products Business</div> | <div>▶ P.54–55</div> | |
| 2 Delight our customers | Response to changes in the social environment | | Pursuit of a green strategy (expand biomass products) | <div>Expansion of biomass products<ul style="list-style-type: none">Respond to demand to move away from plastic and reduced plastic use (Expand products for trend to replace plastic with paper)</div> | | <div>• Expanded adoption of School POP® (strawless paper cartons) (FY2024/3 forecast: 15 prefectures, over 200 municipalities)</div> <div>• Expanded adoption of SHIELDPLUS®, Lamina®</div> | <div>▶ P.63</div> | |
| | Stable supply of products, enhanced safety | | Stable supply of products Product safety and quality control | <div>Engagement in stable production, response to natural disasters (strengthen BCP)</div> <div>Improvement of a product safety management structure</div> | | <div>• Promote building a framework to prepare for natural disasters and production troubles</div> <div>• Carry out priority investment in power and recovery and fiberlines for mills for the purpose of operational stability</div> <div>• Established and started operating product risk management regulations at each Group company based on the minimum standard related to product safety and quality assurance</div> | <div>▶ P.52–53</div> <div>▶ P.53</div> | |
| | | | | | | | | |
| 3 Instill pride in employees | Realization of diverse work styles | Maximization of utilization of human resources | Enhancement of ease of working and job satisfaction | <div>Enhancement of employee engagement, including promotion of diversity<ul style="list-style-type: none">Total working hours of 1,850 hours/year or lowerRetention rate after 10 years of employment in FY2031/3 of 80% or higherRatio of female career-track employees to be 40% or higher by FY2026/3</div> | | <div>• Total working hours: 1,884 hours/year</div> <div>• Retention rate of employees who joined the Company in FY2013/3: 63.4%</div> <div>• Ratio of female employees among new graduates in career-track recruits FY2024/3: 48.8%</div> | <div>▶ P.30–33</div> | |
| | Promotion of occupational safety and health | | | <div>Assurance of safety and hygiene for working people<ul style="list-style-type: none">Serious disaster cases of 0/year</div> | | <div>• Serious disaster cases: 0</div> | <div>▶ P.33</div> | |
| 4 Give back to society | Promotion of business structure transformation | Reallocate management resources to growing businesses | Expansion of growing businesses | <div>Net sales target of ¥1,300.0 billion, of which Daily-Life Products Business has 50% or more<ul style="list-style-type: none">Investment of approximately 80% of the strategic investment budget of ¥350.0 billion in growing businesses</div> | | <div>• Daily-Life Products Business net sales: ¥440.1 billion (Accounting for 38% of overall net sales)</div> <div>• Strategic investment in FY2022/3–FY2023/3: ¥85.9 billion (of which 94% was allocated to growing businesses)</div> | <div>▶ P.60–61</div> | |
| | | | Early positive contribution from new businesses and innovative materials | <div>Expansion of new uses of cellulose and commercialization of innovative materials Net sales target of ¥65.0 billion for new businesses (including expansion of biomass products)<ul style="list-style-type: none">Commercialization of CNF by establishing a mass-production structure and establishing manufacturing technologiesPromote and expand sales of cattle feed ("Genki MoriMori®")Launch new businesses using pulp manufacture facilities</div> | | <div>• Started collaboration with Yamaha Motor Co., Ltd. for development of applications for CNF-reinforced resin</div> <div>• Expanded adoption of cattle feed</div> <div>• Started collaboration on development of biocomposite with Mitsui Chemicals, Inc.</div> <div>• Concluded a basic agreement to collaborate ahead of entry into the wood resources-derived bioethanol business with Sumitomo Corporation and Green Earth Institute Co., Ltd.</div> | <div>▶ P.34–37</div> | |
| | | | Reformation of structure of foundation businesses | <div>Stronger competitiveness of the Paper and Paperboard Business<ul style="list-style-type: none">Concentrate graphic paper production sites to about three locations</div> | | <div>• (Paper) Decided to halt the N1 paper machine and withdraw from the Paper Business at the Akita Mill</div> <div>• (Paperboard) Strengthened cost competitiveness of containerboard (Fuji Mill) and special paperboard (Soka Mill, Ashikaga Mill)</div> | <div>▶ P.60–61</div> <div>▶ P.62</div> | |
| | | | Expansion in overseas markets | <div>Overseas sales ratio of 30% or more</div> | | <div>• Overseas sales ratio: 29%</div> <div>• Established a manufacturing and sales subsidiary of CMC for LiB in Hungary</div> <div>• Plan to start operations of Opal's new corrugated box plant in the state of Victoria, Australia, in FY2024/3</div> | <div>▶ P.63–64</div> | |
| | Enhancement of corporate governance | Stronger functions of the Board of Directors | | <div>Improvement of effectiveness of the Board of Directors</div> | | <div>• Reported on important projects to the Board of Directors, etc., strengthened follow-up</div> | <div>▶ P.44–47</div> | |
| | Coexistence with local communities and society Communication with stakeholders | Assurance of transparency in corporate management | | <div>Public and fair disclosure of Company information</div> | | <div>• Environmental risk communication: 14 cases (production sites in Japan)</div> <div>• Meetings between outside directors and institutional investors: 1 time</div> | <div>▶ P.49–51</div> | |
| | | | | | | | | |

Message from the Executive Officer Responsible for Finance



Achieving the Medium-Term Business Plan 2025, strengthening profitability and the ability to generate cash, and improving our financial position

Tomoyasu Itakura

Director, Executive Officer,
and General Manager,
Financial Division
Nippon Paper Industries Co., Ltd.

Looking back at FY2023/3, supply chains were disrupted on a global scale due to Russia's invasion of Ukraine, which resulted in tremendous surges in prices for raw materials and fuel, particularly coal prices. In response to this unprecedented situation that was far more significant than anticipated, the entire Group shared a sense of crisis. We established three priority tasks, those being "Accelerate reduction of coal consumption," "Structural reform of the Paper Business," and "Improve the profitability of Opal," and carried out various measures that will be explained later with a sense of urgency.

In FY2023/3 results, due in part to the fact that the results of the measures did not fully materialize within the fiscal year, we posted the first full-year operating loss since becoming a listed company. However, we anticipate a return to profitability of ¥24.0 billion in FY2024/3, when the results will fully appear ([Fig. 1]). I believe that we have returned to the Medium-Term Business Plan 2025's track, and were able to draw a path

toward achieving our target of ¥40.0 billion in operating income at an early stage.

Promoting Cost Reduction,
Including Reduction of Coal Consumption

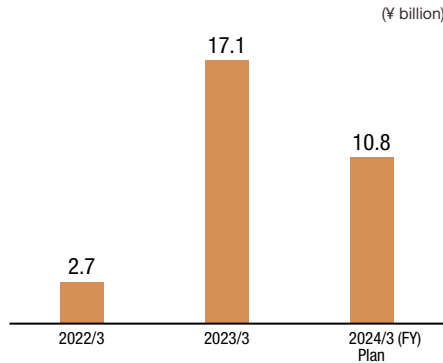
We reevaluated our production structure for graphic paper, which continues to see dwindling demand in FY2023/3, and

[Fig. 1] Result Highlights (¥ billion)

| | FY2022/3 Results | FY2023/3 Results | FY2024/3 Plan |
|------------------|------------------|------------------|---------------|
| Net sales | 1,045.1 | 1,152.6 | 1,230.0 |
| Operating income | 12.1 | (26.9) | 24.0 |
| Ordinary income | 14.5 | (24.5) | 18.0 |
| Net income* | 2.0 | (50.4) | 15.0 |

* Profit attributable to owners of parent

[Fig. 2] Trends in Cost Reductions
(Total of Paper and Paperboard Business
and Daily-Life Products Business)



halted the N6 paper machine at the Ishinomaki Mill and the N1 paper machine at the Akita Mill. With regard to cost reduction, we launched a project to reduce coal consumption, and undertook Company-wide efforts such as stopping new purchases of Russian-produced coal, energy saving measures, and fuel conversion and maximization of the usage of black liquor. As a result, we reduced coal consumption by 360,000 tonnes and cut coal-related costs by approximately ¥8.0 billion year on year. In addition, we further reduced fixed costs by reorganizing our production structure and improved costs by stabilizing operations. These efforts are expected to result in cost reductions of more than ¥30.0 billion over a span of three years from FY2022/3 to FY2024/3 ([Fig. 2]).

However, it was difficult to absorb the impact of surging prices for raw materials and fuel solely through self-help efforts, so in FY2023/3 we conducted multiple price revisions over a wide range of Group products. As a result, net sales in FY2023/3 increased in all segments for a total of ¥1,152.6 billion. By segment, the percentage of net sales from businesses other than the Paper and Paperboard Business, such as the Daily-Life Products Business, surpassed 50% for the first time. The movement of the business structure transformation that we are pursuing under the Medium-Term Business Plan 2025 is appearing in net sales, and I feel confident about this.

On the other hand, operating income decreased significantly in the Paper and Paperboard Business, Daily-Life Products Business, and Energy Business as the business environment continued to be severe due to factors including surging prices of raw materials and fuel and depreciation of the yen. Despite higher profits in the Wood Products and Construction-Related Business, we ended up with the unfortunate result of an overall loss of ¥26.9 billion.

In addition, although we actively pursued sales of cross-shareholdings and recorded gain on sales of investment securities under extraordinary income, in extraordinary losses, we also recorded impairment loss due to the decision to stop the N1 paper machine at the Akita Mill and other facilities, expenses brought on by voluntary retirement and loss on Opal's withdrawal from the Graphic Paper Business. As a result, we recorded a net loss of ¥50.4 billion.

[Fig. 3] Reevaluation of Financial Targets in the Medium-Term Business Plan 2025

| | MTBP 2025 Targets (original) | MTBP 2025 Targets |
|------------------------|---|---|
| Net sales | FY2026/3 ¥1,100.0 billion | FY2026/3 ¥1,200.0 billion or more |
| Operating income | ¥40.0 billion or more at an early stage | ¥40.0 billion or more at an early stage |
| EBITDA | Stably ¥100.0 billion | Stably ¥100.0 billion |
| Net debt/equity ratio* | FY2026/3 1.5–1.6 times | FY2026/3 1.7–1.8 times |
| ROE | FY2026/3 5.0% or more | FY2026/3 5.0% or more |

* • Adjusted net debt/equity ratio = (Net interest-bearing debt – Equity-type debt) / (Shareholders' equity + Equity-type debt)
• Equity-type debt: The amount of debt financed by hybrid loans that has been recognized as equity credit by ratings agencies (50% of the financed amount)

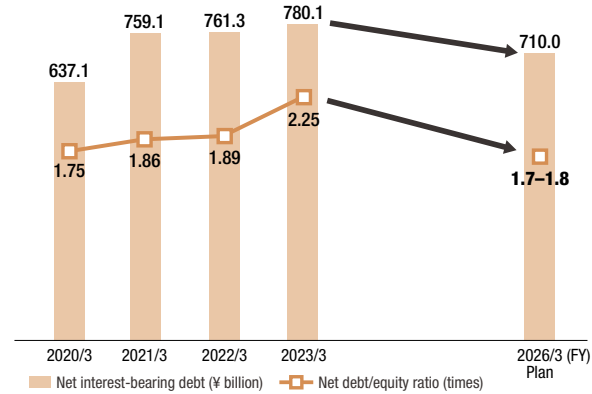
Rebuilding the Opal Business

In order to achieve the Medium-Term Business Plan 2025, in FY2024/3 we are working on improving profitability of the Daily-Life Products Business, strengthening competitiveness of the Graphic Paper Business, accelerating reduction of GHG emissions, and improving our financial position as priority issues based on a basic strategy of acceleration of the business structure transformation. With regard to the Daily-Life Products Business, we are focused on the expansion of net sales and the recovery of the operating income margin, for which rebuilding the Opal business will be particularly critical.

After completing our purchase of the Opal business in FY2021/3, we suffered a loss for two consecutive years due to the spread of COVID-19 and the impact of logistics turmoil, but declared that we would achieve profitability in FY2023/3 by enacting price revisions and cost reductions. However, in November 2022, the supply of wood, a key raw material of graphic paper, suddenly came to a halt in Australia, so we decided to shut down related facilities at the Maryvale Mill and withdraw from the Graphic Paper Business. In addition, prices for raw materials and fuel and logistics costs surged even higher, so we were unable to realize positive results.

We expect to post a significant loss in the first half of FY2024/3 due to the phased rationalization of personnel as a result of the suspension of graphic paper production, but will promptly complete withdrawal from the Graphic Paper Business, including the rationalization of personnel, by the end of 2023 and capture demand for corrugated boxes in Australia, where positive growth is expected. Going forward, we will construct a highly efficient operating system at the Maryvale Mill as a mill specializing in base paper for packaging. Furthermore, alongside a new corrugated box plant that began operating in August 2023, we will also strive to strengthen competitiveness and increase earnings by taking advantage of our integrated package production system from raw material procurement to processing. Through these measures, we plan to rebuild the Opal business and return it to profitability on a single-month basis in the second half of FY2024/3 and generate stable earnings in FY2025/3 and beyond.

[Fig. 4] Compression of Net Interest-Bearing Debt and Improvements to Net Debt/Equity Ratio

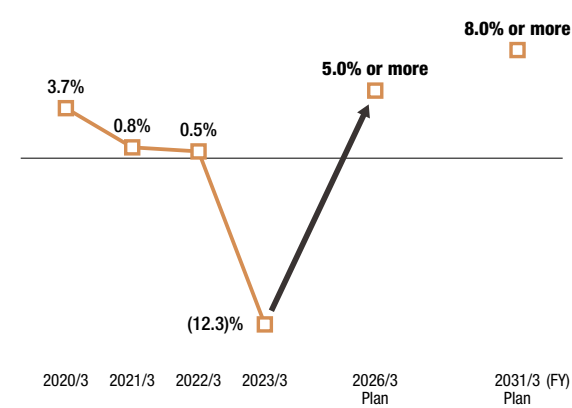


Reevaluating the Financial Targets of the Medium-Term Business Plan 2025

In addition to the fact that FY2024/3 is the halfway point of the Medium-Term Business Plan 2025, many of the assumptions, including the prices of raw materials and fuel, have changed significantly since the plan was formulated, so we have redrawn the roadmap to FY2026/3 ([Fig. 3]).

Net sales in FY2023/3 totaled ¥1,152.6 billion, surpassing the net sales target of ¥1,100.0 billion in FY2026/3 set forth in the Medium-Term Business Plan 2025. From FY2024/3 onward, net sales are expected to grow due in part to the aforementioned new corrugated box plant at Opal, and the installation of the No. 3 paper machine at Crecia-Kasuga and the launch of the Crecia Miyagi Mill in the Household Paper and Healthcare Business, so we revised the net sales target of the Medium-Term Business Plan 2025 to ¥1,200.0 billion or more.

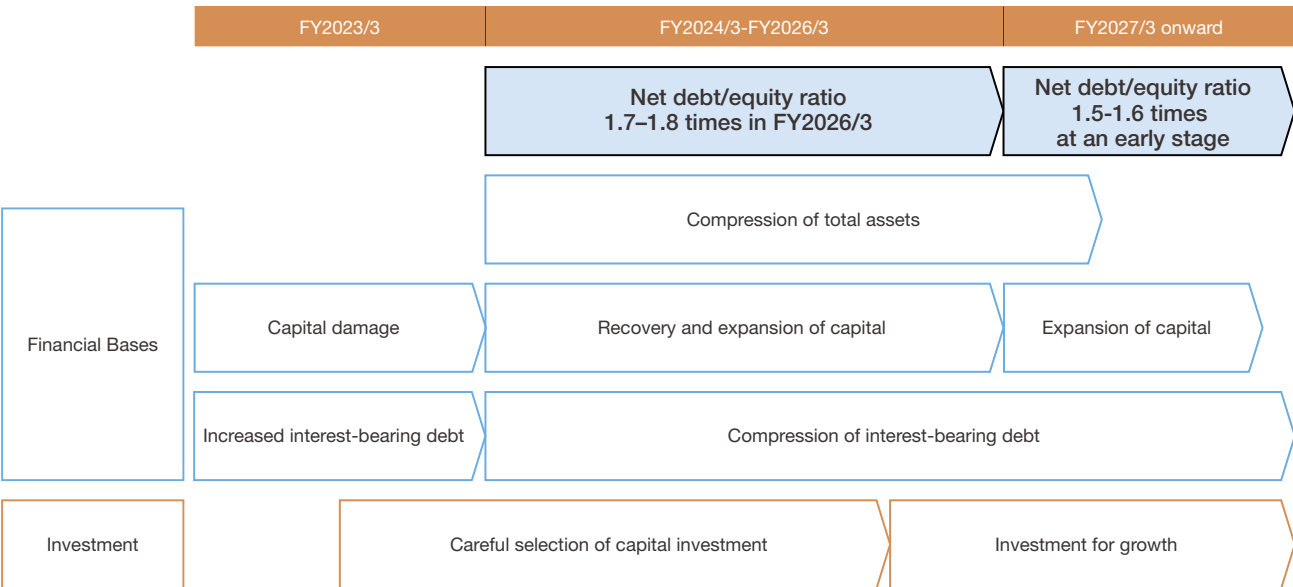
[Fig. 5] Improvements to ROE



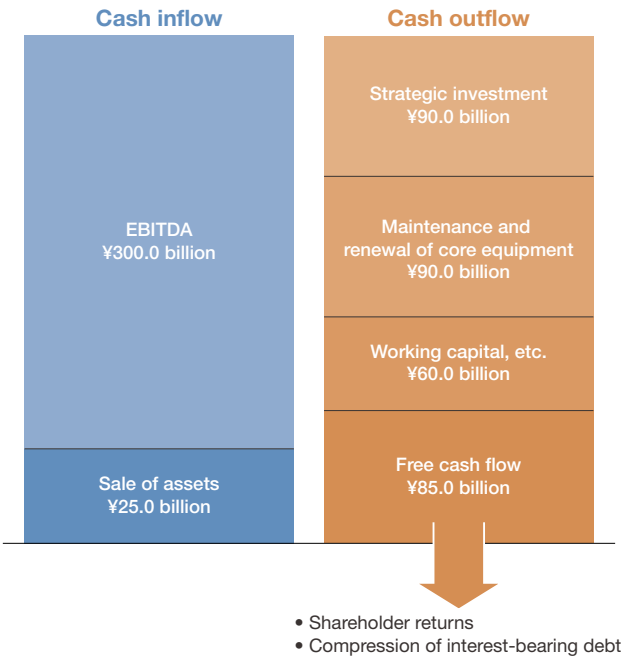
In Medium-Term Business Plan 2025, we have established a goal of achieving operating income of ¥40.0 billion or more at an early stage. Our thinking that if we achieve this operating income, EBITDA will reach ¥100.0 billion remains the same as before. The timing of achieving operating income of ¥40.0 billion will be slightly different from what we initially envisioned, but the path back to the track of the Medium-Term Business Plan 2025 is within view. Our targets of operating income of ¥40.0 billion or more at an early stage and stably reaching EBITDA of ¥100.0 billion remain unchanged.

However, in FY2023/3, we recorded a loss of over ¥50.0 billion, and net interest-bearing debt increased to ¥780.1 billion ([Fig. 4]). This caused financial discipline to deteriorate, and the net debt/equity ratio increased to 2.25 times. Going forward, as we approach FY2026/3, we will strive to improve the net debt/equity ratio by compressing interest-bearing debt and restoring capital starting from FY2023/3 as a baseline. Since it

[Fig. 6] Overview of Capital Strategy



[Fig. 7] FY2024/3-FY2026/3 Cash Flows



has become difficult to achieve the original target of 1.5-1.6 times, we have revised the target to 1.7-1.8 times and aim to reduce net interest-bearing debt to ¥710.0 billion.

Our target for ROE remains unchanged at 5.0% or more ([Fig. 5]). We believe that this is an achievable figure even with the newly envisioned path. Beyond that, we will continue to promote initiatives that emphasize profitability in order to reach our goal of 8.0% or more in the 2030VISION.

Additionally, in the 2030VISION, we set a target of reducing GHG emissions by 45% from FY2014/3 by FY2031/3. However, based on the prospect that our reduction target can be achieved ahead of schedule through preexisting initiatives, we decided to raise the target value from a reduction of 45% to 54%.

Improvements to Financial Position

As previously mentioned, we have set forth improving our financial position as a priority task for FY2024/3 to FY2026/3 ([Fig. 6]). From the perspective of our financial base, we will focus on three key areas: compression of total assets, recovery and expansion of capital, and reduction of increased interest-bearing debt. In terms of investment, while we naturally recognize the need to invest for growth, we intend to proceed with capital investment after careful selection over the next one to two years. Based on these policies, we have projected cash flows for the next three years ([Fig. 7]).

With regard to cash inflows, we will achieve a minimum EBITDA of ¥300.0 billion over the three-year period from FY2024/3 to FY2026/3 by achieving operating income of ¥40.0 billion at an early stage and securing stable EBITDA of ¥100.0 billion. Additionally, we will generate approximately ¥25.0 billion in cash over the three-year period through the sale of assets, including strategic cross-shareholdings.

With regard to cash outflows, we prioritize environmental investments that will help to reduce GHG emissions among strategic investments. Other investments will be carefully selected and projects will be scaled back, postponed, or compressed, including the use of subsidies. For equipment maintenance and renewal, we will maintain stable operations by prioritizing investment in core equipment such as power and recovery and fiberlines. We also intend to address investments related to future growth and environmental measures with a view toward the 2030VISION, which is further beyond the Medium-Term Business Plan 2025. In addition, we forecast approximately ¥20.0 billion annually for working capital, tax expenses and interest expenses, for a total of ¥60.0 billion over three years.

Free cash flow from FY2024/3 to FY2026/3 is expected to reach approximately ¥85.0 billion. Among that amount, we intend to appropriate ¥70.0 billion for compressing interest-bearing debt.

Improvements to financial conditions will not simply end with the Medium-Term Business Plan 2025. From there, we will continue to strengthen our ability to generate cash flows, increase capital, and compress total assets and interest-bearing debt. On top of this, we intend to draw up a solid scenario that will lead to the achievement of the 2030VISION backed by solid figures.

To Our Shareholders, Investors, and Stakeholders

The basic strategy aimed at achieving the targets of the Medium-Term Business Plan 2025 is acceleration of business structure transformation. I would like to emphasize once again that carrying this out with a sense of urgency will help to achieve the 2030VISION beyond the Medium-Term Business Plan 2025. Nippon Paper Group possesses many interesting materials that may potentially drive growth, such as cellulose nanofibers (CNF) and bioethanol, which is used as feedstock in Sustainable Aircraft Fuel (SAF).

During the remaining three years of the Medium-Term Business Plan 2025, I will work to present to our stakeholders a vision of our Group's growth, and recognize that it is my mission as the officer in charge of finance to ensure that we are on the right path to achieve this goal while giving due consideration to financial discipline.

Human Resource Strategy

Nippon Paper Industries aims for the growth of both employees and the Company through the three pillars of “human resource development,” “personnel allocation,” and “securing and retaining personnel.”

Basic Stance

Nippon Paper Industries has set the principle of instilling pride in employees as a requirement of its Vision for the Group Mission. Pride is fostered by enjoying a sense of social contribution gained through the promotion of business activities, improving individual skills and realizing personal growth through careers, and motivation to work in the workplace and a sense of fulfillment in compensation and treatment. Working cheerfully means that employees work positively without fear of drastic changes in the external environment. To fulfill this

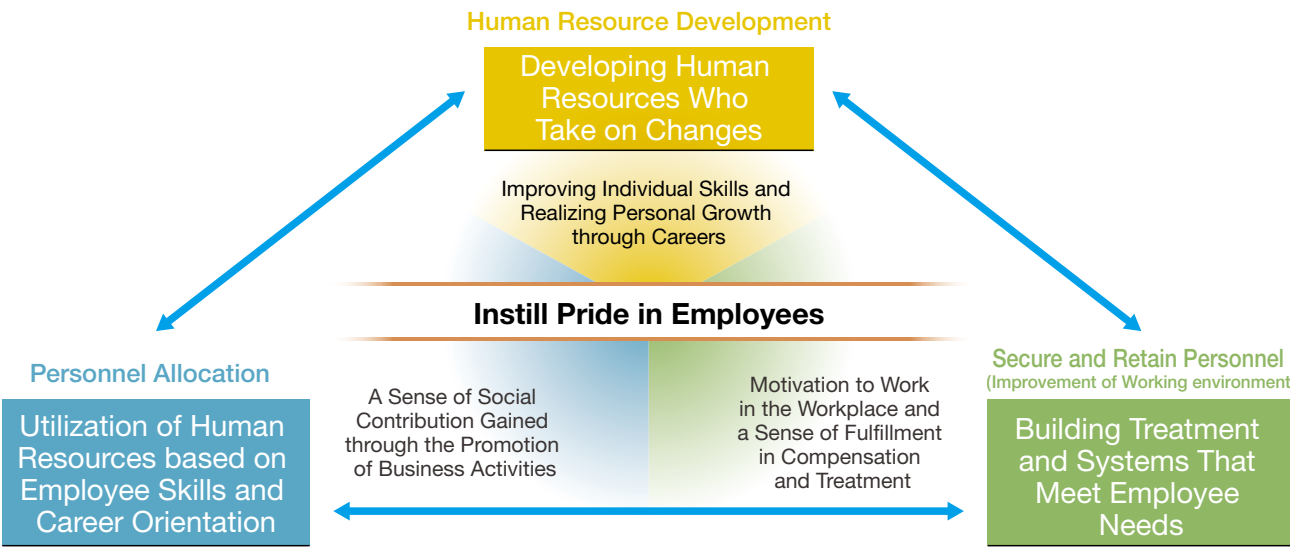
requirement, it will be necessary to improve engagement. The Company defines engagement as “a relationship in which both employees and the Company can grow together.” In order to work on accelerating the transformation of the business structure, which is the basic strategy of the Medium-Term Business Plan 2025, and realize the 2030VISION, the Company has adopted a three-pillared human resource strategy. It will improve engagement by taking various measures based on this human resource strategy.

Three-Pillar Approach to the Human Resource Strategy

The Company’s human resource strategy consists of three pillars: human resource development, personnel allocation, and securing and retaining personnel (improvement of internal environment). It will focus on developing, securing, and retaining human resources, as well as promoting the utilization of human resources, including shifting human resources to growing businesses, to encourage the growth of both employees and the Company. While all three pillars are significant and contain elements that are interlinked and cyclic, as the current basic strategy of the Medium-Term Business Plan 2025 is to accelerate the

transformation of the business structure, the most important issue is the development of human resources who take on changes under the pillar of human resource development. The declining working population and mobility of human resources in today’s society make it difficult to secure human resources. In this situation, the Company will further expand the job responsibilities of talented human resources who have accumulated advanced skills in existing businesses, and accelerate their re-training and reallocation as human resources who can adapt to the launch of new businesses and the mass production of new products.

Three-Pillar Approach to the Human Resource Strategy



Human Resource Development

The Company is working to develop human resources who take on change as an investment in human capital to promote transformation of the business structure and yield results. The Company will take various measures to nurture employees who will be the source of expanding profitability of growing

businesses and reinforcing competitiveness of foundation businesses, while also enabling employees themselves to improve their individual skills and realize personal growth through their careers.

Introduction of In-House Side Jobs System

The Company introduced an In-House Side Jobs System in FY2023/3 to achieve the following four goals: (1) Boosting employee motivation, (2) Fostering a corporate culture of taking on challenges and enhancement of organizational capabilities, (3) Accelerating the creation of innovations and promotion of various issues, and (4) Developing next-generation human resources with wide-ranging perspectives and mindsets. This system will allow employees to try out the work of another department they are interested in (side occupation)

while remaining in their own department (main occupation). In FY2023/3, 28 employees used this system and enthusiastically worked on coming up with new ideas at their side occupations by participating in projects related to new businesses. Employees who participated in the system said that they were able to gain a new perspective that was different from their main occupation and learn about work procedures, and they got to see their own department objectively from their side occupation.

Selective Education

The Company offers a training course for middle management and training course for line leaders to select young and mid-career employees and train them to be candidates for management positions at mills and business sites that support foundation businesses. The training course for middle management is a system that supports young employees who wish to go on to university, for the purpose of cultivating the next generation of

leaders in its mills and business sites. The training course for line leaders is a system to select and educate experienced mid-career technicians with excellent skills at an early stage. For those in management positions, in addition to the assessment training which has traditionally been held at times of appointment and promotion, the Company selected a class of mill managers and conducted business skill training in July 2023.

New Career Development Support

The Company supports the autonomous development of its employees by implementing hierarchical training, optional training, and a professional qualification incentive system. In FY2024/3, it is conducting a new type of training for the career design and career advancement of young employees. To secure further global human resources, the Company will strengthen the development of human resources who take on the challenge of overseas business, such as expanding the scope of the overseas company dispatch

course (trainee system), which was aimed at young technical career-track employees, to all career-track employees. The Company will also provide recurrent education to supplement knowledge and thinking for management executive candidates who are taking on challenges in fields different from their previous careers. Through these initiatives, the Company will continue to support the growth of its employees toward new career development.



Training of newly graduated career-track employees in FY2024/3 (Group companies joint training)

Main Education and Training System (Nippon Paper Industries)

| | |
|-------------------------------|--|
| OFF-JT | Hierarchical Training (Training for new employees, training for new supervisors, promotion and appointment training, elective training, etc.) |
| | Optional training (Distance learning, group training, a professional qualification incentive system, etc.) |
| | Overseas site dispatch system, training course for middle management, assessor training, and other |
| On-the-job training, rotation | |

Personnel Allocation

In allocating personnel, the Company places importance on the utilization of human resources based on employee skills and career orientation. In addition to shifting human resources to new businesses and growing fields, it also reallocates human

capital, including those who support existing businesses. In this way, the Company will work to ensure that its employees feel a sense of social contribution gained through the promotion of business activities.

Reallocation from Graphics Paper to Growing Businesses

In order to promote transformation of the business structure, the Company has been reallocating personnel engaged in the Graphic Paper Business to new and growing businesses. To date, the Company has reallocated personnel to growing fields (power generation and household paper) in the Hokkaido and Fuji regions to quickly launch businesses and stabilize operations.

The Company is planning to start up a new household paper facility at the Ishinomaki Mill. Personnel who were previously engaged in operating the Ishinomaki Mill's N6 paper machine, which was shut down in 2022, will be reallocated to the facility. In preparation for an early launch, they are currently undergoing training at Nippon Paper Crecia's mill to acquire operational skills.

Proactive Appointment of Local Human Resources to Mill Executives

In order to secure core human resources for existing businesses, the Company will train talented local human resources working at mills and other facilities (→P.31 Selective Education) and actively promote them to management positions at mills. In addition to the technical exchange meetings between mills that have been held in the past, the Company is also working to increase educational opportunities to further improve local human resources.

Area Assignment for Career-Track Employees

In order to promote the utilization of human resources based on career orientation, the Company has begun considering the introduction of a Regional Career-Track Employment System from October 2024 in its action plan (April 2023–March 2025) based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

Securing and Retaining Personnel (Improvement of Working Environment)

The Company is promoting organizational development that enables diverse work styles and allows diverse human resources to maximize their potential. The Company is promoting the creation of treatment and systems that meet employee needs and working to enable employees to feel motivation to work in the workplace and a sense of fulfillment in compensation and treatment.

Building Treatment and Systems for Securing Human Resources

In order to promote diversity and respond to changes in the environment, such as a pandemic, the Company is improving the working environment and reviewing work systems to

promote diverse work styles. The Company is striving to reduce total working hours by reconsidering work styles and improving operational efficiency.

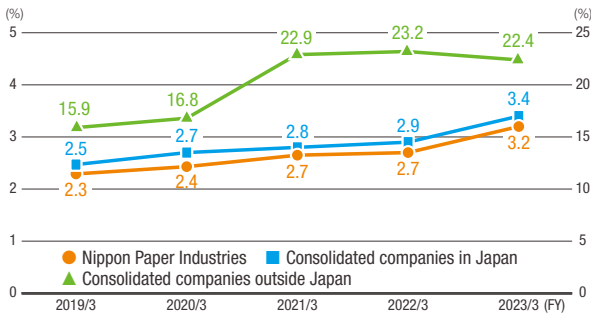
Systems Introduced/Revised (Nippon Paper Industries)

| FY2022/3 | FY2023/3 | FY2024/3 |
|--|---|--|
| <ul style="list-style-type: none">Elimination of the core time (the time during which employees must be at work) of the flextime systemIntroduction of a system to work from home (permanent system)Introduction of a system for taking annual paid leave in hourly increments | <ul style="list-style-type: none">Expansion of the scope of expired annual paid leave to absence from work related to fertility treatment and pregnancy and intermittent absence from work associated with treatment of a diseaseExtension of a period of application of childcare support measures, etc.Revision of the salary increase rule for those who have taken childcare leave or nursing care leaveIncrease in the number of days of annual paid leave granted upon joining the Company by 2 days (from 14 days to 16 days) | <ul style="list-style-type: none">Increase in the number of days of annual paid leave granted to employees who have worked for less than 5 years to a uniform 20 days per year |

Active Roles for Diverse Personnel

The Company aims to maximize the potential of its diverse human resources. In terms of women's advancement, it is working to create an environment conducive to achieving the goals set forth in the Action Plan for the Advancement of Women. The Company recruited very few female employees in the past, so improving the ratio of female employees in management will take time, but the number of female employees recruited as career-track employees and the number of workplaces where female employees are assigned are both on the increase.

Ratio of Female Employees in Management



Indicators Related to Human Resource Development and Internal Environment Improvement

| Indicators | Targets | Progress in FY2023/3 |
|---|---|---|
| Retention rate after 10 years of employment | 80% or higher (by FY2031/3) | Retention rate of employees who joined the Company in 2012 63.4% |
| Ratio of female career-track hires | 40% or higher (by FY2026/3) | Ratio of female employees among new graduates in career-track hires in FY2024/3 48.8% |
| Total working hours per year | 1,850 hours/year or lower (by FY3031/3) | 1,884 hours/year |
| Ratio of annual paid leave taken | 70% or higher | 78.4% |
| Ratio of diversity promotion system usage* | 70% or higher | 93.2% |

* Ratio of head office employees who have used systems that promote diversity (flextime system, system for taking annual paid leave in hourly increments, and system to work from home) during the current fiscal year

Occupational Safety and Health

Nippon Paper Group
ESG Databook 2023

Basic Stance

In order to instill pride in employees, it is necessary to ensure the safety and health of employees at each of the Group's locations and to maintain sound management. The Group formulated a Philosophy and Basic Policy on Safety and Health Measures and constructed a system for occupational safety and health under which all employees and members of management are united. It maintains the health of employees, realizes a comfortable and friendly working environment and helps to prevent disasters.

The Nippon Paper Group Safety and Disaster Prevention

Committee, which is chaired by the General Manager of the Technical & Engineering Division, supervises occupational safety and health and disaster prevention activities and reports on these to the Risk Management Committee. The Group has established a communication system between the mills and the head office as well as the departments within the head office in the case of a disaster. The Group has also established and operates a system to report necessary information to the Nippon Paper Group Safety and Disaster Prevention Committee and top management.

Initiatives for Preventing Work-Related Accidents

Guided by its mission of ensuring that nobody is injured within the premises of its mills, the Group works closely with labor unions and partner companies to prevent work-related accidents. Top management conveys this mission to employees through lectures during the new-year period, visits to mills, in-house newsletters, and other means.

Moreover, the Group implements its own system (NPSS*) for continuously pursuing occupational safety and health management activities at the organizational level. By doing

so, the Group strives to improve safety and health levels through the prevention of occupational accidents, promotion of workers' health, and creation of comfortable work environments.

Additionally, in 2020, the Company established a medium-term management plan centered on safety initiatives (2020–2025) as part of efforts to construct a foundation for preventing work-related accidents.

* Nippon Paper Occupational Safety and Health Management System

Early Positive Contribution from New Businesses and Innovative Materials

Leveraging its technological capabilities to develop new cellulose applications, Nippon Paper Group will accelerate the transformation of the business structure and contribute to the creation of a circulation-oriented society.

Basic Stance

As a comprehensive biomass company, Nippon Paper Group develops business that utilizes renewable wood resources at many stages. It has set “reallocate management resources to growing businesses” as a basic policy of its 2030VISION and

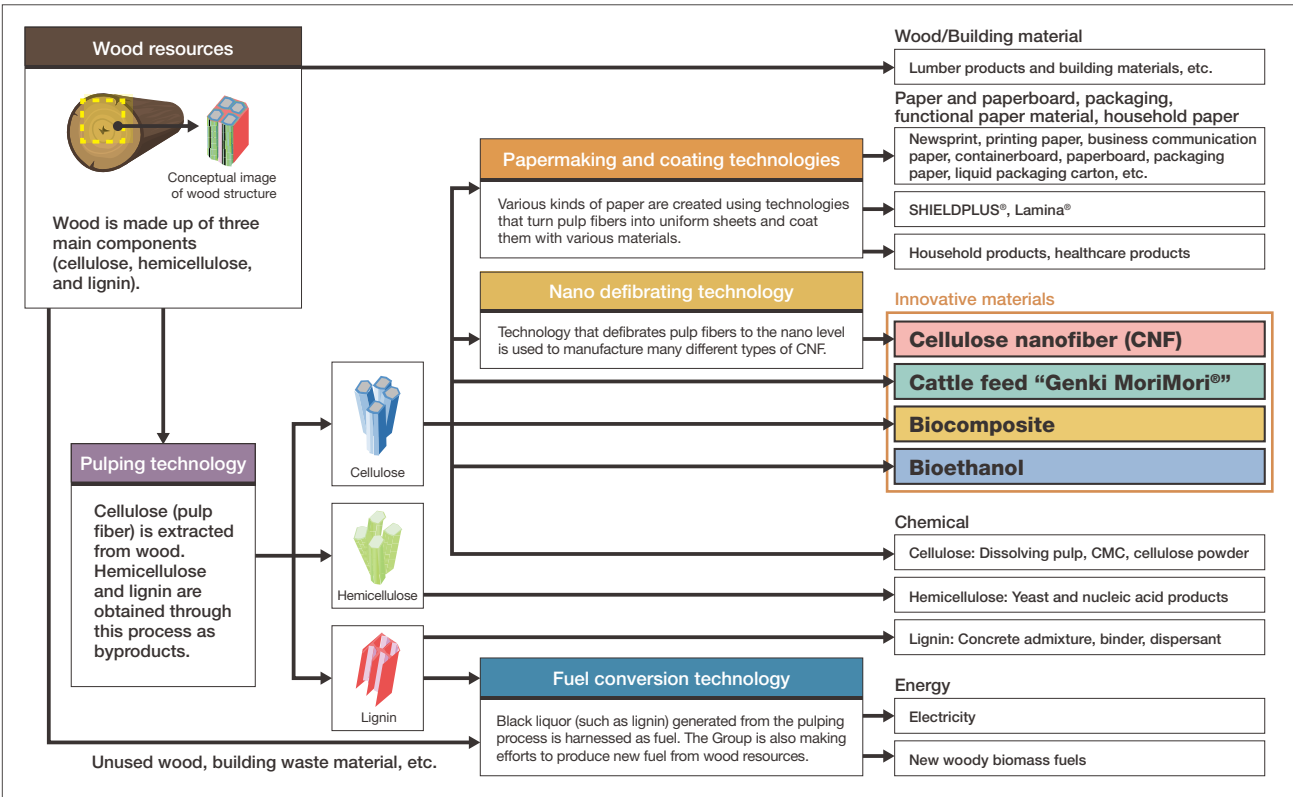
aims for an early positive contribution from new businesses and innovative materials by maximizing the use of its accumulated technologies and know-how and strengthening cooperation both within and outside the Company.

Development of Products and Innovative Materials Utilizing Wood Resources

Trees are a renewable resource that absorb and fix CO₂ through photosynthesis as they grow. Products made from wood resources can be recycled by extracting wood fiber after they are used. Non-recyclable products can be utilized effectively for fuel, and the CO₂ emitted during their combustion is considered to be carbon neutral, since it is derived from the carbon absorbed by trees from the atmosphere and does not result in an increase in CO₂. In addition, the biodegradability

and other properties of wood help it play a variety of roles in creating a circulation-oriented society. The Group is developing a variety of biomass products using wood resources as raw materials. In particular, we are focusing on expanding our businesses in cellulose nanofibers (CNF), cattle feed, biocomposites, and bioethanol, which are new materials that utilize technologies cultivated in the manufacture of paper and chemical products.

Products Generated from Technology that Maximize Use of Wood Resources



Responding to Challenges for 2030

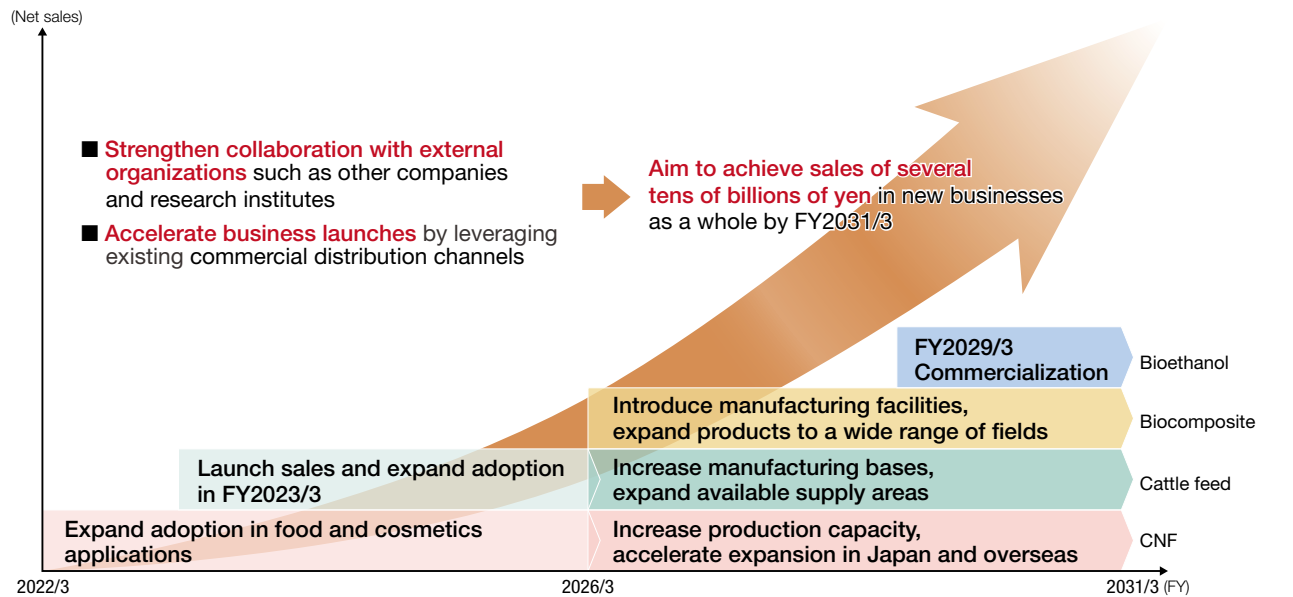
The Biomass Material Business Division, established by Nippon Paper Industries in 2021, is working towards the realization of the 2030VISION by leading the improvement of internal and external collaboration. In this context, it analyzed

the business environment for CNF, cattle feed, biocomposite, and bioethanol, and identified challenges to respond to by 2030. The Group will leverage its strengths to address these challenges.

| | Nippon Paper Group's Strengths | Progress as of FY2023/3 | Challenges and Responses toward 2030 | |
|--------------|---|--|--|--|
| | | | Challenges | Responses |
| CNF | <ul style="list-style-type: none">Diverse CNF production technologiesDevelopment into diverse applications utilizing the Group's commercial distribution channelsJoint research with external parties | <ul style="list-style-type: none">Significant increase in adoption, mainly for food and cosmetics applicationsExpanded adoption of CNF-reinforced resinPromoting efforts to introduce natural rubbers containing CNFContinued development of CNF-based electricity storage body | <ul style="list-style-type: none">Production capacity to meet increased demandProduct storage method and transportation efficiencyExpansion of customersDevelopment of new applications | <ul style="list-style-type: none">Consideration of increasing production capacityDevelopment of new technologies, such as pulverizationExpansion of sales lineup including natural rubbers containing CNFOverseas expansion, including utilization of the Group's commercial distribution channelsStrengthening of collaboration with universities and other research institutions |
| Cattle feed | <ul style="list-style-type: none">Nationwide procurement network for domestic woodPulp manufacturing facilities and know-how | <ul style="list-style-type: none">Full-fledged production at the Iwanuma MillIncreased adoption by feed-producing facilities and livestock farmers | <ul style="list-style-type: none">Available supply area limited to eastern JapanDifferentiation from existing feed | <ul style="list-style-type: none">Consideration of expansion of manufacturing baseAccumulation of evidence of improved functionality |
| Biocomposite | <ul style="list-style-type: none">Pulverization technology | <ul style="list-style-type: none">Commenced joint study with Mitsui Chemicals, Inc.Promoted the development of materials that have a large effect on plastic reduction due to high blending of cellulose | <ul style="list-style-type: none">Improvement of functionalityAcceleration of developmentSecuring a promising market | <ul style="list-style-type: none">Collaboration with the resin industryExpansion into a wide range of fields including daily goods, containers, building materials, home appliances, and automotive components |
| Bioethanol | <ul style="list-style-type: none">Feedstock procurement capabilities optimal for mass production of cellulosic bioethanolManufacturing facilities and know-how that allow for mass production of pulp | <ul style="list-style-type: none">Started joint study with Sumitomo Corporation and Green Earth Institute Co., Ltd.Began developing cellulosic bioethanol derived from domestic woody biomass | <ul style="list-style-type: none">Establishment of technology for mass productionDevelopment of various applications and markets centered on SAF*Promotion of low LCA | <ul style="list-style-type: none">Efforts toward practical application by leveraging the strengths of the three companiesParticipation in a working group of the "Public-Private Council for the Promotion of Sustainable Aviation Fuel" |

* SAF: Sustainable Aviation Fuel. A fuel that can be used in the same way as conventional fuel and reduces CO₂ emissions

Roadmap for New Businesses and Innovative Materials



Current Status and Future Strategies for Early Positive Contribution

CNF (Cellulose Nanofiber)

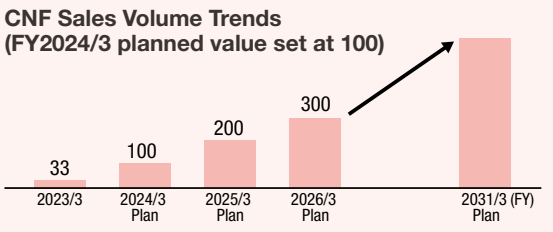
The CNF cellenpia® series is a new material created using technology that breaks down the fiber of cellulose extracted from wood resources to the nano-level. The Company's strength is its technology to develop a wide variety of CNFs and can be applied to a wide range of fields.

The number of applications in FY2023/3 increased by 60% over the previous year, and the mass production facilities at the Gotsu Mill, which mainly produces CNF for food and cosmetics, is on track to reach full capacity. In order to respond to further increase in demand in this field, it will consider expansion of production capacity and other efforts.



cellenpia® ELAS
(CNF compounded rubber masterbatch)

For industrial applications, the Company has identified promising fields including as recycled fiber modification and paper yarn. It intends to expand business not only



in Japan but also overseas by utilizing its commercial distribution channels. In addition, CNF has low-concentration water dispersion, which makes storage and transportation efficiency difficult. To solve these issues, it is developing new technologies such as pulverization.

In the future, the Company will expand its lineup of materials containing CNF, such as masterbatches for CNF compounded rubber. In addition, it has confirmed that the storage capacity of CNF power storage devices, which is being developed in collaborative research with Tohoku University, has improved more than 10 times that of the initial development stage, and it is aiming to exhibit a prototype at Expo 2025 in Osaka, Kansai.

Cattle Feed “Genki MoriMori®”

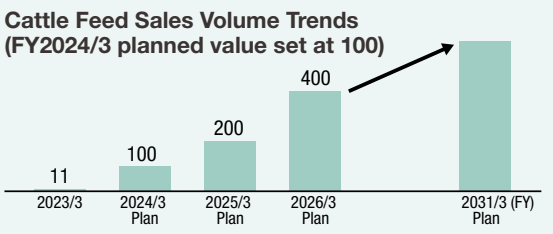
Cattle feed “Genki MoriMori®” is a new feed made from domestic wood. Utilizing pulping technology, lignin is removed from wood to leave only cellulose fiber for production.

In the domestic dairy and livestock industries, supply concerns have become apparent due to soaring prices of imported feed and logistics disruptions. Since Genki MoriMori® is mainly made from domestic wood, it is less susceptible to price fluctuation risks and supply concerns caused by overseas situations. In addition, the Group has built a nationwide procurement network for domestic wood,



Genki MoriMori®

enabling a stable supply throughout the year. Inedible wood resources can be converted into edible resources through dairy and livestock production,



which helps promote food self-sufficiency rate of livestock products.

It has accumulated evidence on the functionality of cellulose (improvement of dairy and livestock performance such as health maintenance, increased milk yield, improvement in breeding, and weight gain), and in FY2023/3, it started full-scale production and sales at the Iwanuma Mill. In the future, it will consider effective uses such as differentiation from existing feeds and mixing with existing feeds, and accumulate more evidence. The Company is also considering increasing its manufacturing base to expand business to other regions.

Biocomposite (Composite Material of Cellulose Powder and Resin)

Biocomposite is new composite materials made primarily from cellulose powder derived from wood resources, and have moldability similar to resin.

In 2019, the Japanese government formulated the “Resource Circulation Strategy for Plastics” to address the issues of marine plastic waste and climate change. The “Roadmap for Bioplastics Introduction,” which was subsequently formulated in 2021 with the aim of introducing sustainable bioplastics, states that about 2.0 million tonnes of biomass plastics will be introduced by 2030. Biocomposites, in which cellulose powder is kneaded with resin, are expected to contribute to the reduction of plastic usage and GHG emissions.

The Company has the manufacturing technology to provide a stable supply of high-quality cellulose powder. Viewing the functionality improvement of biocomposites and the acceleration of their development as a challenge it must tackle, the Company is working to develop materials in collaboration with the resin industry.



Cellulose powder to be kneaded with resin

In the future, it intends to speed up its efforts to develop the market through the supply of samples and other means, and it will expand biocomposite applications to a wide range of fields, including daily goods, containers, building materials, home appliances, and automotive components.

Bioethanol

Bioethanol is ethanol obtained from biomass and can be used as feedstock for SAF and chemicals. Producing ethanol from wood resources can help solve various social issues, such as improving energy self-sufficiency and energy security.

In February 2023, the Company concluded an MOU on collaboration with Sumitomo Corporation and Green Earth Institute Co., Ltd. (GEI) to begin trilateral consideration of the first commercial production of Cellulosic bioethanol from wood resources. The Company has distinctive technology and experience in utilizing large amounts of wood resources to produce several tens of thousands of kiloliters of bioethanol per year, and the Sumitomo Corporation Group has knowledge and skills of development and deployment of carbon-free energy sources such as hydrogen, ammonia, and next-generation biomass raw materials and fuel*, as well as for its promotion of green chemical*2 use. GEI has the technology to produce chemicals from biomass using microorganisms.

To achieve early commercialization, the three companies will work together and leverage their strengths to establish efficient mass production technologies, making the fact that Cellulosic bioethanol is a low LCA material a



Bioethanol production process (from left to right: wood chips, pulp, saccharification and fermentation culture medium, bioethanol)

significant value. In 2023, the Company was selected as a pilot operator for the “Authentication Task Group” within the “SAF Distribution Working Group” of the “Public-Private Council for Promoting the Introduction of SAF.” Going forward, it will promote the commercialization of cellulosic bioethanol business. It aims to start operations for Japan's first commercial wood resource-derived cellulosic bioethanol plant using domestic wood resources at one of its mills in FY2028/3. The plant is planned to have an annual production capacity of tens of thousands of kiloliters.

*1 Next-generation biomass fuels: Bioethanol, biojet, biogas, etc. produced from biomass (organic resources derived from renewable organisms, excluding fossil resources).
*2 Green chemicals: Chemicals with low environmental impact made from renewable resources instead of fossil fuels.

Response to Climate Change

In addition to the various impacts of climate change caused by the progression of global warming, Nippon Paper Group considers global trends based on the Paris Agreement and the policies of the Japanese government to be important factors affecting its management, and is working to reduce risks and take advantage of opportunities.

Basic Stance

Climate change is a social issue the world is confronting and the Nippon Paper Group's basic policy under 2030VISION is to “respond to the rapidly changing social landscape including greenhouse gas (GHG) emissions reduction and environmental issues” as the Group moves forward on measures to mitigate and adapt to climate change, centering on GHG reduction.

Based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations that the Group endorsed in 2021, the Group is conducting multiple scenario

analyses assuming a rise in temperature, setting indicators and targets, and working on countermeasures to reduce risks and seize opportunities that leverage its strengths. The Board of Directors of Nippon Paper Industries receives reports from the Risk Management Committee (→P.52) and the executive officer in charge of GHG emissions reduction and promotion of environmental management on these activities and supervising operations.

Scenario Analysis and Strategy

For the scenario analyses, compared to pre-industrial levels, two scenarios were used of the average global temperature rising 1.5°C and the other in which it rises by 4°C as of 2030 and 2050 and centered on the Group's business activities. Based on the results of the analyses, the Group will respond to

climate change issues by focusing on areas that are high risk or great opportunity under the 1.5°C scenario, “reduction of GHG emissions,” “utilization of forest resources” and “expansion of biomass products” (→P.34–37).

Risks and Opportunities as of 2030 (Some excerpts are shown below)

| Type of Risk | | | Phenomena with Impact on Financial Plans | Financial Impact | |
|-----------------|------------|---|--|------------------|--------------|
| | | | | 1.5°C Scenario | 4°C Scenario |
| Transition risk | Regulatory | Introduction of carbon pricing, etc. | • Rising carbon prices | High* | Low* |
| | | | • Increasing capital investment expenses for fuel conversion and energy saving | High | Low |
| Physical risk | Acute | Increase of catastrophic disasters | • Stoppage in the delivery of supplies and products as logistics networks are cut off | Medium–High | High |
| | Chronic | Rising temperatures and change of rainfall patterns, etc. | • Production stoppage due to damage at production sites | | |
| | | | • Increased price of forest resources and other plant-based materials due to frequent forest fires and a decline in plant growth | Medium | High |

* Carbon price impact Low: Less than ¥10.0 billion; Medium: ¥10.0 billion to ¥50.0 billion; High: ¥50.0 billion or more (qualitative evaluation except for carbon price)
Carbon pricing adopts IEA's Net Zero Mission scenario

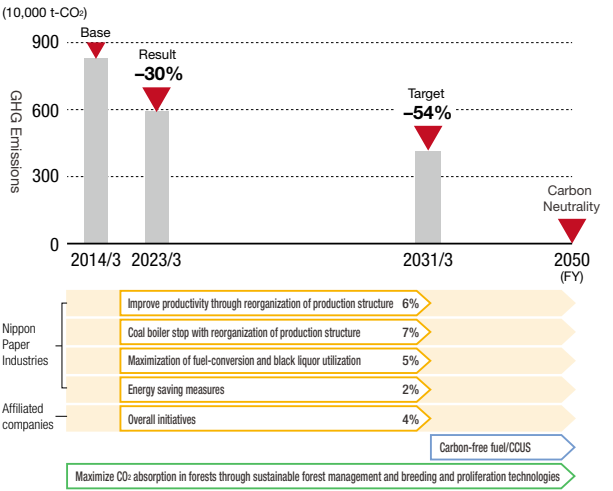
| Type of Opportunity | Phenomena with Impact on Financial Plans | The Group's Strengths | Market Growth | |
|--------------------------------------|--|---|-----------------------|-----------------------|
| | | | 1.5°C Scenario | 4°C Scenario |
| Introduction of carbon pricing, etc. | • Storage batteries will spread and demand for raw materials for storage batteries will increase | • CMC technologies and production facilities • CNF technologies and production facilities | Significant expansion | Expansion |
| | • Demand for cellulose nanofiber (CNF) will increase due to the need to reduce the weight of automobiles | | | |
| | • Demand for forest absorption credits will increase | • Company-owned forests in Japan • Forest management, breeding and proliferation technologies | Significant expansion | Stable |
| Changes in market needs | • Demand for chemical raw materials using wood-derived CO ₂ will increase | • Biomass-derived CO ₂ supply infrastructure (recovery boilers) • Chemical CO ₂ fixation and utilization technology | Significant expansion | Stable |
| | • Demand for biomass materials and lignin products will increase as the need for paperizing increases due to decarbonization | • Woody biomass material development technology • Technologies to extract and utilize lignin • Technology for recycling unused wastepaper | Significant expansion | Expansion |
| | • Demand for domestic lumber will increase • Demand for elite tree seedlings will increase due to increased reforestation area in Japan | • Company-owned forests in Japan • Forest management, breeding and proliferation technologies | Expansion | Significant expansion |
| | • Demand for sustainable aviation fuel will increase | • Technology to produce pulp/cellulose | Expansion | Expansion |

Reduce GHG Emissions

Reducing GHG emissions is a pressing matter for the Group in response to climate change issues as the paper pulp industry is an energy-intensive industry that consumes significant energy and is highly vulnerable to the transition risks associated with the introduction of carbon pricing and energy policies. The Group is working to reduce GHG emissions through fuel conversion, energy saving, and reorganization of production structures, and since these initiatives are progressing steadily, the reduction scenario of 2030VISION was brought forward in May 2023 and the FY2031/3 target revised to a 54% reduction* in GHG emissions (Scope 1+2) compared to FY2014/3. Going forward, the Group will build an operations framework to realize fuel conversion and energy saving, and move forward on restructuring of the Paper Business in an integrated manner.

* Emissions related to production except for the Energy Business field

Plan for Shift to Carbon Neutrality

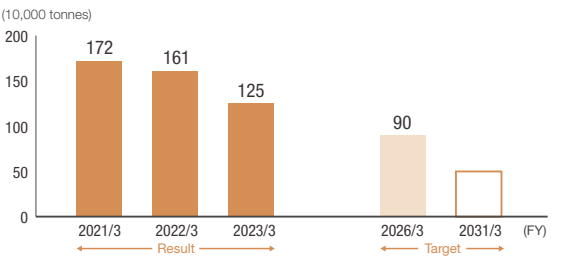


Fuel Conversion Initiatives

Since the second half of FY2022/3, prices of raw materials have increased globally, and the price of coal in particular has surged, directly affecting the Group's earnings. The Group is working to maximize production efficiency by reorganizing the Paper Business production structure and moving ahead on operations limiting the use of coal, such as fuel conversion, by utilizing the know-how it has accumulated until now in boiler technology using wood resources and waste materials as fuel. In FY2023/3, the Group launched a coal reduction project, and as a result of focusing on reduced coal consumption, had coal consumption of

1.25 million tonnes, 360,000 tonnes less than in FY2022/3.

Coal Consumption*



Initiatives to Reduce Coal Consumption

| Initiatives | Issues | Countermeasures |
|--|--|--|
| • Fuel conversion (transfer to biomass, waste and purchased electricity) • Coal boiler power limitation, utilized schedule of maintenance outages | Address change in operating methods accompanying fuel conversion, facility modifications | Utilize accumulated boiler technology know-how |
| | Stable procurement of fuels other than coal | Utilize the Group's internal collection network and maximize the use of black liquor |

Energy Saving Initiatives

Energy saving is an incredibly important measure in energy-intensive industries. The Group has set a target of improving total energy intensity in manufacturing by one percentage point or more compared to the previous fiscal year.

The Group has created a database of construction for energy conservation measures, and is working on energy

conservation measures from the perspectives of both facilities and operational management. Moreover, in paper production mills, large volumes of water are used in the production process to maintain quality, which results in energy loss. The Group always takes on the challenge of introducing new technologies with the aim to simultaneously save water and energy, as well as maintain quality.

Utilization of Forest Resources

Forests are vulnerable to the impact of climate change, which also makes this a risk factor for the Group, which develops products and services that maximize the use of wood resources. As a result of the scenario analysis, it is predicted that the growth rate will decrease due to temperature rise, the occurrence of forest fires will increase, the procurement cost will increase due to the increase in demand for biomass raw

materials, and stable procurement will become difficult. On the other hand, the revitalization of the carbon credit market is a significant opportunity for the Group, which manages many forests. The Group will respond to climate change issues through the utilization of forest resources using its accumulated proprietary technologies and know-how.

Stable Procurement of Woody Materials from Overseas

In the Group's overseas plantation business, from the standpoint of hedging risks, the Group believes not only in expanding area, but also increasing the amount of accumulation per area. The Group is moving forward on improving productivity in plantation areas and in securing new wood

resources. Improving productivity not only enables stable supply of raw materials and contributes to keeping costs down, but also leads to more efficient and greater CO₂ absorption, contributing to mitigate climate change.

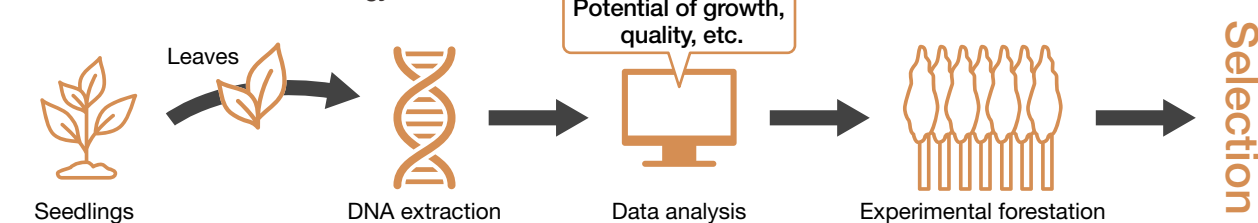
Improvement of Productivity

The Group has developed DNA marker selection technology to select eucalyptus plantation trees based on DNA information, enabling it to obtain superior trees with outstanding growth and quality at an early stage. Production of seedlings of varieties chosen through this technology started from FY2023/3. Furthermore, the Group will raise forest productivity through the plantation management know-how accumulated over many years in its forestry business.



Growth of tree varieties selected through DNA markers (AMCEL)

DNA Marker Selection Technology



Securing of New Forest Resources

The Group will leverage its productivity improvement technologies and expand the forests in which the Group can secure resources, centered on the Asian region. In 2022, the Group concluded a strategic partnership with Marubeni Corporation, which owns an expansive plantation areas in Indonesia. The aim is to increase forest growing stock by providing technical guidance to PT. Musi Hutan Persada (MHP), Marubeni's Indonesian forestry business company.

Target
Secure plantations of 100,000 hectares, mainly in Asia

Stable Procurement of Woody Materials from Japan

Under the 1.5°C scenario analysis, demand for domestic wood is forecast to increase as it becomes difficult to obtain woody materials from overseas and due to rising wood demand for biomass fuel and other uses. Meanwhile, the domestic forestry industry already confronts many issues, including a labor shortage and the increased costs of taking

measures against wild animals. For the Group, where domestic wood accounts for about 35% of the woody raw materials it procures, continuing to be able to utilize domestic wood in the future maintains the domestic supply chain and supports revitalization of the plantation business in Japan utilizing its unique technologies and company-owned forests.

Expansion of the Elite Tree* Seedlings Production Business for Forestry and Utilization of Company-owned Forests

The plantation business in Japan is dealing with the issue of a low reforestation rate due to an insufficient supply of seedlings and a labor shortage, high afforestation costs, and risks associated with long rotation period. The Group collaborates with the Forestry Agency, local governments and seedling companies in the elite tree seedling production business. As elite trees grow quickly after planting, afforestation costs are forecast to decrease by reducing the number of undercuttings and shortening the rotation period, thereby helping to solve the issues faced by the plantation business in Japan.

Moreover, the Group is planting elite trees in reforestation areas in company-owned forests as a model for the regeneration of the plantation business in Japan.

In FY2023/3, the Group newly established seed orchards or scion plantation for elite trees of cedar and cypress in the four prefectures of Tottori Prefecture, Hiroshima Prefecture, Shizuoka Prefecture and Oita Prefecture in addition to the existing facilities in Kumamoto Prefecture. The Group plans to accelerate expansion of the elite tree seedling production business nationwide and aims to build a production system of 10.0 million bottles by FY2031/3.



A container of seedlings for elite cedar trees



Elite cedar trees planted in Kitayama company-owned forests, Shizuoka Prefecture

* Strains of trees such as cedar, cypress, etc. that have excellent characteristics such as 1.5 times or greater growth or CO₂ absorption, and half or less the amount of pollen production

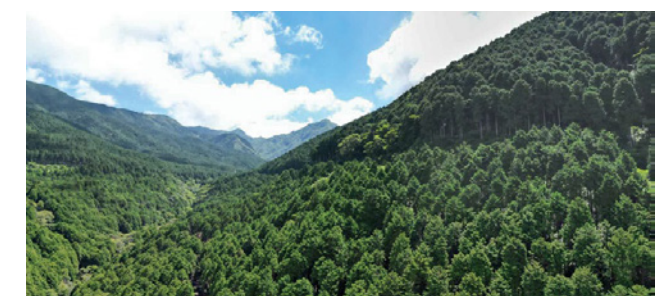
Generate Carbon Credits

As the world aims to achieve a carbon neutral society, the market for carbon credits is expected to expand as demand increases and the outlook is that demand for forest absorption credits will also rise in conjunction with this. From 2020 to 2022, the net absorption (absorption volume – logged volume) of company-owned forests in Japan and overseas plantation areas was 780,000 tonnes-CO₂, and the total amount of fixed

CO₂ at the end of 2022 was 31.0 million tonnes-CO₂. Apart from that, the amount of fixed CO₂ in the forests in the environmental protection zones established in its overseas plantation business is estimated at 10.0 million tonnes-CO₂, and the Group is investigating and examining these values and functions. The Group is taking part in the GX League from 2024/3 onward to maximize utilization of the lively carbon credit market.

Acquisition of J-Credit Certification through Aerial Surveying

The Group is promoting utilization of J-credits by closely monitoring revisions and other changes in forest management methods and working closely together with other associated parties. In FY2023/3, Kazaki company-owned forest in Shizuoka Prefecture acquired new J-credit certification. This was the first case in Japan of certification being obtained based on aerial surveying data, and utilizing publicly disclosed data from local governments can drastically reduce monitoring costs.



Kazaki company-owned forest, Shizuoka Prefecture

Directors and Audit & Supervisory Board Members (as of June 29, 2023)

■ Directors



Fumio Manoshira
Chairman
and Director

| Number of Company Shares Held |
|--|
| 48,438 shares |
| Brief History |
| 1953 Born |
| 1975 Joined Jujo Paper Co., Ltd. |
| 2006 Appointed Director, Nippon Paper Industries Co., Ltd. (NPI) |
| 2014 Appointed President and Representative Director, NPI |
| 2019 Appointed Chairman and Director, NPI (current position) |



Toru Nozawa
President and
Representative
Director

| Number of Company Shares Held |
|--|
| 29,357 shares |
| Brief History |
| 1959 Born |
| 1981 Joined Jujo Paper Co., Ltd. |
| 2014 Appointed Director, NPI |
| 2019 Appointed President and Representative Director, NPI (current position) |
| Important Positions |
| • President and Corporate Officer |



Masanobu Iizuka
Executive Vice
President and
Representative
Director

| Number of Company Shares Held |
|---|
| 12,449 shares |
| Brief History |
| 1960 Born |
| 1984 Joined Jujo Paper Co., Ltd. |
| 2019 Appointed Director, NPI |
| 2023 Appointed Executive Vice President and Representative Director, NPI (current position) |
| Important Positions |
| • Executive Vice President, Corporate Officer and Aide to the President |
| • President and Representative Director, Nippon Tokai Industrial Paper Supply Co., Ltd. |



Atsumi Yasunaga
Director

| Number of Company Shares Held |
|--|
| 12,049 shares |
| Brief History |
| 1960 Born |
| 1990 Joined Jujo Paper Co., Ltd. |
| 2023 Appointed Director, NPI (current position) |
| Important Positions |
| • President and Representative Director, Nippon Paper Crecia Co., Ltd. |



Mitsuhiro Sugino
Director

| Number of Company Shares Held |
|--|
| 9,937 shares |
| Brief History |
| 1963 Born |
| 1988 Joined Sanyo-Kokusaku Pulp Co., Ltd. |
| 2023 Appointed Director, NPI (current position) |
| Important Positions |
| • Managing Executive Officer and General Manager, Biomass Material Business Division |



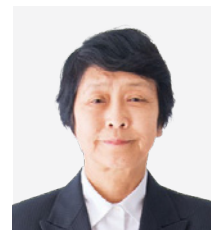
Tomoyasu Itakura
Director

| Number of Company Shares Held |
|---|
| 8,611 shares |
| Brief History |
| 1964 Born |
| 1988 Joined Jujo Paper Co., Ltd. |
| 2021 Appointed Director, NPI (current position) |
| Important Positions |
| • Executive Officer and General Manager, Financial Division |



Makoto Fujioka
Outside Director

| Number of Company Shares Held |
|---|
| 1,000 shares |
| Brief History |
| 1950 Born |
| 1975 Studied abroad at Harvard Business School in the U.S. (acquired MBA) |
| 1987 General Manager, Energy Conservation Division, International Energy Agency (IEA) (stationed in France) |
| 1996 Deputy Director-General for the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry) |
| 2001 Ambassador Extraordinary and Plenipotentiary to the United Arab Emirates |
| 2013 Director, Executive Vice President, and Senior Executive Officer of Nippon Light Metal Co., Ltd. (until 2015) |
| 2015 Senior Director, Japan Association for Chemical Innovation (until 2019) |
| 2016 Outside Director, Eagle Industry Co., Ltd. (until 2023) |
| Outside Director, NOK CORPORATION (current position) |
| Appointed Outside Director, NPI (current position) |
| Important Positions |
| • Outside Director, NOK CORPORATION |



Yoko Hatta
Outside Director

| Number of Company Shares Held |
|--|
| 0 shares |
| Brief History |
| 1952 Born |
| 1997 Partner, KPMG LLP New York Office |
| 2002 Partner, KPMG Peat Marwick Tax Corporation (currently KPMG Tax Corporation) (until 2014) |
| 2008 Auditor, International Christian University |
| 2015 Outside Audit & Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. (current position) |
| 2016 Outside Auditor & Supervisory Board Member, IHI Corporation (until 2020) |
| Appointed Outside Audit & Supervisory Board Member, NPI (until 2019) |
| 2019 Appointed Outside Director, NPI (current position) |
| 2022 Outside Director, Ajinomoto Co., Inc. (current position) |
| Outside Director (Audit & Supervisory Committee Member), KOEI CHEMICAL CO., LTD. (current position) |
| Important Positions |
| • Outside Audit & Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. |
| • Outside Director, Ajinomoto Co., Inc. |
| • Outside Director (Audit & Supervisory Committee Member), KOEI CHEMICAL CO., LTD. |

- Independent Officers: Nippon Paper Industries designates all outside directors who meet the requirements as independent officers. When appointing candidates for outside director or outside Audit & Supervisory Board Member, the Company judges their independence by taking into consideration whether they satisfy the independence criteria provided by the Tokyo Stock Exchange and the requirements for independence provided by laws and regulations (having not served as director, employee, etc. of the Company and its subsidiaries in the past), in addition to considering the existence of any conflicts of interest with general shareholders.
- The "Number of Company Shares Held" is as of March 31, 2023, and includes shares held by Nippon Paper Industries executive shareholding association.



Yutaka Kunigo
Outside Director

| Number of Company Shares Held |
|---|
| 0 shares |
| Brief History |
| 1954 Born |
| 2014 Representative Director and Executive Vice President, TOKYO GAS CO., LTD. (until 2017) |
| 2017 Chairman and Director, Tokyo Gas Engineering Solutions Corporation (until 2020) |
| 2020 Appointed Outside Director, NPI (current position) |
| 2022 Outside Director, ISE CHEMICALS CORPORATION (current position) |
| Outside Director, Chiyoda Corporation (current position) |
| Important Positions |
| • Outside Director, ISE CHEMICALS CORPORATION |
| • Outside Director, Chiyoda Corporation |

■ Audit & Supervisory Board Members



Kazunari Tatsu
Senior Audit &
Supervisory Board
Member

| Number of Company Shares Held |
|--|
| 8,119 shares |
| Brief History |
| 1960 Born |
| 1983 Joined Jujo Paper Co., Ltd. |
| 2019 Appointed Audit & Supervisory Board Member, NPI |
| 2021 Appointed Senior Audit & Supervisory Board Member, NPI (current position) |
| Important Positions |
| • Audit & Supervisory Board Member, Nippon Paper Crecia Co., Ltd. |



Tomoyoshi Nishimoto
Audit & Supervisory
Board Member

| Number of Company Shares Held |
|---|
| 13,661 shares |
| Brief History |
| 1962 Born |
| 1984 Joined Jujo Paper Co., Ltd. |
| 2021 Appointed Audit & Supervisory Board Member, NPI (current position) |
| Important Positions |
| • Audit & Supervisory Board Member, NP Trading Co., Ltd. |



Takafumi Okuda
Outside Audit &
Supervisory Board
Member

| Number of Company Shares Held |
|---|
| 0 shares |
| Brief History |
| 1951 Born |
| 1976 Assistant Judge, Tokyo District Court |
| 2006 Judge, Tokyo High Court |
| 2007 Chief Judge, Niigata District Court |
| 2009 Presiding Judge, Tokyo High Court |
| 2015 Chief Judge, Yokohama District Court |
| 2016 Registered as attorney at law (Tokyo Bar Association) |
| Visiting Attorney, Mori Hamada & Matsumoto (current position) |
| 2020 Appointed Outside Audit & Supervisory Board Member, NPI (current position) |
| Important Positions |
| • Visiting Attorney, Mori Hamada & Matsumoto |



Nanako Aono
Outside Audit &
Supervisory Board
Member

| Number of Company Shares Held |
|--|
| 0 shares |
| Brief History |
| 1962 Born |
| 2005 Director, BUSICOM Co., Ltd. (currently OAG BUSICOM Co., Ltd.) |
| 2008 Outside Audit & Supervisory Board Member, DUSKIN CO., LTD. (until 2016) |
| 2010 Representative Director and President, GEN Co., Ltd. (current position) |
| 2017 Outside Audit & Supervisory Board Member, MISUMI Group Inc. (current position) |
| 2019 Appointed Outside Audit & Supervisory Board Member, NPI (current position) |
| 2020 Outside Director, OPTEX GROUP CO., LTD. (until 2023) |
| 2022 Outside Director (Audit & Supervisory Board Member), MEIKO NETWORK JAPAN CO., LTD. (current position) |
| Important Positions |
| • Representative Director and President, GEN Co., Ltd. |
| • Outside Audit & Supervisory Board Member, MISUMI Group Inc. |
| • Outside Director (Audit & Supervisory Board Member), MEIKO NETWORK JAPAN CO., LTD. |

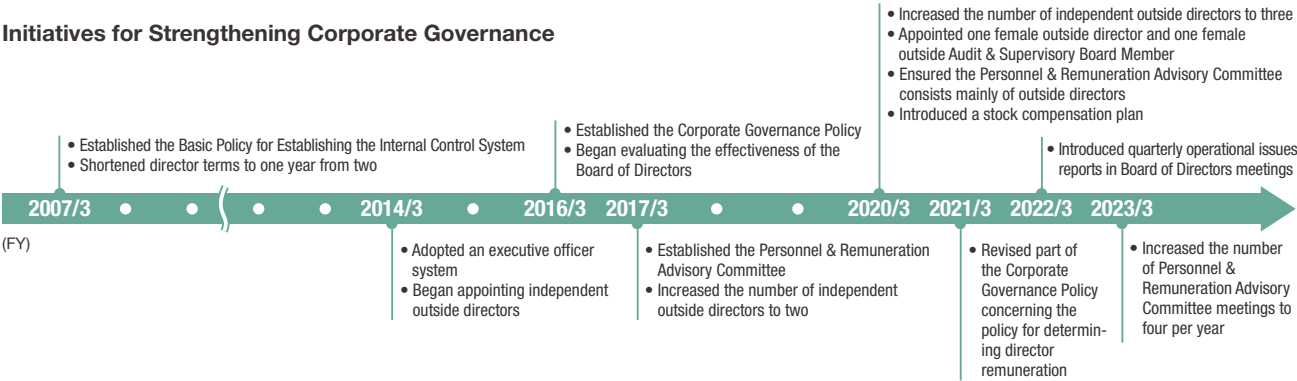
Corporate Governance

Basic Stance

Nippon Paper Industries strives to strengthen corporate governance based on the Group Mission to achieve sustainable growth and improve medium- to long-term corporate value. The Company's highest management issue is to further enhance management transparency to stakeholders including shareholders and to realize fair management. The Company has adopted an executive officer system and is working to

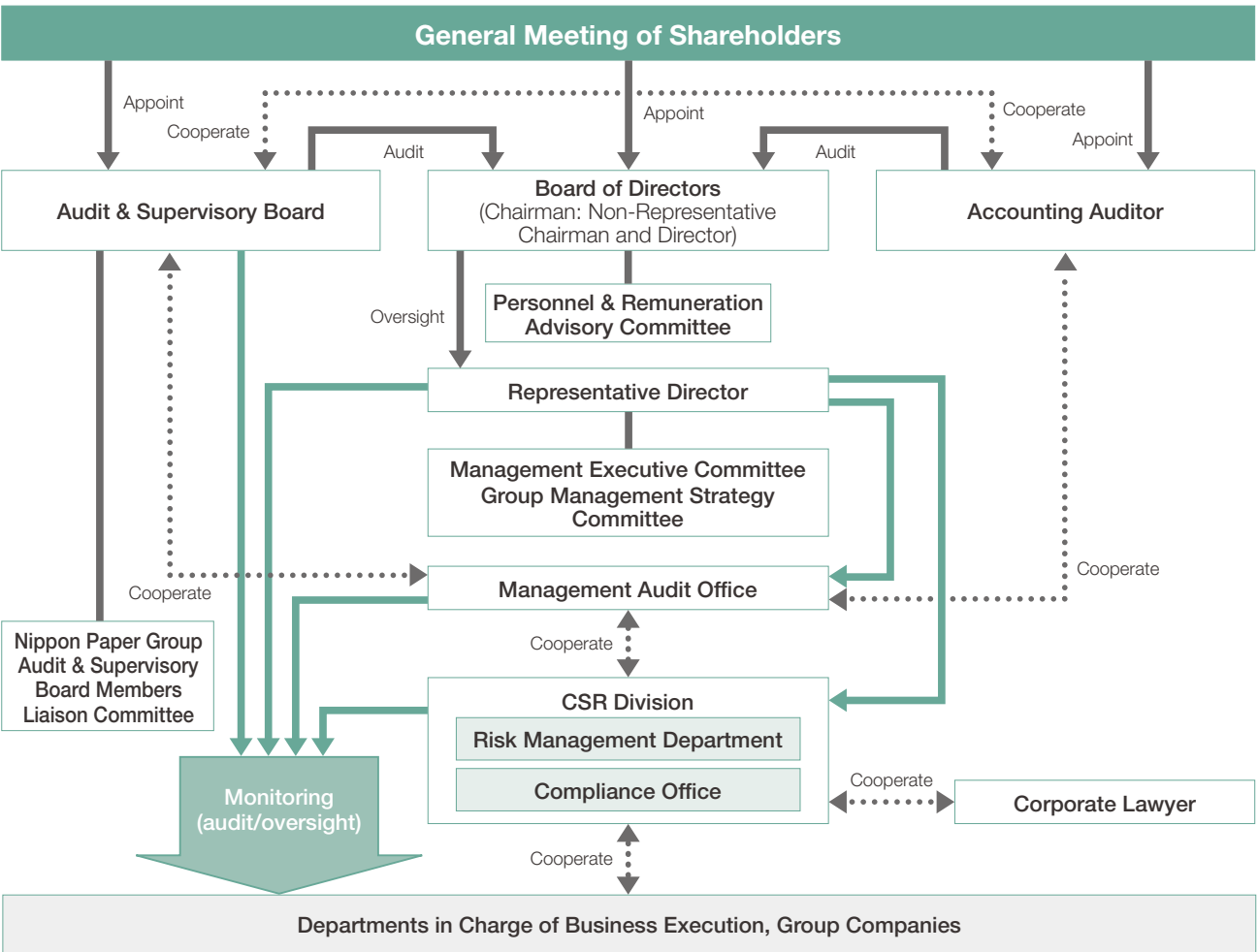
strengthen the oversight function of its Board of Directors to ensure the separation of business execution and management oversight. As the command center of Nippon Paper Group, the Company is implementing growth strategies, monitoring businesses under its control, and promoting risk management and compliance.

Initiatives for Strengthening Corporate Governance



Corporate Governance Structure

Corporate Governance Structure (as of July 1, 2023)

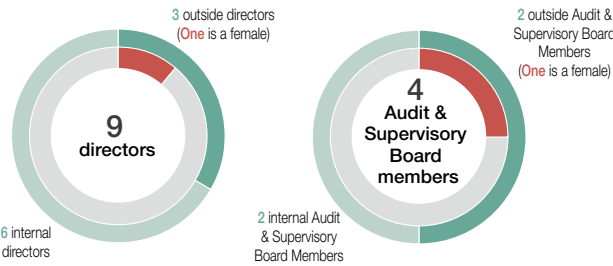


• The Company has adopted a Company with Audit & Supervisory Board system of corporate governance.
• Ernst & Young ShinNihon LLC has been appointed as the Company's accounting auditor.

Board of Directors

The non-representative chairman and director serves as the chairman of the Board of Directors. The Board of Directors shall bear the supervisory function of management as a whole, ensuring fairness and transparency of management. The Board of Directors shall make the most appropriate decisions for the Company through deliberations, etc. on the execution of important business issues that are to be decided under laws and regulations by the Board of Directors. The Board of Directors shall also supervise the status of the execution of duties by the President and Representative Director and other corporate officers.

Composition of the Board of Directors (as of June 29, 2023)



Skill Matrix of Directors

The skills that the Company expects each director to demonstrate are listed below. Each skill is designated in light of the 2030VISION's basic policy and its importance (materiality) for management to achieve the Group Mission.

| Position | Name | Skills | | | | | | | | |
|--|------------------|----------------------|---------------------|---------------------|------------------------|-----------------------------|-----------------|-------|-----------------------|------------------|
| | | Corporate Management | ESG/ Sustainability | Finance/ Accounting | Human Resources/ Labor | Risk Management/ Governance | Technology/ R&D | Sales | Purchase/ Procurement | Internationality |
| Chairman and Director | Fumio Manoshiro | ○ | ○ | | ○ | | | | ○ | |
| President and Representative Director | Toru Nozawa | ○ | ○ | ○ | | ○ | | | | |
| Executive Vice President and Representative Director | Masanobu Iizuka | ○ | | | ○ | | ○ | | | ○ |
| Director | Atsumi Yasunaga | ○ | | | ○ | | ○ | | | |
| Director | Mitsuhiro Sugino | | | | | | ○ | ○ | | ○ |
| Director | Tomoyasu Itakura | ○ | | ○ | | ○ | | | | |
| Outside Director | Makoto Fujioka | ○ | ○ | | | ○ | | | | |
| Outside Director | Yoko Hatta | | | ○ | | ○ | | | | ○ |
| Outside Director | Yutaka Kunigo | ○ | ○ | | | | | | ○ | |

The above list does not represent all the knowledge and experience held by each director.

Management Executive Committee

The Management Executive Committee usually meets once a week to assist in the execution of the president's duties. Committee membership is basically composed of the president, vice president, and general managers. Meetings held once a month are also attended by outside directors and general managers of the Company's mills in order to share information on monthly financial results.

Audit & Supervisory Board Members and Audit & Supervisory Board

Audit & Supervisory Board Members conduct strict monitoring of the execution of business by directors. They also meticulously audit whether all company operations are conducted legally and appropriately by conducting on-site audits of the Company's divisions, business sites, and Group companies. The Audit & Supervisory Board strives to deepen mutual understanding with the representative directors and to strengthen cooperation with auditors of each Group company.

Board of Directors Meetings Held (FY2023/3)

Number of Board of Directors meetings held: 13
Average rate of attendance by directors: 100.0% (outside directors: 100.0%)
Average rate of attendance by Audit & Supervisory Board Members: 100.0% (outside Audit & Supervisory Board Members: 100.0%)

Group Management Strategy Committee

The Group Management Strategy Committee meets as necessary to deliberate on management strategies by business segment and other important matters related to the Group. Committee membership is composed of the Company's management, including outside directors, and presidents of major companies of the Group.

Management Audit Office

The Management Audit Office is directly under the president's control. The office conducts internal audits of the Company and each Group company, as well as comprehensive evaluations of the maintenance and operation of the internal control system for financial reporting. It also facilitates coordination between audits by the Audit & Supervisory Board Members and audits by internal auditors.

Audit & Supervisory Board Meetings Held (FY2023/3)

Number of Audit & Supervisory Board meetings held: 14
Average rate of attendance by Audit & Supervisory Board Members: 100.0% (outside Audit & Supervisory Board Members: 100.0%)

Corporate Governance

Personnel & Remuneration Advisory Committee

The Company has the Personnel & Remuneration Advisory Committee in place as an advisory body to the Board of Directors. The committee is composed of three independent outside directors, the President and Representative Director, and the General Manager of the Personnel & General Affairs Division. The Company's President and Representative Director serves as the committee chair, reviewing relevant issues while obtaining proper involvement and advice from the independent outside directors. In principle, the committee chair serves as the chairperson of committee meetings. However, when there are topics on the agenda that strongly require independence and objectivity, an independent outside director will serve as the chairperson.

The Personnel & Remuneration Advisory Committee

receives inquiries from the Board of Directors on various matters. These matters include the selection process, qualifications, and reasons for nomination of director and Audit & Supervisory Board Member candidates, the criteria for determining the independence of outside officers, and the remuneration system for officers. The committee responds to those inquiries by reviewing the appropriateness and other aspects of those matters while obtaining proper involvement and advice from independent outside directors and considering its assessment of the Company's business performance and other factors. The Board of Directors makes decisions, after receiving the committee's reports, on matters such as the nomination of candidates for director and Audit & Supervisory Board Member and the remuneration of directors.

Meeting of the Personnel & Remuneration Advisory Committee (FY2023/3)

• Change the number of regular meetings from 2 to 4 per year • Average rate of attendance of committee members: 100.0%.



Successor to the President

Candidates for successor to the president are developed by placing them in successively important roles such as executives and directors.

The president seeks to gain the confidence of the Personnel & Remuneration Advisory Committee, which has been established as an advisory body to the Board of Directors, by explaining medium- to long-term management issues and exchanging thoughts and ideas with committee members. In addition, the Personnel & Remuneration Advisory Committee deepens its discussions regarding the qualities the president

should possess and the duties the president should carry out in light of future management issues.

The Personnel & Remuneration Advisory Committee discusses officer-related personnel matters, such as the appointment and dismissal of the president, and reports to the Board of Directors. The Board of Directors, upon receiving the report, will carefully review its contents, deliberate, and decide on the candidates. Through this process, the Board of Directors supervises the formulation and implementation of succession plans.

Policy on Determination of Remuneration, etc. for Directors and Audit & Supervisory Board Members

The standard amount of monthly remuneration for directors (excluding outside directors) shall be decided according to his/her responsibilities within the Company. Of that amount, 70% shall be fixed and the remaining 30% shall be paid after adjustment based on the Company's performance in relation to the medium-term business plan, in principle. The standard amount is determined using objective survey data from outside sources and giving consideration to factors including the Company's performance, scale of business, and managerial circumstances. Performance indices are established to

effectively function as motivation to achieve performance targets and are reevaluated as needed in response to changes in circumstances. In addition, the Company has introduced the Board Benefit Trust (BBT) as a stock compensation plan for directors (excluding outside directors). The objective of the BBT is to increase directors' motivation to contribute to improving the Company's medium- to long-term performance and increasing its corporate value. Monthly remuneration for outside directors and outside Audit & Supervisory Board Members shall be fixed.

Total Amount of Remuneration, etc. for Directors and Audit & Supervisory Board Members*1 (FY2023/3)

| | Number of Executives*2 | Total Amount of Remuneration, etc. by Type | | | Total Amount |
|---|------------------------|--|--------------------------------|--------------------|---------------|
| | | Fixed Remuneration | Performance-Based Remuneration | Stock Remuneration | |
| Directors | 10 | ¥290 million | ¥71 million | ¥30 million | ¥392 million |
| (Outside directors) | (3) | (¥39 million) | (—) | (—) | (¥39 million) |
| Audit & Supervisory Board Members | 4 | ¥58 million | — | — | ¥58 million |
| (Outside Audit & Supervisory Board Members) | (2) | (¥13 million) | (—) | (—) | (¥13 million) |

*1 Figures are rounded down to the nearest million yen. *2 Includes one director who resigned during FY2023/3.

Remuneration for Directors (Excluding Outside Directors)

| | Fixed Remuneration | Performance-based Remuneration | Stock Remuneration |
|-----------------------|---|--|---|
| Method | Cash payment | | Points granted |
| Payment allowance | Up to ¥700 million per year | | Up to 25,000 points per year (1 point = 1 share) |
| Payment period | Monthly (no bonuses or retirement benefits) | | Director resignation (cumulative points converted to shares) |
| Calculation method | Determined according to their respective responsibilities | | Points granted according to their respective responsibilities |
| | 70% paid as fixed remuneration | 30% paid, in principle, after adjustment based on the degree of achievement of the medium-term business plan | |
| Performance standards | — | 70%: Consolidated results (mainly net sales, operating income) 30%: Non-consolidated results (mainly net sales, operating income) | — |
| Other | Fixed amounts contributed to the Company's executive shareholding association | | — |

Assessment of Board Effectiveness

Once a year since FY2016/3, as an assessment of board effectiveness, the secretariat of the Board of Directors conducts a survey of the directors and Audit & Supervisory Board Members regarding management of the Board of Directors and the discussions held at its meetings. The aggregated

survey results are reported to the Board of Directors. The Board of Directors analyzes and evaluates its effectiveness through such means as discussing the reported results. It then takes steps to improve its effectiveness.

Effective Improvement Initiatives for FY2023/2

| Tasks Set in FY2022/3 | Results of Efforts in FY2023/3 (results) |
|---|--|
| 1. Follow-up on important matters | • Progress reports on matters resolved by the Board of Directors are provided in a manner appropriate to individual cases. |
| 2. Expand discussions to oversee the progress of the 2030VISION and the Medium-Term Business Plan 2025 and to encourage measures to achieve the goals | • Clarified a system to steadily promote countermeasures by establishing a person responsible for business execution and reporting lines for particularly important management issues, thereby increasing the speed of information gathering and decision-making. • Designated a chief officer who is responsible for cross-functional coordination among the Raw Materials, Technology, R&D, and Logistics departments across the Group, and provides regular reports to the Board of Directors on a quarterly basis. |
| 3. Expanding opportunities for exchange of opinions between outside directors and representative directors | • Ensure that directors and Audit & Supervisory Board Members have opportunities to attend the Group Management Strategy Meeting and the Management Executive Meeting, where monthly reports are made, and share information without concealment, before discussing it at Board meetings. • At Personnel & Remuneration Advisory Committee meetings, the President explained to outside directors the policies for achieving the Medium-Term Business Plan 2025 and ensured that outside directors will have the opportunity to ask questions and express their opinions. |

Evaluation Result Conducted in FY2023/3

| Questionnaire Items Conducted in FY2023/3 (Total of 8 Categories, 20 Questions) | Main Opinions Identified in the Questionnaire | |
|---|--|---|
| (1) Composition of the Board of Directors (2) Agenda Items for the Board of Directors (3) Operation of the Board of Directors (4) Training for directors and Audit & Supervisory Board Members (5) Board discussions (6) Effectiveness of the Personnel & Remuneration Advisory Committee (eligible respondents: committee members only) (7) Support for outside officers (eligible respondents: outside officers only) (8) Other comments on the status of corporate governance initiatives | Scope and content of reported items | • Further increase opportunities to review the progress of matters discussed at Board meetings and verify the comparison of forecasts and actual results. |
| | Discussion from medium- to long-term perspective, etc. | • The progress and responses of each Division, subsidiary, and major project will be explained with a clearer awareness of the long-term vision and the medium-term business plan. • Expand opportunities for the Board of Directors to discuss risk assumptions, impact assessments, etc. |

| | |
|--------------------|--|
| Tasks for FY2024/3 | Even in the midst of a severely changing business environment, the Board of Directors will further discuss progress, issues, and future strategies to achieve the goals of the Medium-Term Business Plan 2025. |
|--------------------|--|

Cross-Shareholdings

Holding Policy

Regarding individual cross-shareholdings, the Company owns stocks that it believes will help to increase its corporate value based on the medium- to long-term economic rationale for holding the stock and the perspective of maintaining and reinforcing comprehensive relationships with business partners.

Standards for Exercising Voting Rights

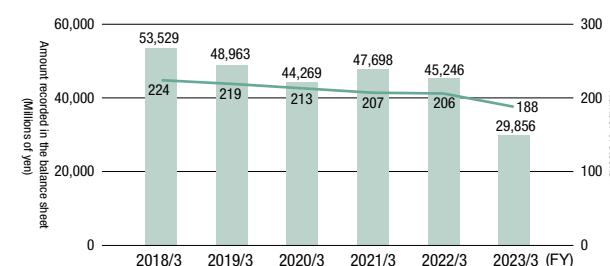
The Company shall appropriately exercise the voting rights associated with cross-shareholdings by analyzing the content of each proposal and determining whether or not each proposal will increase the corporate value of both the Company and the investee company. The Company shall not vote in favor of any proposals that would impair the corporate value of the Company and the investee company.

Carrying Amount of Deemed Shareholdings

The carrying amount of deemed shareholdings was ¥31,797 million as of March 31, 2023. Combined with cross-shareholdings, the total amount was ¥61,653 million. This sum represented 14.85% of net assets.

The Board of Directors reviews the holding purpose every year. If the Company deems there to be no good reason to hold certain stocks, the Company shall sell them while considering the profit and loss situation.

Number of Cross-Shareholdings and the Amount Recorded in the Balance Sheet



- The Company has been successively reducing the number of these stocks and their holding value. The increase in the amount recorded in the balance sheet in FY2021/3 was attributable to the mark-to-market valuation of listed shares.
- The number of stocks and the amount recorded in the balance sheet shown above do not include deemed shareholdings.

Nippon Paper Group
ESG Databook 2023

Compliance

Basic Stance

Based on the Nippon Paper Group's Action Charter, the Group has positioned its compliance as "Compliance goes beyond laws and regulations to include decency, common sense, customs, and other rules, and 'social norms' that are expected by society in general, and we are called upon to respond to the expectations and trust of society." The Group continually carries out activities that raise employees' awareness of compliance.

The Compliance Office, which the Company set up within its CSR Division, strives to enhance collaboration on compliance with the compliance managers of Group companies in the Group CSR Liaison Meetings. The operational status of the internal whistleblower system is reported to the Board of Directors, as well as to the Audit & Supervisory Board Members and the Management Executive Committee on a quarterly basis.

Compliance Activities

The Group strategically carries out compliance training. Regarding anti-corruption, the Group provides training to ensure there are no inappropriate relationships with local governments or civil servants where it conducts business in Japan and overseas, or there is no transfer of inappropriate economic gains to or from customers, business partners, or others. If there are any cases of suspected misconduct, corrective actions are taken to deal with the situation.

The Company has established the Nippon Paper Group Helpline as an internal whistleblower system that allows users

to directly report and consult on any conduct that violates laws and regulations regarding human rights, corruption, the environment and other areas, as well as corporate ethics. The Company periodically notifies eligible users about the helpline. Opinions and other reports from third parties not covered by the helpline are accepted through the Contact Us webpage of the Nippon Paper Group's website. Since the second half of FY2022/3, the Company has provided continuous training to managers and supervisors in an effort to enhance the prevention of harassment, which is frequently reported.

Measures to Ensure Compliance with the Antimonopoly Act

On April 11, 2023, the Japan Fair Trade Commission conducted an on-site inspection of NP Trading, a subsidiary of the Company, due to an alleged violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act) in relation to the bidding process for official gazette paper (Recycled Roll Paper), for which the National Printing Bureau was the ordering party. The Group takes the fact that it was subject to an on-site inspection very seriously and is cooperating in earnest with the Japan Fair Trade Commission's investigation. The Group will take measures to prevent recurrence in the future so that such an incident never occurs again.

Message from Outside Directors

Turning Crisis into Opportunity to Increase Earning Power

Makoto Fujioka

Engaged broadly in industrial policy at the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry), and later became involved in corporate management as Executive Vice President of Nippon Light Metal Co., Ltd. Has extensive overseas experience, including service as Ambassador Extraordinary and Plenipotentiary to the United Arab Emirates.



Toward More Meaningful Discussion at Board of Directors Meetings

FY2023/3 has been a year of significant change. The Board of Directors has deliberated on a number of important issues as we proceed with the transformation of the business structure. Last year, I mentioned that in this age of uncertainty, the Board of Directors is required to play a role in guiding the Company in the right direction in terms of three perspectives: taking a long-term view and ascertaining the direction society and the economy are headed; creating a resilient, flexible management structure capable of responding immediately in emergencies; and viewing unforeseen circumstances, occurring in what seems like a constant stream, as both threats and business opportunities. Constantly keeping these points in mind, I have been striving to fulfill my role in the Board of Directors. Looking back, I believe I have accomplished this to a certain extent.

Every meeting should be held not only for the sake of reporting information but also for discussing the actions and direction the Company should take. It is important for the Board of Directors to spend more time having constructive dialogue to determine the direction of its actions. At Nippon Paper Industries as well, I feel that the appointment of chief officers and introduction of quarterly operational reports at Board of Directors meetings since FY2022/3 have stimulated our discussions at the meetings.

Although FY2023/3 was a very challenging year in terms of business performance, the Company was able to continue its efforts and make positive decisions for future growth, paving the way for a turnaround. With a plan to ensure a return to profitability in FY2024/3, it also put strategies in place to get back on track with the Medium-Term Business Plan 2025.

Increase Discussion Opportunities at Personnel & Remuneration Advisory Committee Meetings

Looking back on the activities of the Personnel & Remuneration Advisory Committee, I personally believe that it has played a meaningful role so far. Since FY2023/3, the committee has increased the frequency of its meetings from twice to four times a year. This was realized after I suggested to the president that it would be necessary to increase opportunities for the president and outside directors to exchange candid opinions and engage in deep discussions on management issues and responses.

Board meetings tend to focus on specific issues. Therefore, before proceeding with specific measures, it is a very important opportunity to grasp the overall picture through frank discussions with the president outside of the Board meetings and create shared understanding of issues and directions. Moreover, Personnel & Remuneration Advisory Committee meetings allow for deliberation on the evaluation and reappointment of the president. In this sense, expanding opportunities to exchange opinions with the president is a very fair and appropriate measure.

Path to Achieve the Medium-Term Business Plan 2025 and Expectations for the 2030VISION

In FY2023/3, raw material and fuel prices, especially coal prices, rose dramatically. The Company was pushed into a

corner, and corporate management would not be viable without immediate actions. Accordingly, the Company advanced the business structure transformation and cut costs drastically by reorganizing its production system, switching fuels, saving energy, and making other efforts to the utmost extent. However, this was not enough to offset the surging prices for raw materials and fuel, and the Company asked its customers to accept product price increases to cover the remaining deficiencies. As a result of these efforts, it was able to quickly pave the way for a return to profitability in FY2024/3.

Coal consumption cuts also greatly reduce GHG emissions. Under the strong leadership of top management and with the hard work of young and mid-career employees, it is a great achievement that the Company pulled through cross-divisional efforts to cut GHG emissions.

Last year, the Company braved the crisis, and all of its employees were able to turn it into an opportunity for management reforms. At first, I even felt it was very hard to see the light at the end of the tunnel, but the fact that the Company set a course for returning to profitability in FY2024/3 and achieving the Medium-Term Business Plan 2025 has impressed upon me that it successfully turned a negative situation into a positive one.

In FY2024/3, the Company should make the utmost efforts to improve its profitability. Solid earning power is necessary in order to get back on the right track of the Medium-Term Business Plan 2025. With such earning power, the Company will be able to improve its financial position that was damaged over the past year and return profits to its shareholders once again.

Earning power is obtained by strengthening the power of sales, which is the point of contact with customers. The ability to launch new products that can satisfy customers' needs and to provide solutions to their problems will help grow the Company. Thus, strategic sales power is key. As an outside director, I have voiced why it matters at Board meetings and various other occasions.

The Medium-Term Business Plan 2025 is a passing point, and the Company's ultimate target is to realize its long-term goal; the 2030VISION. To this end, it is essential to speed up the process to develop and commercialize new businesses and products. I believe that there are many projects that look forward to the future, such as Genki Morimori® cellulose feed for cattle and cellulosic bioethanol that can be used to produce SAF, a fuel which is an issue in the aviation industry.

When deliberating on various investments, I always make sure to identify and run through all the risk factors. If there are any shortfalls, I will point them out as a director, but it does not get us anywhere if I reject everything. To develop the Company, it is essential to advance necessary projects while taking risks appropriately. I will continue to speak up to encourage the Company to explore options proactively.

Steadily Addressing Challenges and Feeling Improvements

Yoko Hatta

Served as a tax advisor to Japanese companies in the U.S. for more than 10 years, and post-retirement has been contributing to corporate management as an Audit & Supervisory Board Member and director with a unique outside perspective.



“Lateral Communication” Works to Achieve the Quickest Possible Response Times

In FY2023/3, the unexpected issue of surging prices for raw materials and fuel in the wake of Russia's invasion of Ukraine put a strain on business performance. Notwithstanding the impact of this situation, we feel that the Group's planning has become considerably more accurate. The Board of Directors naturally shared a strong sense of urgency and had active discussions on specific ways to overcome this situation. The quarterly operational reports by the chief officers were initially focused on reporting on information gathered, but they have gradually become more wide-ranging to explicitly state countermeasures. In addition, the president sends out messages to employees on a regular basis, and I feel that the employees have been able to share the sense of urgency from their respective standpoints.

In order to transform the business structure, it is essential to share information with other divisions and implement lateral communication to think about how to move forward together. Large companies often struggle to put their words into action to instigate change, but from FY2023/3, cross-divisional cooperation has become functional. I can see that they are working to transform their business structure as quickly as possible while remaining cognizant of lateral communication in various areas, including mill issues, environmental measures, R&D, and procurement.

If the Company wished to speed things up even more, it might have to tear down everything it has built thus far and rebuild it. However, since its business activities are closely tied to the local community, it will not pursue such a method but instead make every effort to achieve a win-win situation.

In response to the recent surging prices for raw materials and fuel, the Company implemented a variety of cost reduction measures, but as these efforts were not enough, it asked its customers to accept product price increases. Some product types were difficult to negotiate on, taking about a year to adjust prices, but I appreciate that their response was as quick as it could be given the circumstances.

On the other hand, there are still issues with speed regarding new business. I believe it will be necessary to press ahead at a faster pace as we anticipate further declines in the demand for paper.

Anticipating Further Consideration of the Director Remuneration System and Ensuring Diversity

The Personnel & Remuneration Advisory Committee has changed dramatically in terms of the way it operates. We have more opportunities to listen to the president's thoughts in detail one by one, recognizing what the problem is now and how to deal with it. I have found the president's ideas to be consistent with the direction I would have taken if I were in his shoes, which makes me feel comfortable as an outside director.

Regarding director remuneration, the Company is still based solely on business performance evaluation, but I believe it will

be necessary to include the evaluation of sustainability initiatives in determining director remuneration since improving business performance is not the only responsibility of directors. Although it is difficult to change the remuneration system all at once, we have made a proposal to the Company to consider the payment of director remuneration, which I believe will be taken up by the Personnel & Remuneration Advisory Committee for future discussion.

I know there are many talented people in the Company, but I have felt in the past that there was a culture of doing only one's own work and not interfering with other people's affairs. However, I have gotten the impression that this is changing little by little.

I would personally like to emphasize the need for diversity and diverse ways of thinking for the Company to change. We should be actively listening to the opinions of not only female but also young employees, such as Generation Z. Employee compensation should not always be raised gradually and systematically, but should allow more room for larger increases all at once. The Company's efforts in these areas are not yet sufficient, so I expect much improvement going forward.

Regarding the promotion of active female participation, it is quite difficult for a company like Nippon Paper Industries to achieve, especially in the mills, but I try to actively talk about improvements. The Company has not yet reached the point of having in-depth discussions, but the first step is to increase the number of female employees in positions of responsibility. I believe that there are steps that can be taken, such as considering more detailed measures after first giving female employees opportunities and putting them in positions of authority.

Unstoppable Determination to Reach the Finish Line of the Medium-Term Business Plan 2025

I can sense the president is watching over the Company to see if it is steadily advancing on the right track toward achieving the Medium-Term Business Plan 2025. The outside directors have always asked him to include a report on the Company's progress compared to the Medium-Term Business Plan 2025, along with figures, in his reports at the Board of Directors meetings.

I believe that in order to achieve the goals of the Medium-Term Business Plan 2025, the Company needs to be determined to press on without stopping, even when it has confirmed an improvement in profitability. The president himself demonstrates this determination to employees through his own words and actions.

In terms of new businesses and products, we expect demand to grow significantly for cellulose nanofiber (CNF) due to its use in storage batteries and the trend of moving away from plastics.

Personally, I appreciate the allure of paper and am convinced that Nippon Paper Group, which has contributed to society with paper as a mainstay of its business, will be able to provide great value to the world in the future.

Promoting Measures through Cross-divisional Cooperation

Yutaka Kunigo

Handled procurement, production, and sales of gas and electricity at his former company and has knowledge and experience in all aspects related to energy. Currently serves as an outside director for three manufacturing companies, including Nippon Paper Industries.



Enhanced Information Sharing with Outside Directors

Outside directors of the Company can attend meetings of the Group Management Strategy Committee and the Management Executive Committee in addition to Board of Directors meetings. This participation allows them to ask questions and exchange opinions while closely observing the executive side of the Company. Although they do not have voting rights, they can attend important meetings and access valuable information directly. It is rare to find a company that is so open about executive information for its outside directors, but I think it is a wonderful system.

Since FY2023/3, we have been following up on initiatives related to the execution of Board of Directors resolutions. Outside of the Board of Directors meetings, we are strengthening our monitoring by requesting individual follow-up investigations when we want to keep track of the situation.

Although this is somewhat removed from the relationship between the Board of Directors' monitoring and execution, I think the Company is unique in that it holds regular meetings between outside directors and institutional investors. It is very nerve-wracking, and there are issues that we have yet to solve, but it is meaningful to hear directly from shareholders on what they expect from outside directors. I believe this is representative of Nippon Paper Industries' corporate culture to provide information to outside directors as openly as possible.

In 2022, the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) were revised to indicate a new direction for corporate governance. Namely, that outside directors are not only to suppress risks but also should assume the position of making management take appropriate risks. In light of this development, I expect the responsibilities of outside directors to become increasingly fraught with regard to accelerating measures and responding to further risks.

Lateral Communication for Further GHG Emissions Reduction and Human Resource Development

In FY2023/3, the Company specified which executive officers would be responsible for its key management themes, which has produced some real results.

For instance, in an effort to reduce greenhouse gas (GHG) emissions, the Company was able to achieve results that surpassed expectations through cooperation among related divisions. It was also able to upwardly revise its 2030VISION targets significantly. I realize again that this is the Company's strength in delegating responsibility for tackling an issue and establishing a system of cooperation so that all employees involved can immediately understand its purpose and take prompt action.

A similar kind of lateral communication is also taking place in other areas besides GHG emissions reduction efforts. One such example is the transformation of the business structure, and the Company is proceeding with transforming its production structure through cross-divisional cooperation, for which it expects to establish a clear direction by FY2024/3. The

Company used to be product oriented, with its mills acting as profit centers, but in order to respond to changes in the market, the sales divisions are now taking leadership as profit centers. This is a very significant change in approach.

Although the Company is a strongly vertically-divided organization, the president is heavily promoting lateral communication, which is starting to make a big difference. For example, at Group Management Strategy Committee meetings, executives are now proactively speaking up about businesses outside of their own. I can sense that management is broadening their perspectives and knowledge.

The employees of Nippon Paper Industries are very honest and hard-working in fulfilling their responsibilities. By adding the movement towards lateral communication, employees will have opportunities to broaden their experiences beyond their own sphere. They will take action that expands their perspectives, which will indirectly lead to human resource development. Career path development will also help train leaders.

When asked about his thoughts, the president said he is promoting successor training while drawing a career path after becoming an executive, and as an outside director, I agree with his approach. At the on-site level, there is a move to expand the scope of responsibilities of production engineering employees, which I believe will produce further benefits in terms of human resource development and efficiency.

Unwavering Commitment to the Revised Medium-Term Business Plan 2025

Due to the severe business environment in FY2023/3, some of the targets in the Medium-Term Business Plan 2025 were no longer achievable, and the Company revised them. It was a regrettable decision for the shareholders. However, even under the revised Medium-Term Business Plan 2025, the ultimate goals and issues to be addressed stay the same. In particular, the Company is continuing to tackle the key challenges in the Medium-Term Business Plan 2025, namely the business structure transformation, the reduction of GHG emissions, and the development of new demand for pulp as an alternative to paper.

Therefore, both as the Board of Directors and the executive side of the Company, there is no change in our determination to achieve the Medium-Term Business Plan 2025 and to work with unwavering determination. The Board of Directors needs to further improve the accuracy of monitoring the figures provided by the executive side, and analyze them in a timely manner, so we are currently discussing specific methods to meet this need. Expanding and harnessing the growing business fields that utilize cellulose is the key to realizing the ultimate 2030VISION. In addition, looking towards 2050, it is important to become able to leverage the value of the Company's forest resources. To this end, we will always think far ahead and keep in mind what kind of new business seeds to plant.

Basic Stance

Nippon Paper Group conducts risk management during normal operation, and in the event of emergencies, with the aim of preventing managerial risks from manifesting and minimizing the impact of those that do occur. All possibilities that may result in a physical or economical loss or a loss of credit or disadvantage to the Group are considered risks to the Group. Specifically, the Group itemizes the following seven risks: (1) legal and regulatory compliance risks, (2) labor-related risks, (3) business-related risks,

(4) finance-related risks, (5) disaster-related risks, (6) information system-related risks, and (7) other risks equivalent to the preceding matters.

Basic Policies

1. Prioritizing human life and safety
 2. Continuing business
- Under the aforementioned policies, we will follow and comply with the guidance and recommendations of national and regional governments.

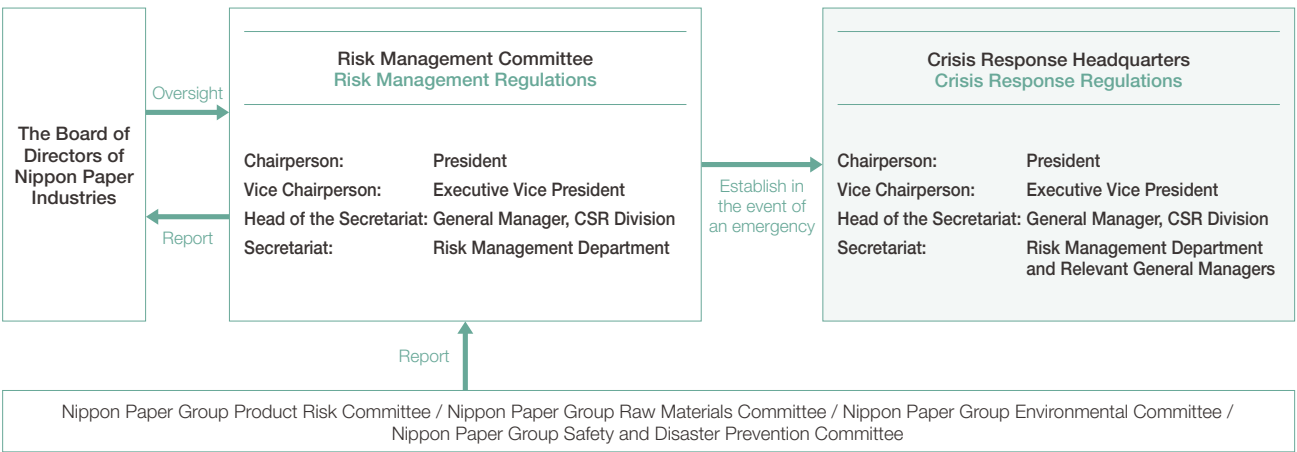
Promotion Structure

Nippon Paper Industries has established its Risk Management Committee, which is chaired by the President and Representative Director under the supervision of the Board of Directors, and meetings are held once per year or more. In normal operations, the committee regularly identifies and evaluates the Group's risks, considers and deliberates measures to reduce its risks and at the time when the risks occur in reality, and reports them to the Board of Directors.

In addition, the respective risks relating to product safety, raw materials and purchasing, environment, and safety and

disaster prevention, are examined and discussed in committees chaired by the general managers of the respective responsible division in the Company. They are then reported to the Company's Board of Directors via the Risk Management Committee.

In an emergency, a Crisis Response Headquarters will be launched. The Crisis Response Headquarters swiftly carries out initial responses and BCP (business continuity plan) in emergencies depending on risks such as natural disasters and infectious diseases.



Risk Management Activities

Maintenance of BCP

To address major natural disasters that have become more frequent in recent years, the Group continues to maintain a BCP based on the BCM (business continuity management) framework it worked to develop in the FY2021/3.

In the Company's head office, the BCP drawn up by each department are made known within the Company. In addition to the stockpiling of food and daily necessities, the Company added equipment that will be needed when the Crisis

Response Headquarters is set up, and selected important operations. The Company's mills are working to revise existing BCP around the assumed disaster scenarios of earthquakes, tsunamis, typhoons, floods and volcanic eruptions. Moreover, 32 Group companies have established crisis response regulations. Going forward, the Group will strive to establish and enhance its BCP.

Risk Identification

In FY2023/3, the Risk Management Committee conducted a risks survey of the Company (head office and mills) and consolidated subsidiaries, and five non-consolidated subsidiaries. In addition to identifying risks, the committee also confirmed risks that materialized in FY2023/3 and risks that

will increase in importance in the future. Based on the results, discussions were held in the relevant departments and the Risk Management Committee, and the Group's business risks were recognized based on the conceptual framework outlined below.

Main Business Risks for Nippon Paper Group (FY2023/3)

| | Summary | Main Risk Mitigation Measures |
|---|---|---|
| Major Risks Associated with Management Strategies | Risks associated with raw material and fuel procurement and international transportation <ul style="list-style-type: none">• Disruption of global supply chains caused by overseas situations• Emergence of the 2024 Problem of driver shortage and delays in logistics | <ul style="list-style-type: none">• Multi-sourced purchasing, diversification of import/export destinations• Review of inventory levels• Expansion of flexibility and procurement network by strengthening horizontal cooperation within Nippon Paper Group |
| | Risks associated with delays in business structure transformation and creating new businesses (Japan and overseas) | <ul style="list-style-type: none">• Early positive contribution from new businesses• Implement measures to expand profitability in growth sectors |
| | Risks associated with climate change <ul style="list-style-type: none">• Response to the full-fledged introduction of carbon pricing and emissions trading | <ul style="list-style-type: none">• Reduction of greenhouse gases by accelerating the conversion to non-fossil energy sources• Utilization J-credits scheme |
| | Risk of fluctuations in product demand and market conditions <ul style="list-style-type: none">• Fluctuations in demand based on factors such as economic conditions, etc.• Fluctuations in product prices based on factors such as market conditions, etc. | <ul style="list-style-type: none">• Reorganization of production structure for graphic paper• Development of new products and new materials |
| Main Risks Associated with the Business Environment and Business Activities | Risks associated with production facilities | <ul style="list-style-type: none">• Planned measures against degradation |
| | Risks associated with natural disasters and infectious diseases <ul style="list-style-type: none">• Earthquakes, tsunamis, typhoons, floods• COVID-19 | <ul style="list-style-type: none">• Establishment of the Crisis Response Headquarters• Thorough measures to prevent outbreaks of infectious diseases• Utilization of working from home |
| | Risks associated with environmental laws and regulations | <ul style="list-style-type: none">• Dissemination and compliance with environmental laws and regulations |
| | Risks associated with retention of human resources and labor affairs <ul style="list-style-type: none">• Retention of human resources, in an appropriate manner, based on the human resource strategy | <ul style="list-style-type: none">• Development of a working environment premised upon flexible and diverse work styles• Operation of the Occupational Safety and Health Management System |
| | Risks associated with information systems | <ul style="list-style-type: none">• Construction and operation of systems in preparation of cyber-attacks• Ongoing activities to raise internal awareness |
| | Risks associated with social demands such as ESG, SDGs, etc. | <ul style="list-style-type: none">• Strengthening engagement with ESG rating agencies• Activities to raise internal awareness• Strengthening polite communication with external stakeholders |
| | Risks based on product liability | <ul style="list-style-type: none">• Utilization of product liability insurance• Risk management of new products |

Product Safety

Basic Stance

Nippon Paper Group has made "delighting our customers" (by accurately responding to the needs of customers) one of the requirements of its Vision to realize the Group Mission. Supplying products needed by society with assured safety and quality is a critical issue that a manufacturing company should address as a matter of course. The Group ensures safety and quality based on the Philosophy and Basic Policy of Product Safety, and strives for the stable supply of diverse products indispensable for daily living.

The Nippon Paper Group Product Risk Committee, chaired by the General Manager of the CSR Division, manages activities related to the Group's product safety and reports on these activities to the Board of Directors through the Risk Management Committee. The Group complies with laws, regulations, etc. in Japan and overseas, and strives to ensure product safety using management methods appropriate to each business or product.

Product Safety Activities

The Group has been working to build its risk management structure, with the aim of bolstering product safety management. In FY2022/3, the Group established common minimum standards to equalize management standards related to product safety and quality assurance, which varied among Group companies. In FY2023/3, based on the minimum standards, main Group companies formulated product risk

management regulations and started implementing them. Moreover, aiming to enhancing discussions at the Nippon Paper Group Product Risk Committee on strengthening the product safety management system, the committee's operational methods were reviewed, including increasing the number of times the committee consults with each Group company.

Respect for Human Rights

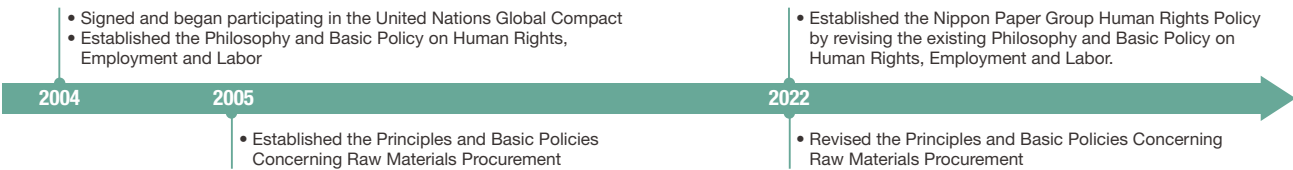
Basic Stance

In 2022, Nippon Paper Group established the Nippon Paper Group Human Rights Policy (hereinafter, “Human Rights Policy”) through a resolution by the Board of Directors of Nippon Paper Industries by revising the existing Philosophy and Basic Policy on Human Rights, Employment and Labor (established in 2004). The new policy was created as a means of carrying out

more effective activities to respect human rights in an effort to realize the Group Mission. The Human Rights Policy was established in accordance with global standards such as the United Nation’s Guiding Principles on Business and Human Rights.

In accordance with the Human Rights Policy, the Group will reinforce respect for human rights across the entire value chain.

Policies and Participation in International Initiatives on Human Right



Promotion Structure and Remedy

The Group has established a Risk Management Committee, supervised by the Board of Directors of the Company and headed by the President and Representative Director, which meets once a year or more. Human rights-related risks within the Group are addressed through the risk management promotion structure (→P.52).

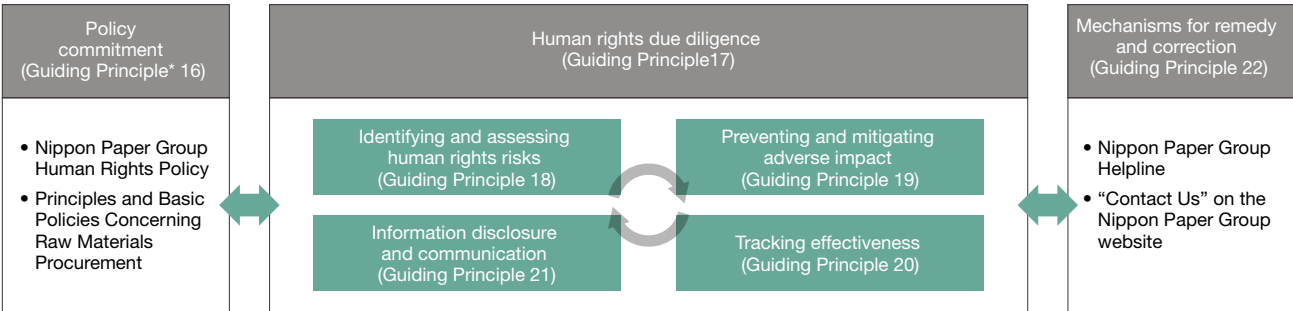
In addition to the Nippon Paper Group Helpline system, which the Company set up as an internal whistleblower system, the Group accepts inquiries regarding concerns about any possible violation of human rights through the Group’s corporate website (<https://www.nipponpapergroup.com/english/inquire>).

Human Rights Due Diligence

The Company launched its Human Rights Working Group in 2021, introducing human rights due diligence. In 2022, based on its Human Rights Policy, the Company conducted an evaluation of human rights risks with a comprehensive view of value chains related to the Paper and Paperboard Business, the

Liquid Packaging Carton Business, and the Chemical Business, and identified high-priority human rights risks that must be addressed. Going forward, the Company will continue to regularly evaluate its human rights risks, along with working to expand the scope of such risks.

Overview of Human Rights Due Diligence (Nippon Paper Industries)



* The United Nation’s Guiding Principles on Business and Human Rights

Process for Identifying Human Rights Risks and High-Priority Issues

(1) Created a list of human rights risks according to each stakeholder in the value chain based on global standards*.

* Human Rights Guidance Tool including UNEP FI (UNEP Finance Initiative)

(2) Scored human rights risks on the human rights risk list with a focus on the degree of negative impact on human rights, likelihood of occurrence, and relationship and distance from the Company, and identified high-priority risks that must be addressed.

Preventing and Mitigating Adverse Impact

Human Rights Surveys at Contractors of Mills in Japan

The Company sends surveys to contractors of mills in Japan regularly and has them conduct a self-check, mainly to confirm compliance with labor and safety laws and regulations. Survey results are shared with the human resource managers of each mill for the purpose of supporting improvements. In addition, starting from FY2020/3, the Company conducts follow-up surveys. In FY2023/3, the Company revised the content of the survey based on the evaluation results of human rights risks (Survey scheduled to be conducted in FY2024/3).

Confirmation of Consideration for Human Rights at Overseas Wood Chip Suppliers

The Company revised the Principles and Basic Policies Concerning Raw Materials Procurement (hereinafter, “the Procurement Policies”) in 2022 to enhance initiatives for respecting human rights throughout the entire supply chain. Based on the Procurement Policies, the Company has employees in charge of procurement or locally stationed personnel visit overseas wood chip suppliers to conduct interviews covering matters such as health, hygiene, safety, disaster preparedness, working conditions, and local environmental concerns from the perspective of respect for human rights. In FY2023/3, the Company carried out inspections in Vietnam and confirmed that there were no problems.

Relationships with External Organizations and Institutions

Exchanges of Opinions with Amnesty International Japan

The Company holds a meeting to exchange opinions with Amnesty International Japan every year. In FY2023/3, the Company exchanged opinions regarding revisions to the Procurement Policies and local human rights surveys for overseas suppliers.

Participation in the Global Compact Network Japan’s Human Rights Due Diligence Subcommittee

The Company participates in the Global Compact Network Japan’s Human Rights Due Diligence Subcommittee, where information is gathered and opinions are exchanged concerning the latest trends in human rights and initiatives by each company.

Expert Opinion

Expecting Continuation of Effective Dialogues with Rights Holders



Emi Omura
Partner at CLS Hibiya Tokyo Law Office
Lawyer (registered in 2002)
Lawyer in New York (registered in 2007)
Operator of the Business and Human Rights Lawyers Network Japan, co-authored “Human Rights Due Diligence in Practice,” (Kinzai Publishers, 2023)

Nippon Paper Group established basic policies regarding respect for fundamental human rights and the prohibition of forced labor and child labor as early as 2004, and has practically implemented respect for human rights, which includes ensuring occupational safety and health, through cooperation with suppliers. The Group established a Human Rights Policy in 2022, and made progress in consideration of measures to address human rights risks, which demonstrates the Group’s commitment to the development of human rights initiatives. In particular, the question items on the survey sheets for contractors of mills in Japan which were reevaluated based on evaluation results of human rights risks and detailed interview items that help raise awareness among

overseas suppliers can be evaluated as an advancement to practically implement human rights due diligence.

From the perspective of the core labor standards of the ILO, to which occupational safety and health was added in 2022, I believe that dialogues with Group employees and the promotion of interviews with suppliers is critical for human rights due diligence. Furthermore, in international society, the right to access to water and to clean, healthy and sustainable environments have been established as human rights. I would like Nippon Paper Group to engage in dialogues with indigenous peoples, who are rights holders, on a continuous basis in regions where raw materials are procured, and actively broadcast those efforts as a pioneer for human rights initiatives in the paper industry.

With regard to remedy mechanisms, I welcome the fact that the Company discloses the number of complaints concerning human rights in its ESG Data Book. For specific measures to prevent and mitigate human rights violations, I expect that monitoring led by the Board of Directors will help make further progress in remediation.

Basic Stance

Nippon Paper Group is working to build a sustainable raw materials procurement system that earns the trust of a broad range of stakeholders by its supply chain management with consideration for the environment and society. In September 2022, the Group revised the Principles and Basic Policies Concerning Raw Materials Procurement (hereinafter,

“Procurement Policies”) to allow it to more effectively address issues such as respect for human rights and climate change. The Group is striving to improve the level of raw materials procurement by conducting procurement activities in accordance with the Procurement Policies and promoting dialogues with stakeholders.

Promotion Structure

The Nippon Paper Group Raw Materials Committee, which is chaired by the General Manager of the Raw Materials and Purchasing Division at Nippon Paper Industries within the Group, discusses key issues related to raw materials

procurement for the entire Group, and reports on these issues to the Board of Directors through the Risk Management Committee (→P.52).

Procurement of Wood Resources

The Group maximizes the use of renewable wood resources through its diverse technology and know-how. As the use of wood resources is indispensable to the Group, it has constructed a system to continually procure resources that are generated from sustainable forest management. The Group newly established the Wood Resources Procurement Guidelines (hereinafter, “Procurement Guidelines”) under the Procurement Policies revised in September 2022, and will

further strengthen its procurement system for sustainable forest resources.

Key Points in the Group's Procurement of Wood Resources

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

Management of Suppliers

Raw material for paper, which is the Group's main product, consists of wood resources such as wood chips and waste-paper. In addition to ensuring the legality of woody material supplies, the Company has formulated an action plan to carry out procurement of wood resources that takes into consideration human rights, labor, local communities, and the preservation of biodiversity, and has implemented this plan since 2007.

The Company conducts surveys and on-site interviews each year with its overseas suppliers of woody materials to ensure their sustainability. Moreover, the Company receives third-party

verification, utilizing annual forest certification audits and the due diligence system for legal certification stipulated in the Clean Wood Act.

Going forward, to promote procurement in accordance with the Procurement Policies revised in 2022 and the Procurement Guidelines, the Company will enhance the action plan it is currently implementing as it seeks to gain the understanding of suppliers, with a view to strengthening supply chain management that is even more highly trusted by customers and other stakeholders.

Contents of Supplier Questionnaire Survey (excerpt)

- Basic information on forests from which materials were sourced (type of tree, compliance with laws and regulations related to forests, etc.)
- Status on obtaining forest certifications
- Establishment of policy and systems for human rights and labor policies
- Implementation of biodiversity efforts
- Coexistence with local communities

Number of Implementations of Action Plan for Procurement of Wood Resources (Nippon Paper Industries, FY2023/3)

| | |
|----------|--|
| In Japan | 316 wood chip suppliers, 5 pulp suppliers (Implemented for all suppliers, compliance verified at all suppliers) |
| Overseas | 22 wood chip suppliers, 13 pulp suppliers (Implemented for all suppliers, compliance verified at all suppliers) |

Forest Management

Basic Stance

Forests possess tremendous value to Nippon Paper Group as a management resource. For this reason, the Group nurtures forest resources on its own while also procuring sustainable woody raw materials from outside sources.

The Group manages and operates approximately 160,000 hectares in total of forests both within and outside Japan with

consideration toward the environment, society, and the economy. Nippon Paper Industries and its overseas plantation subsidiaries have obtained forest certifications for all of the forests they manage. At the same time, it is undertaking various initiatives to maximize the value of forest resources (→P.40–41).

Sustainable Forest Management

Overseas, the Group manages approximately 70,000 hectares in total of plantation areas in Brazil and Australia, where it conducts sustainable forest management with consideration toward local residents, regional culture and traditions, as well as the natural environment and ecosystem. The Group also contributes to local communities by, for instance, giving consideration to indigenous peoples and providing them with support for educational activities.

In Japan, the Group possesses approximately 90,000 hectares of company-owned forests in approximately 400 locations nationwide. The Company manages these areas by categorizing approximately 80% as commercial forest areas for harvesting woody materials, and approximately 20% as environmental forest areas where woody materials are not harvested and environmental functions such as ecosystem maintenance

and water resource preservation (watershed) are maintained, and conducts balanced, sustainable forest management.

In addition, by its unique technology, the Company contributes to building a carbon neutral society while enhancing its forest resources through productivity improvement per unit area (= improving the CO₂ fixation efficiency rate).

The Nippon Paper Group Definition of Sustainable Forest Management

- Biodiversity is preserved
- The productivity and soundness of the forest ecosystem are maintained
- Soil and water resources are preserved
- Diverse social needs are satisfied

Preservation of Biodiversity

Basic Stance

The business activities of Nippon Paper Group greatly depend on the natural world, which nurtures biodiversity, and at the same time have various impacts in many ways. That is why the Group established the Basic Policy on the Preservation of

Biodiversity, and works to achieve harmony in its business activities between the continuous usage of wood resources which are a main raw material and plentiful water resources and a reduction of environmental impact, etc. (→P.58–59).

Preservation of Biodiversity in Forest Management

Forests possess public interest functions such as CO₂ absorption and fixation, ecosystem maintenance, water resource preservation and disaster prevention. The Group aims to maintain and improve the procurement of sustainable wood

resources and public interest functions by working to preserve biodiversity in cooperation with various stakeholders in its own forests in Japan and overseas.

CASE STUDY | Joined the 30by30 Alliance for Biodiversity*

The Company joined the 30by30 Alliance for Biodiversity promoted by the Ministry of the Environment. In FY2023/3, as a case study for testing and verifying the screening process on the Nature Coexistence Site where certification by the ministry began in FY2024/3, the Company provided information about its Ho-oh company-owned forest (Yamanashi Prefecture), among others. It will consider expanding to other target areas in the future.

* An alliance established by the Ministry of the Environment together with voluntarily participating companies, local governments, and organizations to achieve the international goal of conserving 30% or more of land and sea areas as natural environment areas by 2030.



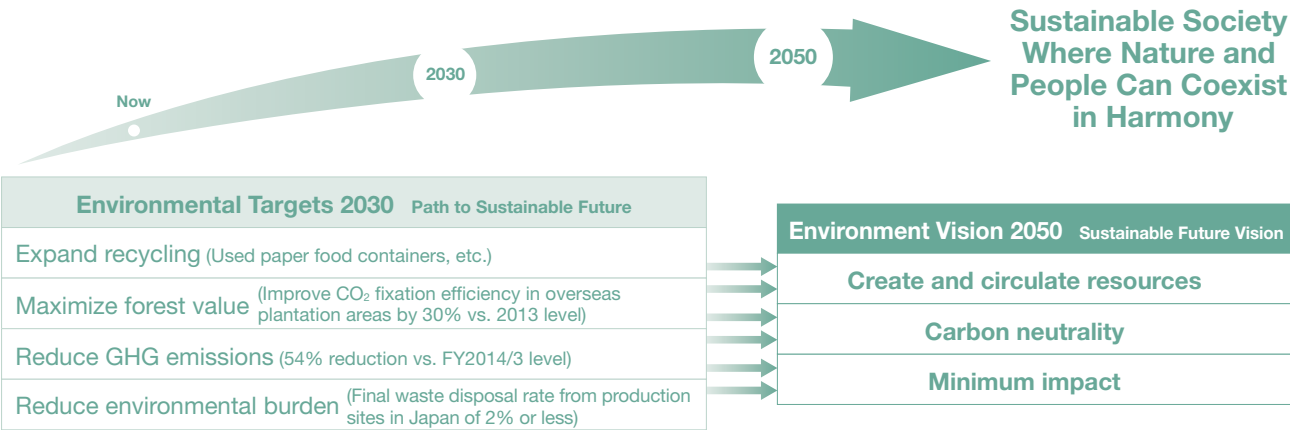
Ho-oh company-owned forest
(Yamanashi Prefecture)

Environmental Management

Basic Stance

Nippon Paper Group established the Nippon Paper Group Environmental Charter, and practices environmental management that contributes to the formation of a circulation-oriented society by working from a long-term perspective to reduce its environmental impact, promote resource recycling, conserve

biodiversity, and respond to climate change. The Group has established its ideal state in 2050, and is making a full Group-wide effort toward the Environmental Targets 2030 which were established to achieve it.



Promotion Structure

The Group has established the Nippon Paper Group Environmental Committee, chaired by the General Manager of the Technical Division, who is also the executive officer in charge of GHG emissions reduction and promotion of environmental management at Nippon Paper Industries. The committee

deliberates important matters concerning environmental management such as managing and evaluating the appropriate implementation of the environmental targets, and reports to the Board of Directors through the Risk Management Committee (→P.52).

Reduction of Environmental Burden

Water Resources Management

The Group works to reduce the amount of water used and to reduce water pollutants in order to continually use water resources. At the Group's production sites within Japan and overseas, it has determined the water risk to be low. Going

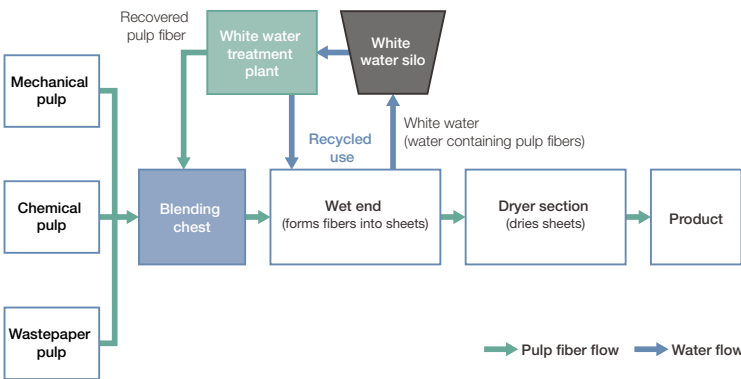
forward, the Group will carry out appropriate countermeasures such as establishing targets for the usage of water resources after evaluating water risk.

CASE STUDY Water Conservation through Circulation of White Water

At the Group's paper mills, water containing fine pulp fibers generated in the wet end of the papermaking process, called white water, is collected. The recovered white water is separated in a treatment facility, after which the pulp fiber is returned to the preparation facility, while the water is circulated back to the wet end for reuse, thereby reducing the amount of water used.

Water conservation not only reduces water consumption, but also leads to energy savings in equipment as a side effect.

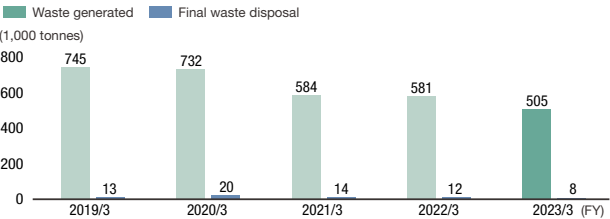
White Water Circulation Flow Diagram



Waste Reduction

The Group has established a goal of limiting the final waste disposal volume of industrial waste from production sites in Japan to 2% or less, and is working to review production processes and promote the effective use of boiler ash for civil engineering materials and other purposes. In addition to reductions within the Group, it also contributes to the reduction of waste generated in the region by accepting regional waste as fuel.

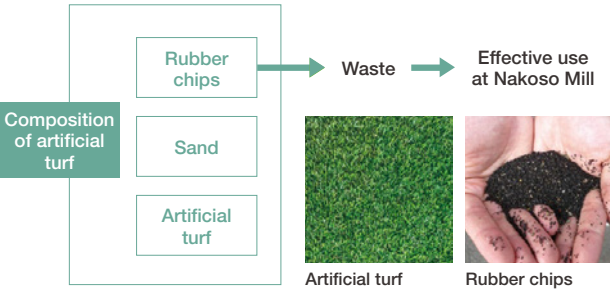
Waste Generated and Final Waste Disposal



CASE STUDY Local Production and Consumption of Energy (Nippon Paper Industries)

At the Company's Nakoso Mill, waste generated in neighboring areas is actively used as fuel. This waste includes shiitake mushroom beds and rubber chips from artificial turf. The use of waste as fuel allows the Nakoso Mill to reduce its use of fossil fuels. The local production and consumption of fuel has not only contributed to reducing GHG emissions from the Nakoso Mill, but it has also helped to reduce waste generated in local areas. In 2022, the Company received the Special Prize at the 7th Fukushima Industrial Awards sponsored by FUKUSHIMA-MINPO CO., LTD.

Effective Utilization of Rubber Chips from Artificial Turf at Nakoso Mill



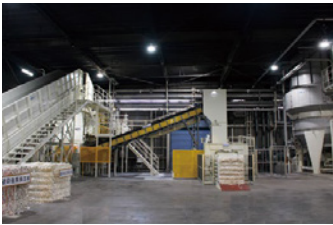
Promotion of Resource Circulation

For many years, the Group has actively used wastepaper as a raw material for paper. Going forward, it will promote the circulation of resources by simultaneously addressing customer needs for replacing plastic with paper and the recycling of paper products. For that reason, it will enhance its system for the stable procurement of wastepaper and utilize unused, difficult-to-treat wastepaper by constructing a system for sorted collection and recycling. In addition, the Group will establish a horizontal recycling scheme through food and beverage containers, etc.

In October 2022, the Company began operating recycling facilities for food and beverage paper containers such as paper cups and paper cartons at its Fuji Mill. These facilities are capable of producing high-quality, intensely white recycled pulp. Taking advantage of these characteristics, the Company aims to use this pulp as a raw material for paper in

a wide range of fields, including paper, paperboard, and household paper.

In FY2023/3, the Company collaborated with customers and local governments to conduct demonstration tests for collecting used paper cups at events and other, collect paper cups from the offices of companies that support paper cup recycling, and initiate collection and recycling activities for difficult-to-treat wastepaper. Through these efforts, the Company utilized 1,707 tonnes of unused difficult-to-treat wastepaper.



Recycling facilities for paper containers for food and beverages (Fuji Mill)

CASE STUDY Recycling Paper Cups Used in Collaboration with Japan Airlines

In December 2022, the Company launched a recycling program for paper cups (lid and cups, etc.) together with Japan Airlines Co., Ltd. (hereinafter "JAL"). Under a cooperative agreement by both companies, the JAL Group appropriately sorts and collects paper cups used in its in-flight services, while the Group establishes a unique route for shipping, collecting, and packing them. This has made it possible to sort, collect and recycle wastepaper from used cups. These cups are currently being recycled into containerboards and toilet paper rolls, but in the future, the aim is to promote resource circulation and reduce GHG emissions by

realizing horizontal recycling to recycle paper cups back into paper cups.



Picture from a report on the recycling process at Soka Mill by JAL (provided by JAL)



Picture of collecting in-flight paper cups (provided by JAL)

Progress of the Medium-Term Business Plan 2025

The Nippon Paper Group's Medium-Term Business Plan 2025 is a five-year action plan from FY2022/3 to FY2026/3 to resolve and achieve the management issues necessary to realize its vision for 2030.

In terms of the progress on the plan in FY2023/3, the Group first achieved the initial target of net sales in the medium-term business plan. It believes this is the result of "acceleration of business structure transformation," which has involved investment in growth areas, particularly in the Daily-Life Products Business, developing high-value-added and differentiated products, and expanding supply capacity.

On the other hand, operating income declined significantly, resulting in the first operating loss since becoming listed. The main reason for this was a significant rise in various costs, including those for raw materials, fuel, and logistics, due to unstable international conditions and global inflation. As a countermeasure, the Group reduced fixed costs, including the shutdown of production facilities, reduced coal consumption,

and implemented price revisions for a wide range of products, but was unable to fully offset the cost increases.

In light of changes in the external environment, in FY2024/3, which marks the halfway point of the Medium-Term Business Plan 2025, the Group has revised some of the plan's targets and redefined the basic strategies and priority issues for FY2024/3–FY2026/3 (see table on the right).

The Group will counteract rising raw materials and fuel costs through measures centered on cost reductions and price revisions, and turn profitable in the Paper and Paperboard Business, Daily-Life Products Business, and Energy Business to quickly return to the track of the Medium-Term Business Plan 2025 and achieve its goals as well as those set forth in 2030VISION*.

* 2030VISION: Guidelines established to clarify the Nippon Paper Group's vision for 2030 and the management tasks required to achieve it, and to realize the Group Mission.

Basic Strategies and Priority Tasks for FY2024/3–FY2026/3

| Basic strategy | Acceleration of business structure transformation | |
|----------------|---|---|
| Priority task | (1) Improve profitability of Daily-Life Products Business | • Increase net sales by realizing the effects of capital investment • Rebuild Opal as an integrated packaging supplier |
| | (2) Strengthen competitiveness of Graphic Paper Business | • Continue to reduce costs and maintain appropriate prices • Reorganize production structure to anticipate declining demand |
| | (3) Accelerate reduction of GHG emissions | • Energy saving measures, fuel conversion and maximization of the use of black liquor • Shut down coal boilers due to reorganization of production structure |
| | (4) Improve financial position | • Sale of strategic holdings stocks and idle assets • Careful selection of capital investment |

Progress on Medium-Term Business Plan 2025, 2030VISION

Items set as targets of Medium-Term Business Plan 2025

| FY | 2022/3 Results | 2023/3 Results | 2024/3 Plan | 2026/3 Plan |
|---|----------------|----------------|-------------|---|
| Net sales (¥ billion) | 1,045.1 | 1,152.6 | 1,230.0 | ¥1,200.0 billion or more |
| Percentage of Daily-Life Products Business among total net sales | 37% | 38% | 36% | 40% |
| Overseas sales ratio | 27.0% | 29.4% | | |
| Operating income (¥ billion) | 12.1 | (26.9) | 24.0 | ¥40.0 billion or more at an early stage |
| Operating income margin in the Daily-Life Products Business | 1.2% | (1.8)% | 0.2% | 5.0% |
| EBITDA (¥ billion) | 81.5 | 42.8 | 90.0 | Stably ¥100.0 billion |
| ROE | 0.5% | (12.3)% | | 5.0% or more |
| Net debt/equity ratio | 1.89 | 2.25 | | 1.7–1.8 times |
| Net interest-bearing debt (¥ billion) | 761.3 | 780.1 | | 710.0 |
| GHG emissions (vs. FY2014/3) | (20)% | (30)% | | |
| Measures to reduce GHG emissions | | | | |
| Improve productivity through reorganization of production structure | | | | |
| Shut down coal boilers through reorganization of production structure | | | | |

| 2027/3–2031/3 |
|--|
| Daily-Life Products Business |
| • Further improve profitability of Opal |
| • Continue strategic investment |
| Graphic Paper Business |
| • Consolidate graphic paper domestic production sites to approximately three locations |
| • Secure profitability through operational stability, cost reduction, maintaining appropriate prices, and reorganization of production structure |
| New businesses and innovative materials |
| • Commercialization at an early stage |
| • Develop new businesses based on pulp and cellulose |
| Increase overseas net sales |
| Improve financial position |
| • Compression of interest-bearing debt |
| • Expansion of capital |
| • Reduce the net debt/equity ratio to 1.5–1.6 times at an early stage, and make further improvements |
| Fuel conversion and maximization of the use of black liquor |
| Energy saving measures |

2030VISION

Basic policies

- Reallocate management resources to growing businesses
- Respond to the rapidly changing social landscape, including GHG emissions reduction and environmental issues

Net sales

¥1,300.0 billion
(Of which, Daily-Life Products Business)
50% or more

(New businesses)
¥65.0 billion
(Overseas sales ratio)
30% or more

Operating income margin in the Daily-Life Products Business

7% or more

ROE

8.0% or more

GHG emissions (vs. FY2014/3) (Scope 1+2)

54% reduction

Strategy by Business

Paper Business [Main products] Newsprint, printing paper, business communication paper, industrial paper, functional specialty paper, functional paper

| Link strengths to opportunities | |
|--|--|
| <ul style="list-style-type: none">Technical capabilities and know-how to produce various productsStable supply system and sales channel network covering the entire country | <ul style="list-style-type: none">Rising awareness of environmental issues, including carbon neutrality, and moving away from plastic (trend toward using paper) |
| S Strengths | O Opportunities |
| W Weaknesses | T Threats |
| <ul style="list-style-type: none">High percentage of coal in fuel compositionHigh fixed costs due to extensive facilities | <ul style="list-style-type: none">Reduction of the graphic paper market due to digitalizationAcceleration of declining demand for graphic paper due to factors such as the entrenchment of remote work and the enactment of the revised Electronic Books Preservation Act |
| Address challenges and threats | |

Strengthen Cost Competitiveness and Profitability through a Reorganized Production Structure

It is predicted that the declining demand for newsprint, printing paper and PPC (copy) paper will accelerate even further due to digitalization as well as the entrenchment of new lifestyles such as remote work.

In anticipation of a future decline in demand, the Company plans to concentrate domestic production sites for graphic paper in approximately three locations as quickly as possible by FY2031/3, while also working to shift production to the packaging business, and accelerate the transformation of the business structure.

Amid this situation, it will introduce measures through back-casting to achieve its long-term goals (strong cost competitiveness, low GHG emissions, and stable supply of products). The Company will both enhance cost competitiveness and reduce GHG emissions by decreasing coal consumption by maximizing production efficiency. This includes fuel conversion for coal boilers, implementing energy conservation, and narrowing down production items. It will also concentrate on stable operations to continue supplying products that can earn customers' trust.

Maintaining appropriate prices will be critical to implementing these measures, which is why the Company will continue its dialogues with customers, and work to maintain market conditions.

Paperboard Business [Main products] Containerboards, white paperboards

| Link strengths to opportunities | |
|---|---|
| <ul style="list-style-type: none">Development of high value-added products using kraft pulp manufactured in-houseNew product development and sales structure with integrated sales and development | <ul style="list-style-type: none">Stable demand for beverages and food and demand related to e-commerce |
| S Strengths | O Opportunities |
| W Weaknesses | T Threats |
| <ul style="list-style-type: none">Stability of operationsMaintaining sales prices | <ul style="list-style-type: none">Falling demand due to economic deterioration in Japan and overseasIncreasing logistics costsSurging raw materials and fuel prices |
| Address challenges and threats | |

Expand Sales by Maximizing Utilization of Kraft Pulp Facilities

In FY2023/3, prices of raw materials and fuel rose sharply due to a fluctuation in supply-demand balance on an international scale. In the Paperboard Business, the Company worked on energy conservation and other measures to reduce coal consumption and implemented price revisions to secure profits that can be reproduced. Going forward, it will further strengthen its stable procurement system for wastepaper, a raw material, and promote initiatives to expand the use of difficult-to-treat wastepaper and other materials to secure stable earnings.

Paperboard products are expected to hold strong going forward, supported by stable demand for use as a packaging material for daily necessities such as food and beverages and there is also demand related to e-commerce. The Company will focus on the development and sales of high value-added products using kraft pulp manufactured in-house in order to capture market demands both in Japan and overseas, and achieve further business growth. Utilizing its well-balanced positioning of production sites throughout Japan, including the coastal Akita Mill, the Company will stably supply products within Japan and overseas.

On the other hand, in response to the "2024 issue" in Japan's logistics industry, the Company will address the associated risks ahead of time and promote the optimization of logistical systems.

Liquid Packaging Carton Business [Main products] Liquid packaging cartons, liquid packaging boards

| Link strengths to opportunities | |
|--|---|
| <ul style="list-style-type: none">World-class technology for developing paper cartons and filling machinesPresence of powerful strategic partners | <ul style="list-style-type: none">Rising needs for eco-friendly products both in Japan and overseasRising needs for filling systems capable of handling various types of beverages and cartons |
| S Strengths | O Opportunities |
| W Weaknesses | T Threats |
| <ul style="list-style-type: none">Developing and securing personnel for overseas expansion | <ul style="list-style-type: none">Intensifying competition in the paper carton market |
| Address challenges and threats | |

Develop Business in Overseas Markets and Expand Sales of Environmentally Friendly, Next-Generation Paper Cartons

Despite soaring prices of beverages triggered by surging raw materials and fuel and exchange rates, demand for paper cartons is expected to grow as the trend to move away from plastic continues both in Japan and overseas.

In order to quickly seize these business opportunities, the Company is promoting a strategy of differentiation through next-generation paper cartons such as School POP® (strawless paper cartons for schools) and Non-Aluminum FUJIPAK (environmentally friendly paper cartons). Steady results are being obtained, as both products have seen an increase in the number of adoptions.

By signing a licensing agreement with Elopak ASA, a liquid packaging cartons company, for the Oceania region, and establishing a local subsidiary, the Company set up a sales structure for developing Elopak and the Company's brand paper cartons and Shikoku Kakoki Co., Ltd.'s filling machines in the Oceania region, where it aims to acquire a 10% market share at an early stage.

The Company will also work to expand its business foundation as one of the world's leading integrated system suppliers by setting up a structure for in-house liquid packaging board procurement, and further enhancing its cost competitiveness.

Opal [Main products] Corrugated boxes, containerboards

| Link strengths to opportunities | |
|--|---|
| <ul style="list-style-type: none">Providing innovative products and solutions to meet customer needsIntegrated production structure from the procurement of raw materials and paper manufacturing through to converting | <ul style="list-style-type: none">Growing demand for e-commerce as a result of changing lifestylesRising awareness of environmental issues, including carbon neutrality, and moving away from plastic (trend toward using paper) |
| S Strengths | O Opportunities |
| W Weaknesses | T Threats |
| <ul style="list-style-type: none">Deterioration of manufacturing facilities | <ul style="list-style-type: none">Intensifying competition due to reinforcement of facilities by competitorsDomestic logistics costs remaining highConcerns about domestic economic slowdown due to rising interest rates |
| Address challenges and threats | |

Enhancing Competitiveness and Profitability as an Integrated Packaging Supplier

Opal made the decision to withdraw from the Graphic Paper Business due to the fact that its supply of eucalyptus wood, produced in Victoria's state-owned forests in Australia, from VicForests was stopped. By the end of 2023, it will complete the rationalization of the Maryvale Mill in conjunction with its withdrawal and focus on the packaging business where future growth is expected.

In August 2023, Opal launched a new corrugated box plant in Victoria. It will capture demand in growing markets while gradually updating facilities at existing corrugated box mills, and enhance its product supply structure. Also, in addition to improving profitability by enhancing cost competitiveness, it will increase the internal consumption rate of base paper, thereby reducing the impact of fluctuations in the export market and supply chain risk.

In Australia, the move to sustainable packaging is accelerating toward government targets for 2025, and momentum is building to convert product packaging from plastic materials with high environmental loads to paper materials. Opal will promote new product development in order to rapidly capture these market demands and aims to increase profitability.

Household Paper and Healthcare Business [Main products] Facial tissues, toilet paper rolls, adult diapers

| Link strengths to opportunities | |
|---|--|
| <ul style="list-style-type: none">Sustainable wood resources as a raw material (carbon neutrality)Technological capabilities and brand power as a pioneer in household paperDevelopment of sustainable products | <ul style="list-style-type: none">Heightened awareness of environment and hygieneDemand for products that are friendly to the global environment |
| Strengths | Opportunities |
| Weaknesses | Threats |
| <ul style="list-style-type: none">Operations and logistics which are partially inefficientRoom to increase amount of pulp procurement within the Group | <ul style="list-style-type: none">Large number of competitorsIntensifying competition due to reinforcement of facilities by competitorsFluctuations in prices for raw materials and fuel |
| Address challenges and threats | |

Expand “Long-Lasting & Compact” Products to Solve Environmental and Social Issues

It is anticipated that the domestic market will continue to be strong, as the demands and purchasing behaviors of consumers diversify due to heightened awareness of hygiene and changes in lifestyle environments.

Nippon Paper Crecia has established “maintaining and expanding a hygienic environment” as its purpose so that people could continue to lead hygienic lives at any time. It strives to develop new products and expand its lineup that appeal to the global environment and hygiene in order to help realize a sustainable society, and focuses on providing products that improve consumers’ convenience and reduce environmental loads. Meanwhile, the increasing global demand for hygienic paper and disruptions to logistics networks have had a major impact on the price of pulp and other raw materials and fuel. To reduce fluctuations in the pulp market, the company will expand the usage of in-house manufactured pulp from within the Group, which has stable quality and cost competitiveness.

Its “long-lasting & compact” concept for toilet paper rolls, which is highly evaluated, will be deployed to all categories in the future. The aim for the Household Paper and Healthcare Business is to grow sales by developing products anticipating customer needs while responding to changes in the environment and society and penetrate the market with the concept of “four beneficiaries.”

* Four beneficiaries: consumers, commerce, manufacturers, global environment

Chemical Business [Main products] Dissolving pulp, functional cellulose, functional chemicals, functional coating resins, functional films

| Link strengths to opportunities | |
|--|--|
| <ul style="list-style-type: none">Product lineup and technological capabilities with high shares in niche marketsRich lineup of wood-derived resources for a circulation-oriented society | <ul style="list-style-type: none">Global trend toward converting to battery electric vehiclesHeightened environmental awareness |
| Strengths | Opportunities |
| Weaknesses | Threats |
| <ul style="list-style-type: none">Investment cost to upgrade production facilitiesProduction with small scale but high cost | <ul style="list-style-type: none">Growing quality requirements and declining value of existing products due to changes in the market environmentOffensive maneuvers by overseas manufacturers |
| Address challenges and threats | |

Aim to Grow Business with Environmentally Friendly Products That Meet Society’s Needs

At a time when awareness of environmental issues is growing globally, there is increasing demand for environmentally friendly products. Moreover, the environment surrounding the Chemical Business is changing dramatically due to factors such as the automotive industry accelerating its shift to battery electric vehicles (BEVs). Here, the Company has continued to develop business through a comprehensive use of renewable wood resources such as dissolving pulp, lignin, cellulose, and hemicellulose. It will respond to the increase in environmental awareness and continue to develop and provide new wood-derived products.

For BEVs, where the market will expand, the Company is working to expand facilities for functional cellulose (CMC) to be used in lithium-ion batteries. Functional coating resins are added to paints used on plastic car parts that must be lightweight, and demand is even rising for ink applications in packaging film. Quality requirements are increasing in response to rapidly changing market environments, and a shift to high-quality, highly functional products that meet customer needs is underway. In addition, strengthening collaboration with corporate partners will lead to generating new business and enhancing competitiveness.

The Chemical Business will provide products that meet changing needs and promote the expansion of markets, including those overseas, through a trinity of sales, R&D and production.

Energy Business [Main products] Electricity sales

| Link strengths to opportunities | |
|--|--|
| <ul style="list-style-type: none">Technological capabilities in power generation and infrastructure cultivated over many yearsWoody biomass fuel procurement capabilities | <ul style="list-style-type: none">Rising demand for renewable energy toward carbon neutrality in 2050 |
| Strengths | Opportunities |
| Weaknesses | Threats |
| <ul style="list-style-type: none">High percentage of fossil fuels in energy compositionIssues of cost and social reputation due to use of coal | <ul style="list-style-type: none">Heightened environmental awareness around the worldMovement to introduce carbon pricing |
| Address challenges and threats | |

Further Enhance Renewable Energy Supply Capacity

The Group, which develops business as a comprehensive biomass company, is working to further enhance its renewable energy supply capacity.

The Yufutsu Energy Center began operating in February 2023 as a biomass power generation facility with a generation capacity of 75 MW that utilizes the Shiraoi Mill Yufutsu site and infrastructure. In addition, Nippon Paper Ishinomaki Energy Center, a biomass co-firing facility, is undergoing modifications to increase its woody biomass co-firing ratio to 42%, and is scheduled to be completed in November 2023. As a result of these initiatives, the volume of electricity sales from renewable energy for the entire Group will expand to about 1.7 million MWh annually in FY2026/3. Furthermore, the Company will work to reduce GHG emissions from coal boilers for in-house power generation that are also used to sell surplus electricity through switching to alternative fuels and energy conservation among other means.

The Group will work to secure stable earnings over the medium to long term centered on biomass power generation utilizing the power generation technology and procurement capabilities for wood resources it has cultivated through existing businesses and aims to develop the Energy Business.

Wood/Building Material Business [Main products] Logs, building materials, raw materials and fuel for papermaking

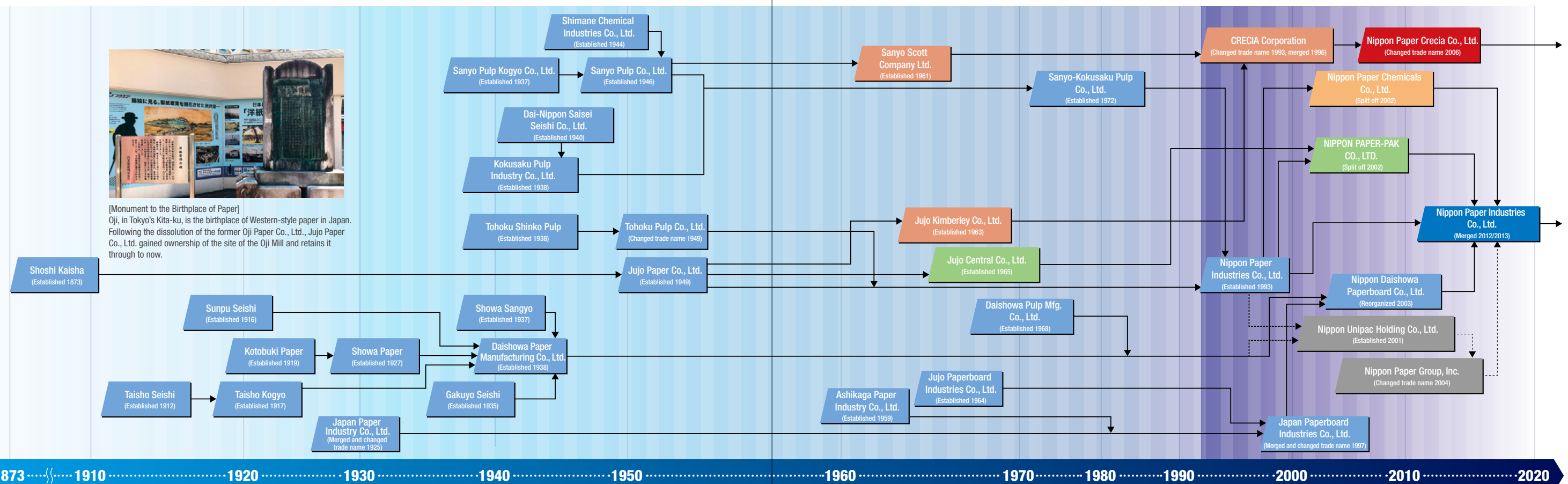
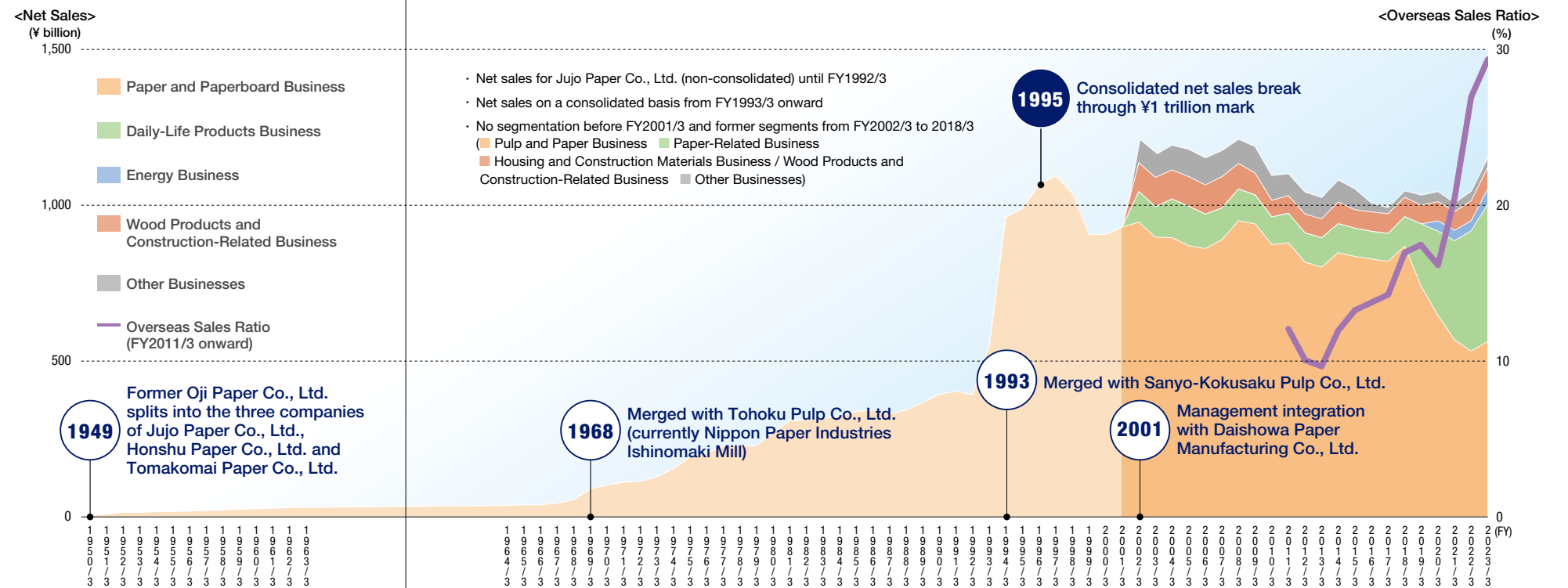
| Link strengths to opportunities | |
|---|--|
| <ul style="list-style-type: none">Top-class handling volume of domestic wood in JapanProcurement and supply system for wood chips used as fuel | <ul style="list-style-type: none">Movement to expand self-sufficiency of domestic woodRising demand for biomass fuel due to the increase in biomass power generation facilities |
| Strengths | Opportunities |
| Weaknesses | Threats |
| <ul style="list-style-type: none">Weakening procurement network of raw materials for paper manufacturing due to declining paper demand | <ul style="list-style-type: none">Lack of forestry workers and low productivity in the forestry industry |
| Address challenges and threats | |

Further Strengthen Domestic Wood Procurement Foundation and Expand Profitability of the Fuel Business

In FY2023/3, the so-called “lumber crisis” that had taken the industry by surprise in the previous year came to an end in the latter half of the fiscal year. In the aftermath, distribution inventories remain high and markets continue to trend downward. Meanwhile, amid the global movement to a carbon neutral society, an additional increase in demand is forecast for biomass fuel due to the increase in biomass power generation in Japan. To respond to these changes, Nippon Paper Lumber established a strategy of expanding the domestic wood business, and aims to expand sales of domestic materials by switching from imported materials to domestic materials and expanding sales routes overseas, among other means. Through maximum utilization of procurement and sales networks, one of the Group’s strengths, it will further strengthen its procurement foundation for domestic materials. It will similarly concentrate on strengthening fuel business, bolster initiatives aimed at transitioning to a carbon neutral society such as a stable supply for biomass generation facilities in the Company’s Energy Business and seizing sales opportunities with external customers, and aims to improve the profitability of the fuel business.

Nippon Paper Lumber aims to continue to be a leading company in the domestic wood business and to work to further expand the Group’s Wood/Building Material Business.

Nippon Paper Group has walked through the years, hand-in-hand with the history of paper in Japan, and has expanded the Company scale and business domain through mergers and integrations. The Group is advancing business development as a comprehensive biomass company using diverse technologies and know-how to maximize the use of renewable wood resources.



18701

Beginning of domestic Western-style paper production, development and creation of paper culture

- In 1873, Eiichi Shibusawa established Shoshi Kaisha (later reorganized to the former Oji Paper Co., Ltd.), the first modern Western-style papermaking company in Japan
- ▶ Demand for paper used in things like newspaper, magazines, and books grew alongside the establishment of a capitalist society, and the domestic paper industry developed
- In 1949, as a result of the Law for the Elimination of Excessive Concentration of Economic Power, the former Oji Paper was split into three companies, from which Jujo Paper was established

1950 |

Expanded applications for paper, and developed alongside rapid economic growth

- Established Sanyo Scott in 1961 and Jujo Kimberly in 1963, and began selling tissues and toilet paper rolls for the first time in Japan (currently Nippon Paper Crecia)
- In 1965, Jujo Central was established, and launched the Liquid Packaging Carton Business (currently under the Paper-Pak Sales Division, Nippon Paper Industries)
- Alongside rapid economic development, applications for paper spread, and technological developments such as weight reductions were made

1990 |

Business scale expansion through mergers and integrations, and demand for Western-style paper peaked out

- In 1993, Jujo Paper and Sanyo-Kokusaku Pulp merged to create Nippon Paper Industries
- In 1995, consolidated net sales broke through the ¥1 trillion mark for the first time
- In 2001, Nippon Paper Industries integrated management with Daishowa Paper Manufacturing, and Nippon Unipac Holding was established
- Demand for paper reached its peak in the 2000s due to movement toward digitalization and the impact of the 2008 financial crisis

2010 |

Transformation of the business structure, acceleration of overseas development, and new value creation

- In 2011, Nippon Paper's Ishinomaki and other mills were damaged due to the Great East Japan Earthquake
- Strengthen initiatives aimed at transformation of the business structure from the Fourth Medium-Term Business Plan
- Expand overseas business in North America, Australia and Southeast Asia with a focus on the packaging field
- Accelerate development of new businesses leveraging the Group's technological capabilities such as cellulose nanofiber (CNF)

Eleven-Year Financial Summary

Nippon Paper Industries and Consolidated Subsidiaries*
Fiscal Years Ended March 31

(Millions of yen)

| | FY2013/3 | FY2014/3 | FY2015/3 | FY2016/3 | FY2017/3 | FY2018/3 | FY2019/3 | FY2020/3 | FY2021/3 | FY2022/3 | FY2023/3 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Profit / Loss (Fiscal Year) | | | | | | | | | | | |
| Net sales | 1,025,078 | 1,081,277 | 1,052,491 | 1,007,097 | 992,428 | 1,046,499 | 1,068,703 | 1,043,912 | 1,007,339 | 1,045,086 | 1,152,645 |
| Cost of sales | 796,411 | 844,603 | 825,576 | 800,185 | 787,464 | 846,109 | 871,218 | 832,151 | 803,686 | 872,011 | 1,008,246 |
| Operating income (loss) | 25,145 | 28,536 | 23,656 | 22,623 | 23,764 | 17,613 | 19,615 | 35,048 | 19,233 | 12,090 | (26,855) |
| Ordinary income (loss) | 23,081 | 28,188 | 23,204 | 17,123 | 26,994 | 18,649 | 23,901 | 30,524 | 12,276 | 14,490 | (24,530) |
| Profit (loss) attributable to owners of parent | 10,652 | 22,770 | 23,183 | 2,424 | 8,399 | 7,847 | (35,220) | 14,212 | 3,196 | 1,990 | (50,406) |
| Comprehensive income | 30,553 | 41,864 | 67,295 | (31,821) | 25,795 | 15,285 | (45,838) | (1,946) | 45,534 | 22,104 | (28,588) |
| Cash flows from operating activities | 65,978 | 75,763 | 81,846 | 52,419 | 87,087 | 44,944 | 59,760 | 67,036 | 84,197 | 72,378 | 65,823 |
| Cash flows from investing activities | (61,766) | (24,861) | (42,483) | 16,270 | (65,278) | (62,731) | (47,461) | (70,113) | (182,945) | (61,247) | (68,018) |
| Cash flows from financing activities | (14,385) | (65,487) | (52,744) | (39,168) | (49,694) | (12,548) | (6,720) | (7,397) | 113,696 | 54,314 | 6,976 |
| Free cash flow | 4,212 | 50,902 | 39,363 | 68,689 | 21,809 | (17,787) | 12,299 | (3,077) | (98,748) | 11,131 | (2,195) |
| Financial Position (End of Fiscal Year) | | | | | | | | | | | |
| Total assets | 1,497,729 | 1,480,894 | 1,495,622 | 1,390,918 | 1,388,885 | 1,429,892 | 1,390,814 | 1,363,469 | 1,547,326 | 1,639,286 | 1,666,542 |
| Total current assets | 507,335 | 505,417 | 484,498 | 502,912 | 486,205 | 490,479 | 515,407 | 496,871 | 533,764 | 617,934 | 627,705 |
| Total property, plant and equipment | 747,423 | 729,179 | 715,406 | 669,298 | 686,813 | 717,927 | 677,613 | 680,524 | 782,012 | 774,989 | 796,820 |
| Other non-current assets | 242,970 | 246,297 | 295,716 | 218,707 | 215,867 | 221,484 | 197,792 | 186,074 | 231,549 | 246,363 | 242,016 |
| Total liabilities | 1,101,269 | 1,054,309 | 1,005,881 | 966,233 | 953,974 | 986,493 | 995,470 | 976,892 | 1,122,605 | 1,200,682 | 1,251,341 |
| Total net assets | 396,460 | 426,584 | 489,740 | 424,685 | 434,911 | 443,398 | 395,343 | 386,577 | 424,721 | 438,604 | 415,200 |
| Interest-bearing debt | 830,220 | 775,597 | 731,834 | 703,831 | 678,504 | 693,562 | 688,703 | 689,937 | 828,870 | 898,125 | 924,406 |
| Net interest-bearing debt | 719,309 | 678,350 | 647,734 | 591,321 | 587,990 | 634,559 | 625,248 | 637,091 | 759,136 | 761,280 | 780,056 |
| Other | | | | | | | | | | | |
| Capital investment | 53,323 | 47,162 | 48,518 | 46,899 | 51,289 | 72,765 | 60,338 | 70,636 | 57,929 | 58,107 | 85,972 |
| Depreciation | 64,903 | 63,181 | 61,374 | 57,672 | 55,083 | 57,892 | 60,422 | 58,705 | 63,357 | 66,549 | 66,279 |
| Research and development expenses | 6,348 | 5,690 | 5,431 | 5,555 | 5,622 | 6,013 | 6,694 | 6,051 | 6,217 | 5,672 | 5,760 |
| Per Share Data | | | | | | | | | | | (Yen) |
| Profit (loss) attributable to owners of parent | 92.00 | 196.67 | 200.27 | 20.95 | 72.57 | 67.80 | (304.34) | 122.89 | 27.67 | 17.23 | (436.28) |
| Cash dividends | 40.00 | 40.00 | 50.00 | 60.00 | 60.00 | 60.00 | 30.00 | 40.00 | 40.00 | 40.00 | 0.00 |
| Net assets | 3,391.59 | 3,652.76 | 4,198.10 | 3,645.87 | 3,714.63 | 3,776.26 | 3,328.28 | 3,248.53 | 3,570.15 | 3,695.31 | 3,415.75 |
| Financial Indicators | | | | | | | | | | | |
| Operating income margin | 2.5% | 2.6% | 2.2% | 2.2% | 2.4% | 1.7% | 1.8% | 3.4% | 1.9% | 1.2% | (2.3%) |
| EBITDA (Millions of yen) | 93,752 | 96,333 | 89,467 | 85,145 | 83,571 | 80,137 | 84,583 | 97,779 | 86,940 | 81,546 | 42,830 |
| Return on equity (ROE) | 2.8% | 5.6% | 5.1% | 0.5% | 2.0% | 1.8% | (8.6%) | 3.7% | 0.8% | 0.5% | (12.3%) |
| Return on assets (ROA) | 2.3% | 2.7% | 2.2% | 2.0% | 2.6% | 1.9% | 2.2% | 2.7% | 1.3% | 1.3% | (1.0%) |
| Return on invested capital (ROIC) | 2.9% | 3.3% | 2.8% | 2.4% | 3.2% | 2.3% | 2.9% | 3.5% | 1.6% | 1.7% | (1.3%) |
| Equity ratio | 26.2% | 28.6% | 32.5% | 30.3% | 31.0% | 30.6% | 27.7% | 27.5% | 26.7% | 26.0% | 23.7% |
| Adjusted net debt/equity ratio (times) | 1.89 | 1.70 | 1.55 | 1.47 | 1.49 | 1.61 | 1.76 | 1.75 | 1.86 | 1.89 | 2.25 |
| Overseas sales ratio | 9.7% | 12.0% | 13.3% | 13.8% | 14.3% | 17.0% | 17.5% | 16.2% | 20.5% | 27.0% | 29.4% |

* Nippon Paper Industries merged with and absorbed its parent company Nippon Paper Group, Inc. and was publicly listed on April 1, 2013. For this reason, figures for FY2013/3 represent the financial results of Nippon Paper Group, Inc.

- Free cash flow = Cash flows from operating activities + Cash flows from investing activities
- Interest-bearing debt = Short-term borrowings + Long-term debt
- EBITDA = Operating income (loss)+ Depreciation + Dividend income + Interest income + Amortization of goodwill
- Return on equity (ROE) = Profit (loss) attributable to owners of parent / [Average of balances at the beginning and end of fiscal year (Shareholders' equity + Accumulated other Comprehensive income)] x 100
- Return on assets (ROA) = (Ordinary income (loss) + interest expense) / Total assets at end of fiscal year x 100
- Return on invested capital (ROIC) = (Ordinary income (loss) + Interest expense) / (Year-end shareholders' equity + Year-end accumulated other comprehensive income + Year-end balance of interest-bearing debt) x 100
- Adjusted net debt/equity ratio = (Net interest-bearing debt – Equity-type debt) / (Shareholders' equity + Equity-type debt)
- Equity-type debt: The amount of debt financed by hybrid loans that has been recognized as equity credit by ratings agencies (50% of the financed amount)

Eleven-Year ESG Data*1

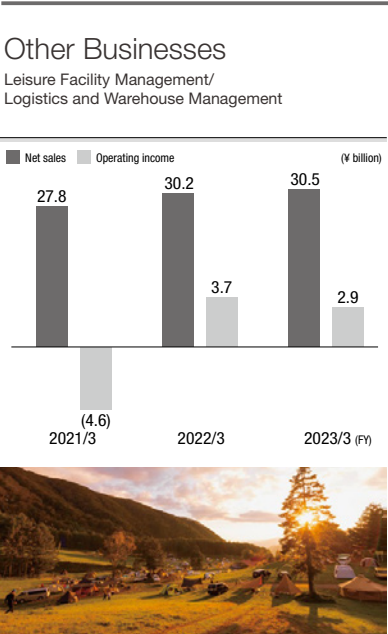
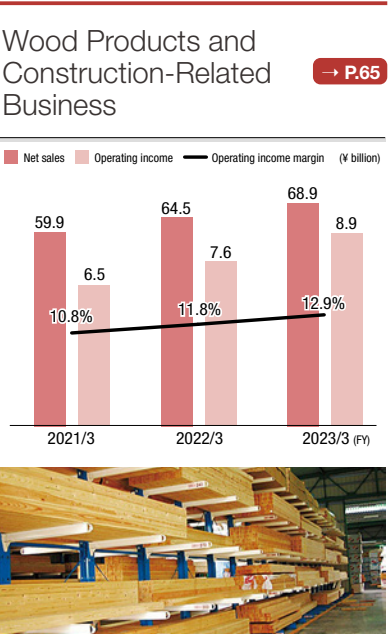
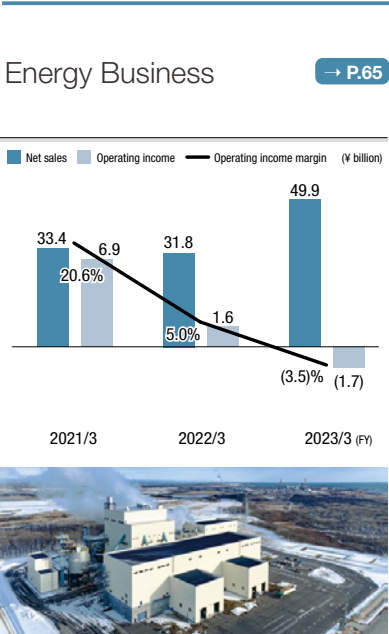
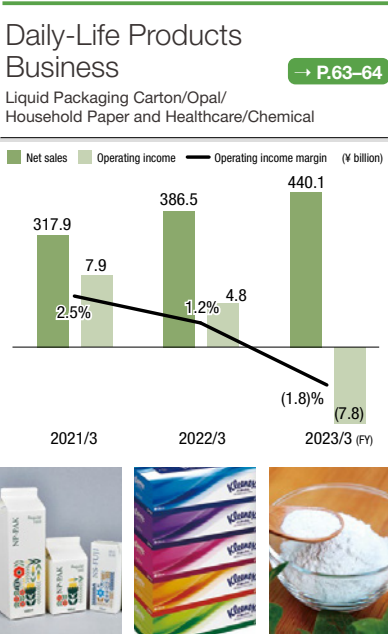
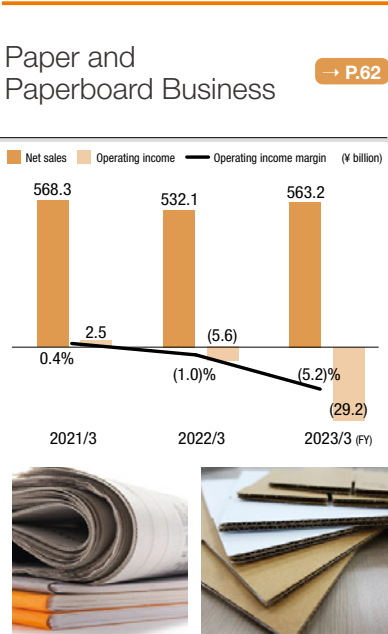
Nippon Paper Industries and Consolidated Subsidiaries
Fiscal Years Ended March 31

| ESG Category | | | | Related Page(s) | Unit | | FY2013/3 | FY2014/3 | FY2015/3 | FY2016/3 | FY2017/3 | FY2018/3 | FY2019/3 | FY2020/3 | FY2021/3 | FY2022/3 | FY2023/3 |
|--------------------|---------------|-------------------|--|-----------------|--------------------------------|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| E (Environment) | S (Social) | G (Governance) | | | | | | | | | | | | | | | |
| ● | | | GHG emissions (Scope 1+2)*2 | P.39 | Million tonnes-CO ₂ | | — | 8.5 | — | — | — | 8.1 | 7.9 | 7.4 | 6.9 | 6.8 | 6.0 |
| ● | | | Coal consumption*3 | P.39 | 1,000 tonnes | | 2,224 | 2,557 | 2,619 | 2,634 | 2,580 | 2,534 | 2,521 | 2,302 | 2,115 | 1,957 | 1,556 |
| ● | ● | | Forest certification acquisition rate (Japan)*4 | P.56–57 | % | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| ● | ● | | Forest certification acquisition rate (Overseas) | P.56–57 | % | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| ● | ● | | Domestic wood usage rate as raw materials for paper*4 | P.41 | % | | 37.2 | 36.5 | 37.4 | 35.8 | 36.8 | 36.1 | 35.2 | 35.8 | 39.5 | 37.6 | 35.1 |
| ● | ● | | Final industrial waste disposal rate*5 | P.59 | % | | 4.2 | 4.1 | 1.8 | 2.4 | 1.6 | 1.4 | 1.7 | 2.7 | 2.4 | 2.1 | 1.6 |
| ● | ● | | Unused, difficult-to-treat wastepaper usage volume | P.59 | t | | — | — | — | — | — | — | — | — | — | 23 | 1,707 |
| | ● | | Number of employees on a consolidated basis | P.18 | People | | 13,052 | 13,107 | 12,771 | 11,741 | 13,057 | 12,881 | 12,943 | 12,592 | 16,156 | 16,129 | 15,959 |
| | ● | | Ratio of employees at overseas consolidated subsidiaries | — | % | | 12.3 | 13.5 | 13.0 | 13.4 | 20.9 | 19.4 | 19.4 | 19.2 | 36.5 | 37.1 | 37.6 |
| | ● | | Retention rate after 10 years of employment*4 | P.33 | % | | — | — | — | — | — | 66 | 69 | 73 | 66 | 60 | 63 |
| | ● | | Percentage of female managers*4 | P.33 | % | | 1.49 | 1.48 | 1.57 | 1.60 | 1.86 | 2.47 | 2.29 | 2.43 | 2.65 | 2.71 | 3.18 |
| | ● | | Ratio of female career-track hires*4 | P.33 | % | | 12 | 14 | 20 | 21 | 18 | 25 | 26 | 35 | 30 | 40 | 49 |
| | ● | | Total working hours*4 | P.33 | Hours | | — | — | — | — | — | 1,927 | 1,923 | 1,894 | 1,888 | 1,905 | 1,884 |
| | ● | | Lost-time injury frequency rate*6 | P.33 | — | | 0.58 | 0.53 | 0.62 | 0.44 | 0.40 | 0.64 | 0.77 | 0.79 | 0.79 | 0.55 | 0.87 |
| | | ● | Ratio of outside directors | P.45 | % | | 0 | 11.1 | 11.1 | 12.5 | 22.2 | 22.2 | 22.2 | 33.3 | 33.3 | 33.3 | 33.3 |
| | | ● | Number of female employees on the Board of Directors | P.45 | People | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 |

*1 Data available on a continuing yearly basis have been provided for comparison purposes, considering changes in the scope of aggregation and similar factors.
*2 Consolidated and non-consolidated subsidiaries
*3 Nippon Paper Industries (including power sales, steam sales)
*4 Nippon Paper Industries
*5 Consolidated companies in Japan
*6 Manufacturing offices belonging to Nippon Paper Industries, Nippon Paper Crecia, Nippon Paper Papylia, and Nippon Paper Liquid Package Product (including contractors of mills)

Three-Year Data
by Business
(Net sales/
Operating income)

* Operating income in Other Businesses for FY2021/3 results includes ¥6.0 billion in expenses related to the acquisition of the packaging division of Orora Limited in Australia and New Zealand



Company Profile / Investor Information (as of March 31, 2023)

Corporate Overview

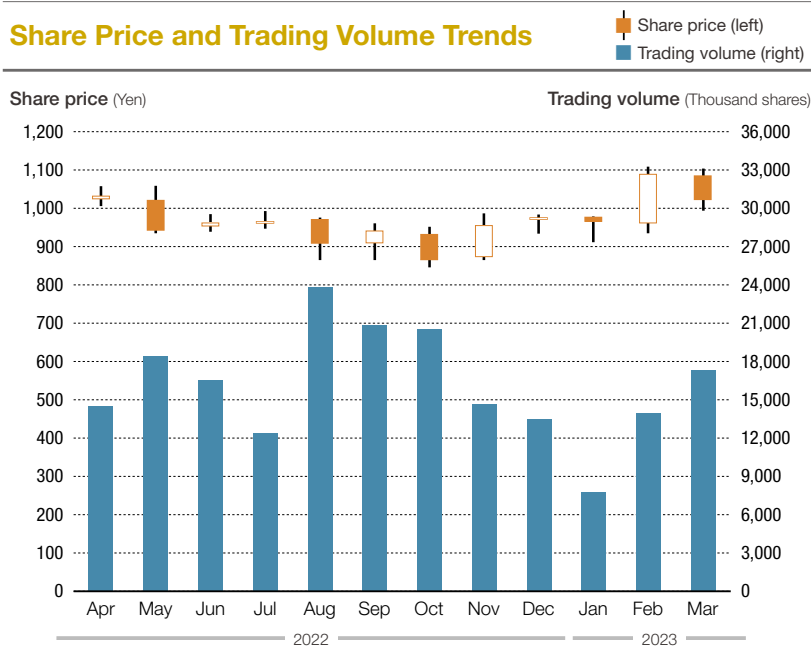
| | |
|------------------------|--|
| Company Name | Nippon Paper Industries Co., Ltd. |
| Head Office | 4-6 Kanda-Surugadai, Chiyoda-ku, Tokyo 101-0062, Japan |
| Establishment | August 1, 1949 |
| Number of Employees | 5,060 non-consolidated 15,959 consolidated |
| Capital | ¥104,873 million |
| Shares | Number of shares authorized to be issued 300,000,000 shares Number of shares issued 116,254,892 shares (including 367,645 shares of treasury stock) |
| Number of Shareholders | 173,808 |
| Listed Market | Tokyo Stock Exchange Prime Market (Securities Code: 3863) |

Major Shareholders

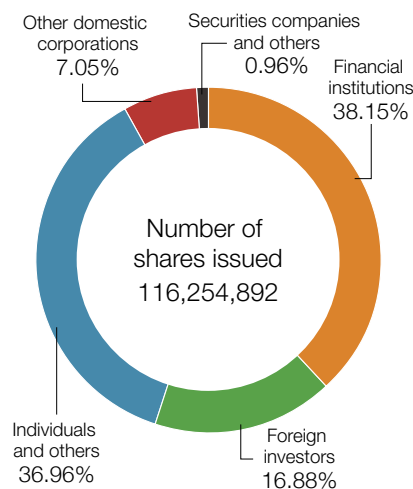
| Name | Shares Held | Shareholding Ratio (%)* |
|---|-------------|-------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 15,953,800 | 13.77 |
| Custody Bank of Japan, Ltd. (Trust Account) | 8,864,700 | 7.65 |
| Nippon Paper Industries Co., Ltd. Employee Share Ownership Association | 3,229,329 | 2.79 |
| Nippon Life Insurance Company | 2,473,165 | 2.13 |
| Nippon Paper Industries Co., Ltd. Business Partners Share Ownership Association | 2,399,100 | 2.07 |
| TAIJU LIFE INSURANCE COMPANY LIMITED | 2,258,900 | 1.95 |
| Mizuho Bank, Ltd. | 2,000,000 | 1.73 |
| Dimensional Fund Advisors International Small Cap Value Portfolio | 1,844,846 | 1.59 |
| The Norinchukin Bank | 1,700,065 | 1.47 |
| State Street Bank West Client – Treaty 505234 | 1,552,500 | 1.34 |

* The shareholding ratio was calculated after deducting 367,645 shares of treasury stock.

Share Price and Trading Volume Trends



Percentage of Shares Held by Shareholder Type



ESG Databook

Nippon Paper Group has issued the ESG Databook 2023. In the ESG Databook, the Group discloses information on activities related to ESG (Environmental, Social, and Governance) to all stakeholders. The ESG Databook is organized with each item in accordance with the Group's important issues (materiality).

https://www.nipponpapergroup.com/english/csr/npg_esgdb2023_e_ALL.pdf

Online Resources

IR Library:
<https://www.nipponpapergroup.com/english/ir/library/>

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

FACT BOOK:
<https://www.nipponpapergroup.com/english/ir/FactBook2023.pdf>

Corporate Governance Report:
https://www.nipponpapergroup.com/english/ir/20230704_3.pdf

External Evaluations



2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Morningstar Japan ex-REIT Gender Diversity Tilt Index



The Development Bank of Japan (DBJ) has awarded Nippon Paper Industries its highest environmental rating, citing its particularly advanced environmental initiatives. Environmental rating acquired: November 2018



Sumitomo Mitsui Banking Corporation (SMBC) has awarded Nippon Paper Industries the **AAA** rating, its highest rating for ESG / SDGs assessment-based financing.

As of June 2023

Editorial Policy

This report is designed to demonstrate to stakeholders, including shareholders and investors, how Nippon Paper Group is pursuing strengthened profitability and sustainability management through the Group's value creation story and help stakeholders to gain an understanding of its path to sustainable growth, and to serve as a tool for dialogue with all.

This year's report has enhanced the content of the message from the executive officer responsible for finance, human resource strategy, early positive contribution from new businesses and innovative materials, and response to climate change issues as key strategies to realize 2030VISION.

Disclaimer

Statements in this report concerning plans, forecasts, strategies, beliefs, and other forward-looking information related to Nippon Paper Industries Co., Ltd. and companies comprising its corporate group, other than those of historical fact, are forecasts of future business performance based on the judgments of management at Nippon Paper Industries Co., Ltd. and Nippon Paper Group companies in light of currently available information.

Accordingly, please refrain from making investment decisions based solely on forecasts of business performance in this integrated report.

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

Reporting Period

FY2023/3: April 1, 2022 to March 31, 2023

This report contains some information dated prior to April 1, 2022 and after April 2023. The points in question have been dated.

Reporting Organization

Nippon Paper Industries Co., Ltd. is the main subject of this report. However, data calculations include the Company and all 55 consolidated subsidiaries as of March 31, 2023.

Reference Guidelines

- Environmental Reporting Guidelines (2018 edition), Ministry of the Environment
- Global Reporting Initiative (GRI) Standards
- United Nations Global Compact
- SASB Sustainability Accounting Standards
- ISO 26000, etc.

Guideline Comparison Table

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

Published in September 2023

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