



Chapter

# 03

## Foundation for Sustainable Growth

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# Sustainability Management

## Approach to Promoting Sustainability



**Yasushi Takei**  
Executive Vice President  
Administration, Planning & Sustainability

In 2022, the group implemented various initiatives to strengthen its sustainable management system. As part of these efforts, we identified four themes (the environment, society, employees, and governance) for our material issues and are working to address each issue.

For the environment, we disclosed Scope 1 and Scope 2 emissions for Japan Pulp & Paper and its subsidiaries in Japan in 2022. In addition, in 2023 we calculated Scope 1 and 2 emissions at subsidiaries outside of Japan and Scope 3 emissions for Japan Pulp & Paper and disclosed the results together with an analysis of the financial impact of climate change.

For employees, in order to make effective and appropriate investments in and maximize the value of human capital, which is the largest management capital input in our value creation process, we conducted an engagement survey of Japan Pulp & Paper employees to better understand the current situation.

Drawing on the information we have gathered through the processes of assessing, collating and analyzing current conditions, we will enhance dialogue with stakeholders based on the concept of honest and fair governance. We will also further enhance sustainable management with the aim of achieving the vision we have set for each material issue.

## Sustainability Promotion Framework

The Executive Sustainability Committee, chaired by the representative director, president, is in charge of formulating sustainability-related policies and strategies, resolving ESG-related issues,\* and managing the achievement of the group's goals. In addition to the Risk Management Meetings, we have established the OVOL Sustainability Promotion Meetings and the OVOL Environment & Safety Meetings, whose membership spans the entire group, as subordinate organizations under this committee. The Corporate Sustainability Division, which is responsible for implementing policies related to sustainability across the entire group, serves as a secretariat for the OVOL Sustainability Promotion Meetings and the OVOL Environment & Safety Meetings.

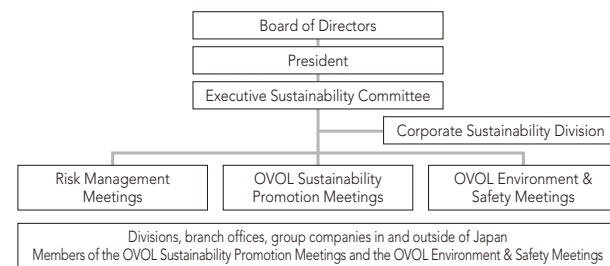
In fiscal 2022, we launched *OVOL Sustainability News*, an in-house newsletter. We are also working to enhance the provision of information on global trends in sustainability and other initiatives within the group through the OVOL Sustainability Promotion Meetings. The OVOL Environment & Safety Meetings distributed information on revisions to environmental laws and regulations 12 times in fiscal 2022. In addition, the Environment & Safety Promotion Office conducted 12 on-site inspections of environmental and occupational safety compliance. These are part of efforts to

raise awareness of the environment and occupational safety as well as strengthen compliance.

We will continue to implement initiatives such as education and training to promote understanding and awareness among executives and employees.

\* ESG-related issues refer to a wide range of environment (E), society (S), and governance (G) issues such as the following:  
 Environment (E): Issues related to climate change, resource depletion, waste, pollution, deforestation, etc.  
 Society (S): Issues related to human rights, modern slavery, child labor, working conditions, employee relations, etc.  
 Governance (G): Issues related to bribery and corruption, executive pay, Board diversity, political lobbying and donations, tax strategies, etc.

### ■ Sustainability Promotion Structure



## Executive Sustainability Committee and Various Meetings

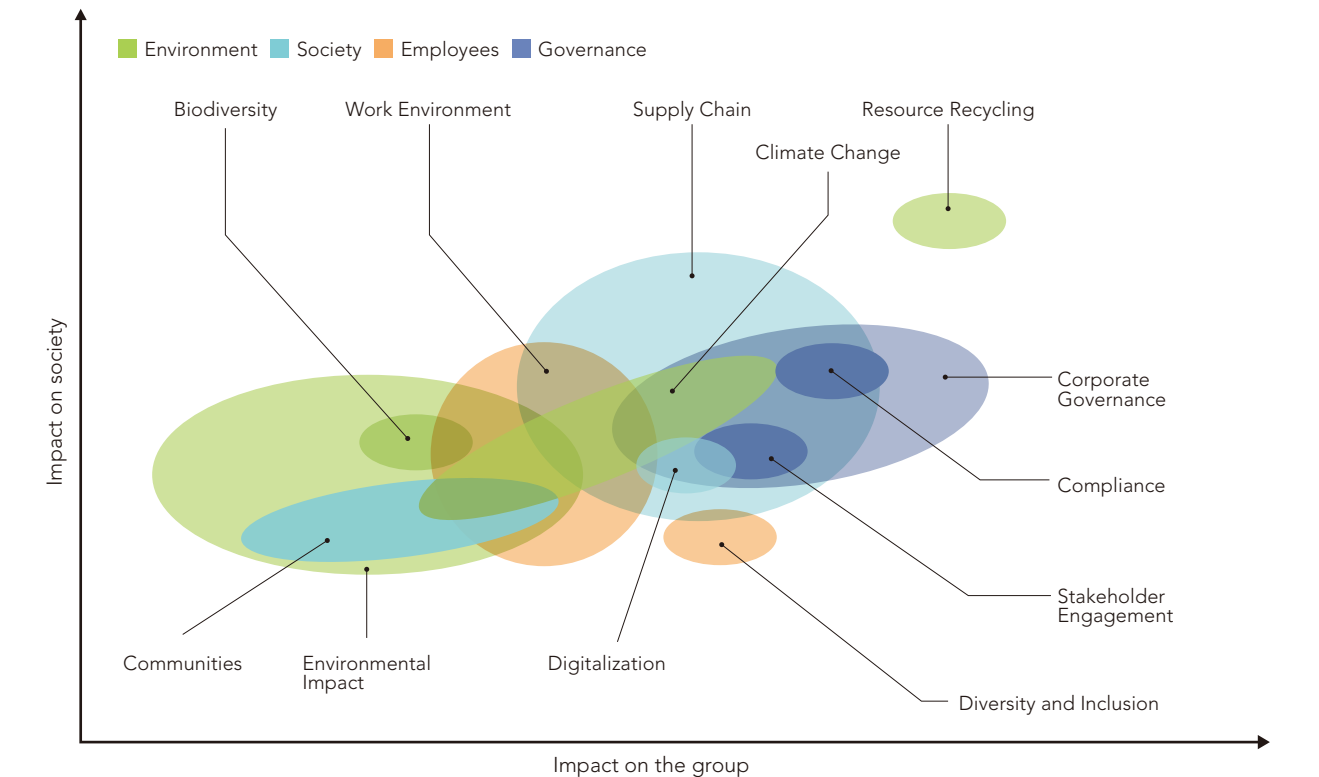
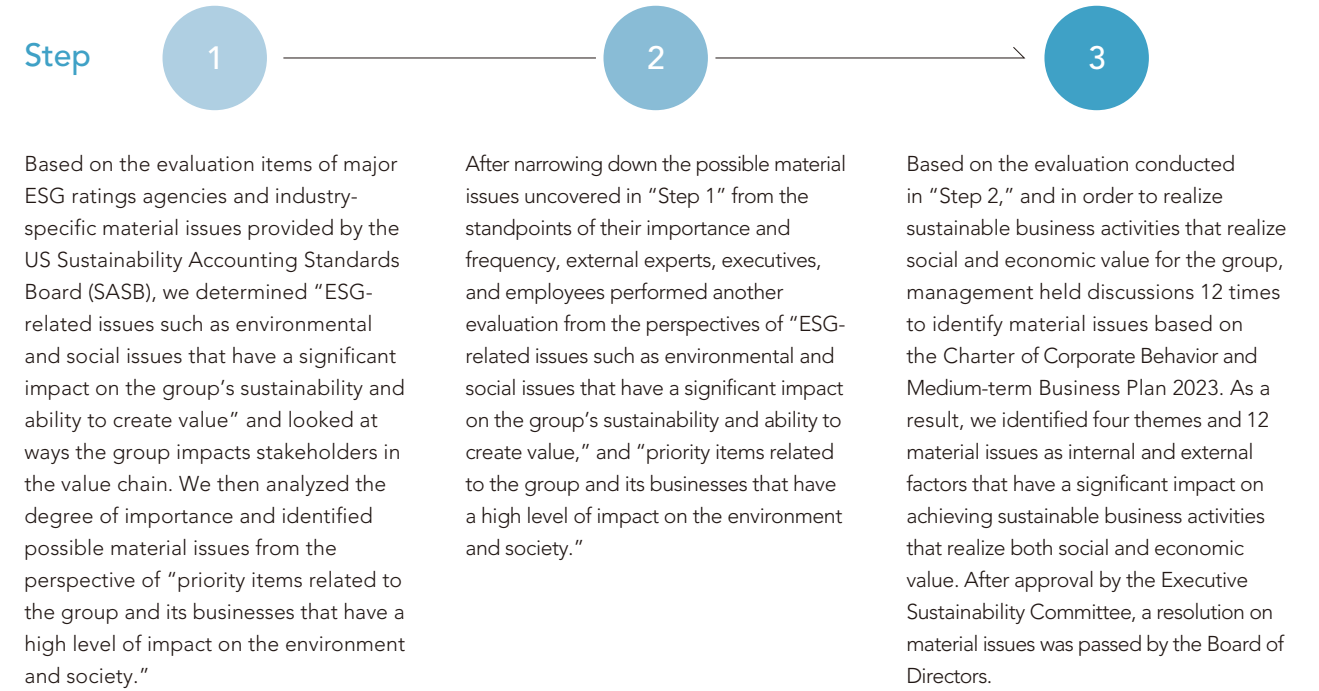
Organization	Chairperson	Members	Number of Meetings Held*	Objective/Role
Executive Sustainability Committee	Representative director, president	Members: Full-time directors and executive officers who are in positions controlling major areas of the business (Observer: Full-time Audit & Supervisory Board member)	15	This committee is in charge of formulating sustainability-related policies and strategies, resolving ESG-related issues, and managing the achievement of the group's goals. It serves as the command center for group-wide sustainability initiatives.
Risk Management Meetings	General manager, Finance & Administration Division	Members: Appointed from the Internal Audit Office, Corporate Sustainability Division, Finance & Administration Division, Corporate Planning Division, and other related divisions (Observers: CFO, full-time Audit & Supervisory Board member, executive vice president in charge of Administration & Planning and Sustainability)	11	Based on the Basic Rules on Risk Management, the meetings will identify, analyze, evaluate, and prioritize risks; formulate measures to address specific risks; and work to reduce risks.
OVOL Sustainability Promotion Meetings	General manager, Corporate Sustainability Division	Members: Appointed from divisions, branch offices, and group companies in and outside of Japan (Observer: Executive vice president in charge of Administration & Planning and Sustainability)	3 (Via email)	Members work to strengthen group-wide sustainability initiatives. They also promote sustainability and compliance in their respective organizations, and serve as liaisons with divisions in the event of a disaster or other emergency.
OVOL Environment & Safety Meetings	General manager, Corporate Sustainability Division	Members: Appointed from divisions, branch offices, and group companies in and outside of Japan (Observer: Executive vice president in charge of Administration & Planning and Sustainability)	12 (Via email)	Members work to strengthen environmental and occupational safety throughout the group. They also promote environmental and occupational safety compliance and environmental measures and the reduction of greenhouse gas emissions.

\* Number of meetings in fiscal 2022

# Material Issues

The Group has identified the four themes (environment, society, employees, and governance) and 12 material issues and classified them as "internal and external factors that have a significant impact on achieving sustainable business activities that realize both social and economic value."

## Process of Identifying Material Issues



Material Issues

The following presents material issues of the Japan Pulp & Paper Group, the reasons for their identification, our goals for the future and related initiatives, and SDGs to which the group contributes.

Note: The number below each SDG icon represents a specific target.

Themes	Material Issues	Reasons for Identification	Goals	Initiatives up to Fiscal 2022	Initiatives Planned from Fiscal 2023 Onward	SDGs to Which the Group Contributes
Environment	Climate Change	<ul style="list-style-type: none"> <li>The depletion of forest resources, which are raw materials for paper, due to climate change will have a major impact on the group's business.</li> <li>There are physical risks resulting from global warming, transition risks due to stricter regulations, and the possibility of increased financial burden associated with responding to these risks.</li> <li>It is our responsibility to minimize climate change impact by reducing greenhouse gas emissions throughout our group and the entire supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>Participated in the TCFD (Task Force on Climate-related Financial Disclosures) Consortium</li> <li>Examined analysis methods such as conducting a quantitative analysis to enhance information disclosure based on TCFD recommendations</li> <li>Calculated Scope 1 and 2 emissions for the entire group from fiscal 2022</li> <li>Calculated Scope 3 emissions (scope: Japan Pulp &amp; Paper Co., Ltd.)</li> <li>Conducted third-party verification of greenhouse gas emissions (scope: Japan Pulp &amp; Paper Co., Ltd.)</li> <li>Considered introducing green power</li> <li>Considered establishing a greenhouse gas emission calculation system</li> <li>Held joint study sessions on energy conservation with paper manufacturing companies in the group</li> <li>Considered measures to address climate change</li> </ul>	<ul style="list-style-type: none"> <li>Conduct quantitative risk analysis based on TCFD recommendations</li> <li>Calculate and disclose Scope 1 and 2 emissions of the entire group</li> <li>Expand calculation scope of Scope 3 emissions</li> <li>Set medium-to-long-term targets for reducing GHG emissions to contribute to carbon neutrality</li> <li>Expand the scope of third-party verification of greenhouse gas emissions</li> <li>Promote joint delivery to reduce CO<sub>2</sub> emissions</li> <li>Promote electrification of freight vehicles</li> <li>Switch to renewable energy for electricity</li> <li>Consider introducing a greenhouse gas emission calculation system</li> </ul>	
	Biodiversity	<ul style="list-style-type: none"> <li>Increased efforts to conserve biodiversity may lead to stricter regulations and higher costs in the procurement of raw materials used in the production of paper.</li> <li>It is essential to sell paper made with wood from properly managed forests, so as to have minimal impact on animal life and the natural environment.</li> </ul>	<ul style="list-style-type: none"> <li>Promote nature positive initiatives for sustainable forest resources</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced understanding of TNFD (Task Force on Nature-related Financial Disclosures) trends</li> </ul>	<ul style="list-style-type: none"> <li>Formulate a biodiversity policy and action plans</li> </ul>	
	Resource Recycling	<ul style="list-style-type: none"> <li>It is essential to promote initiatives to realize a circular economy, including through the wastepaper recycling, recycled paper manufacturing, and comprehensive recycling businesses.</li> <li>It is essential to reduce all of society's waste and conserve the Earth's forest resources.</li> <li>It is essential to provide environmentally friendly products.</li> </ul>	<ul style="list-style-type: none"> <li>Realize a circular economy by recycling waste in society</li> </ul>	<p>In Japan:</p> <ul style="list-style-type: none"> <li>Monitored industrial waste recycling rate</li> <li>Helped customers reduce plastic by proposing paper products</li> <li>Converted in-house supplies from plastic to paper in ways such as using paper filing folders</li> <li>Continued to propose recycling loops for wastepaper discharged by business partners</li> <li>Considered strengthening the recycling businesses to comply with the new Plastic Resource Circulation Act</li> </ul>	<p>In Japan:</p> <ul style="list-style-type: none"> <li>Promote initiatives to create a resource recycling society through the strengthening of wastepaper recycling, comprehensive recycling, and recycled paper manufacturing businesses</li> <li>Further strengthen recycling businesses to comply with the new Plastic Resource Circulation Act</li> </ul>	
	Environmental Impact	<ul style="list-style-type: none"> <li>It is essential to respond to stricter environmental regulations related to logistics and factory operations.</li> <li>It is our corporate responsibility to manage water intake/discharge and exhaust gas, as well as reduce waste.</li> </ul>	<ul style="list-style-type: none"> <li>Implement specific zero emission measures</li> <li>Minimize environmental impact throughout our supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Implemented initiatives to reduce waste and promote recycling at business sites</li> <li>Confirmed whether business sites are in water-stressed areas</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives to reduce waste and recycle at each business site</li> <li>Continue to confirm whether business sites are in water-stressed areas and formulate action plans</li> </ul>	
	Supply Chain	<ul style="list-style-type: none"> <li>It is essential to ensure sustainability throughout the group and the entire supply chain in order to maintain the stable supply of paper and other products. We will accomplish this by strengthening sustainable supply chains.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure a stable supply of raw materials and products and responsible procurement</li> </ul>	<ul style="list-style-type: none"> <li>Established guidelines for sustainable procurement as a group, including those related to human rights issues</li> </ul>	<ul style="list-style-type: none"> <li>Formulate guidelines for sustainable procurement and establish monitoring systems</li> <li>Implement in-house training on business and human rights</li> <li>Conduct due diligence on new business partners concerning human rights and manage existing business partners</li> </ul>	
Society	Communities	<ul style="list-style-type: none"> <li>It is essential to reduce the environmental impact on communities and to achieve coexistence and co-prosperity through economic and social contributions.</li> </ul>	<ul style="list-style-type: none"> <li>Create new value through coexistence and co-prosperity with local communities</li> </ul>	<ul style="list-style-type: none"> <li>Designated disaster evacuation sites</li> <li>Contributed to waste reduction and recycling</li> </ul>	<ul style="list-style-type: none"> <li>Continue to designate disaster evacuation sites</li> <li>Continue to contribute to waste reduction and recycling</li> </ul>	
	Digitalization	<ul style="list-style-type: none"> <li>Declining demand for paper due to the progress of digitization will have a significant impact on the group's business.</li> <li>It is essential to improve productivity and the use of energy by promoting digital transformation (DX).</li> </ul>	<ul style="list-style-type: none"> <li>Create new demand for paper by proposing the value and enhancing the role of paper in a digital society</li> <li>Leverage digital technology as a new business strength</li> </ul>	<ul style="list-style-type: none"> <li>Formulated basic policies for promoting ICT use</li> </ul>	<ul style="list-style-type: none"> <li>Set goals for improving productivity with business reforms that employ ICT</li> <li>Launch of group IT control promotion activities</li> </ul>	
	Work Environment	<ul style="list-style-type: none"> <li>It is essential to provide stable employment, opportunities to develop skills, fair evaluations and equitable treatment, and to create a comfortable working environment.</li> <li>It is essential to strengthen our human capital by improving labor productivity and employee engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve zero workplace accidents in safe, secure, and healthy working environments</li> <li>Creating innovation ahead of the times in a work environment that offers new challenges and excitement through personal growth</li> <li>Achieve well-being through a high level of engagement</li> </ul>	<p>Japan Pulp &amp; Paper Co., Ltd.:</p> <ul style="list-style-type: none"> <li>Set targets for human capital development and occupational health and safety</li> <li>Conducted employee engagement surveys</li> <li>Promoted health management</li> <li>Worked to earn certification as a Health &amp; Productivity Management Outstanding Organization</li> <li>Regularly implemented occupational safety and health training</li> <li>Conducted environmental and safety compliance surveys</li> </ul> <p>Japan Pulp &amp; Paper Group:</p> <ul style="list-style-type: none"> <li>Participated in the Human Capital Management Consortium</li> <li>Established a project team for conducting human capital management</li> </ul>	<p>Japan Pulp &amp; Paper Co., Ltd.:</p> <ul style="list-style-type: none"> <li>Continue to conduct employee engagement surveys</li> </ul> <p>Japan Pulp &amp; Paper Group:</p> <ul style="list-style-type: none"> <li>Set targets for human capital development and occupational health and safety</li> <li>Identify key HR data</li> </ul>	
Employees	Diversity and Inclusion	<ul style="list-style-type: none"> <li>By properly addressing diversity and inclusion, we will be able to promote the active participation of diverse human resources, strengthen our corporate competitiveness by adopting diverse values and ideas, revitalize our corporate culture, and improve employee engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Create a corporate culture where all executives and employees, regardless of gender, nationality, experience, or other factors, acknowledge and respect each other's diversity. In this culture, diverse talent and ideas can flourish, contributing to the strength and competitiveness of the group.</li> </ul>	<p>Japan Pulp &amp; Paper Co., Ltd.:</p> <ul style="list-style-type: none"> <li>Reduced overtime work and improved the percentage of paid leave taken based on the Action Plan for Promoting Female Participation and Advancement in the Workplace</li> <li>Set targets for diversity, such as the percentage of female managers</li> <li>Provided education through means including harassment training and posting the Compliance Letter in the group's magazine</li> <li>Promoted employment for people with disabilities</li> </ul> <p>Japan Pulp &amp; Paper Group:</p> <ul style="list-style-type: none"> <li>Disseminated and monitored compliance with the Japan Pulp &amp; Paper Group Human Rights Policy</li> </ul>	<p>Japan Pulp &amp; Paper Group:</p> <ul style="list-style-type: none"> <li>Set targets for diversity, such as the percentage of female managers</li> <li>Track diversity and inclusion (D&amp;I) data</li> <li>Determine whether human rights violations are an issue</li> </ul>	
	Corporate Governance	<ul style="list-style-type: none"> <li>It is essential to build a transparent and effective management system from the perspective of sustainable and medium-to-long-term improvement of corporate value.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve sustainable medium-to-long-term improvement of corporate value through honest and fair governance</li> </ul>	<ul style="list-style-type: none"> <li>Used self-assessments to evaluate the effectiveness of the Board of Directors and formulated initiatives based on the results</li> <li>Formulated an action plan to reduce cross-shareholdings</li> </ul>	<ul style="list-style-type: none"> <li>Use self-assessments to evaluate the effectiveness of the Board of Directors and formulated initiatives based on the results</li> <li>Formulate an action plan to reduce cross-shareholdings</li> </ul>	
	Compliance	<ul style="list-style-type: none"> <li>Our corporate value may be significantly impaired in the event of compliance-related issues.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure all executives and employees conduct business activities with a strong sense of ethics and feeling of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Conducted on-site verification of environmental and safety management systems for group companies in Japan</li> <li>Tracked awareness of the whistleblowing system</li> <li>Held antitrust law seminars</li> </ul>	<ul style="list-style-type: none"> <li>Build and operate an environment and safety management and supervision system</li> <li>Revise our compliance handbook</li> <li>Regularly implement employee compliance training and related initiatives</li> <li>Implement e-learning</li> <li>Hold antitrust law seminars</li> </ul>	
Governance	Stakeholder Engagement	<ul style="list-style-type: none"> <li>It is our responsibility as a company to understand the expectations and demands that society has for the group. We will accomplish this through dialogue with stakeholders and by reflecting feedback in management operations.</li> </ul>	<ul style="list-style-type: none"> <li>Reflect the expectations and requests of stakeholders in management by engaging in dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced IR and SR activities</li> <li>Tracked dialogue with external experts, including NPOs and NGOs</li> </ul>	<ul style="list-style-type: none"> <li>Continue to enhance IR and SR activities</li> <li>Consider holding briefings for individual investors</li> <li>Continue to engage with stakeholders other than investors</li> </ul>	

The Japan Pulp & Paper Group's definition of material issues: "Internal and external factors that have a significant impact on achieving sustainable business activities that realize both social and economic value."

## Approach to the Environment

In the 1970s, when awareness of the possible crisis-level impact of industrialization and population growth on the planet was rising, and the United Nations and other global forums were beginning to discuss environmental issues, we made a full-scale entry into the wastepaper recycling business based on the growing recognition that promoting the use of wastepaper as a recycled resource was essential to ensuring a stable supply of paper for the future. Since then, we have been committed to contributing to environmental conservation through our business activities, and to finding a way to link those efforts to the group's mission of "carving a better future for society and the environment"—a mission we still uphold today.

With this in mind, in recent years we have been further promoting efforts to address climate change and other environmental issues within the group. We have also been working to contribute to achieving common global objectives, such as carbon neutrality. In 2022, we revised our Charter of Corporate Behavior and Code of Conduct for Executives and Employees, both of which have a strong connection to our Corporate Philosophy and sustainable management, and established the Sustainability Policy. We also revised our

Environmental Policy and renamed it the Japan Pulp & Paper Group Environmental Policy. In addition, we restructured our sustainability promotion system. (For details, see the Sustainability Promotion Structure chart on page 56.)

### Japan Pulp & Paper Group Environmental Policy (Summary)

1. Compliance with Relevant Laws and Regulations
2. Protecting the Natural Environment
3. Reducing the Impact on the Environment
4. Efficient and Reduced Use of Resources
5. Building a Circular Economy
6. Preventing Environmental Pollution
7. Promotion of Communication

<https://www.kamipa.co.jp/eng/activity/policy/>

## Environmental Management System

Japan Pulp & Paper has an environmental management system based on ISO 14001, an international standard for environmental management. We work continuously to reduce our environmental impact and protect the global environment through our business activities.

### Japan Pulp & Paper Co., Ltd.

Registration number: JE0074H      Registration date: January 29, 2001  
 Review organization: JIA-QA Center      Expiration date: January 28, 2025

11 group companies in Japan and 3 companies outside of Japan have now obtained ISO 14001 certification.

## Environment-related Education and Training

We conduct environment-related education and training to promote understanding and deepen awareness among executives and employees, and to ensure that they proactively promote sustainable management.

Examples of ongoing educational activities include ISO training and seminars on waste. In addition, employees from group companies participate in OVOL Sustainability Promotion Meetings and OVOL Environment & Safety Meetings. These

organizations serve as forums for sharing sustainability-related data and information on revisions to laws; promoting efforts aimed at decarbonization; strengthening environmental and safety management; giving updates on social contribution activities; compiling and analyzing ESG-related data; and conducting sustainability-related education. In fiscal 2022, we held three seminars on the value of paper and sustainability.



## Climate Change

Climate change-related depletion of forest resources, which are raw materials for paper, will have a major impact on the group's business. There are also physical risks resulting from global warming, transition risks due to stricter regulations, and the possibility of increased financial burden associated with responding to these risks. As it is our responsibility to minimize climate change impact by reducing greenhouse gas emissions throughout the group and the entire supply chain, we have

identified "climate change" as a material issue that will have a significant impact on the group.

We have been working to reduce greenhouse gas emissions, mainly in our paper manufacturing and processing business. We will continue to promote further energy savings throughout the group and strengthen our efforts to achieve carbon neutrality by 2050.

### Disclosure Based on TCFD Recommendations

The group recognizes that responding to climate change is an urgent issue. In June 2021, we announced our endorsement of the Task Force on Climate-related Financial Disclosure (TCFD) recommendations, and joined the TCFD Consortium. Since then, we have conducted scenario analyses of the risks and opportunities that climate change poses to the group's businesses. In order to clarify the impact of climate change on each segment, we conducted an analysis of the Paper and Paperboard Wholesaling,\* Paper Manufacturing & Processing, Raw Materials & Environment, and Real Estate Leasing segments based on the four elements proposed by the TCFD, and

disclosed the following information on governance, strategy, risk management, and metrics and targets as recommended by the TCFD.

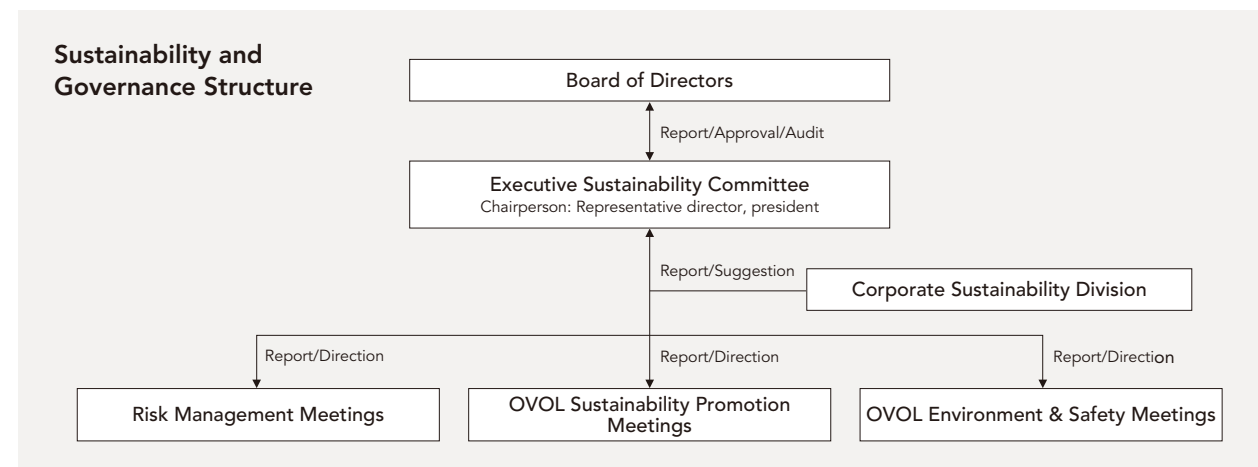
Based on our Sustainability Policy, we will work harder to address climate change and reduce greenhouse gas emissions, and will disclose information based on TCFD recommendations.

\* While there are five business segments (Japan Wholesaling, Non-Japan Wholesaling, Paper Manufacturing & Processing, Raw Materials & Environment, and Real Estate Leasing), the Japan Wholesaling and Non-Japan Wholesaling segments were treated as the Paper and Paperboard Wholesaling segment for the scenario analysis.

## 1 Governance

We established the Executive Sustainability Committee on April 1, 2022 with the aim of promoting sustainable business management in a more proactive way. Under the supervision of the Board of Directors, the Executive Sustainability Committee is responsible for formulating policy and planning strategy on all sustainability-related matters for the entire group, as well as overseeing the process of finding solutions to ESG issues and meeting our ESG goals. The committee reports to the Board of Directors on the progress of climate change initiatives, and important matters are resolved by the Board. Matters resolved

by the Board of Directors are then directed to the OVOL Sustainability Promotion Meetings and the OVOL Environment & Safety Meetings, which are group-wide organizations under the Executive Sustainability Committee, for implementation at each group site. We also established a new Corporate Sustainability Division, which is responsible for implementing policies relating to sustainability across the entire group. The representative director, president chairs the Executive Sustainability Committee and is ultimately responsible for management decisions related to environmental issues.





## 2 Strategies (Risks, Opportunities, and Responses)

The group has identified risks and opportunities associated with climate change in four business segments: the Paper and Paperboard Wholesaling business, Paper Manufacturing & Processing, Raw Materials & Environment, and Real Estate Leasing, using two scenarios developed by the IPCC, IEA, and other specialist organizations: one in which the increase in average temperature is limited to 1.5°C (2.0°C in some scenarios) and another in which the average temperature

increase exceeds 4°C. Risks and opportunities posed by climate change are categorized into risks associated with the transition to a low-carbon society (transition risks) and the physical impacts of climate change (physical risks). In order to incorporate these risks and opportunities into our business strategy, we conducted an assessment of the associated financial impacts in the short-term (up to 2025), medium-term (up to 2030), and long-term (up to 2050).

### Risks and Opportunities

Category	Impact on the Company	Countermeasures	Scale of Impact		
Risks	Transition Policies and Regulations	Significant increase in operating costs in the paper manufacturing business due to increased carbon taxes	<ul style="list-style-type: none"> <li>Set medium-to-long-term targets for reducing greenhouse gas emissions</li> <li>Promote further energy conservation initiatives</li> <li>Consider switching to renewable energy and purchasing green certificates, etc., corporate PPA, introducing internal carbon pricing schemes, and other measures</li> <li>Promote electrification of freight vehicles, etc.</li> </ul>	Large	
		Decline in corporate value and loss of stakeholder confidence due to delays in response to climate change, resulting in lower sales revenues, impact on financing ability, and decline in brand value	<ul style="list-style-type: none"> <li>Set medium-to-long-term targets for reducing greenhouse gas emissions</li> <li>Promote further energy conservation initiatives</li> <li>Promote appropriate information disclosure</li> </ul>	Moderate	
	Physical	Acute	Extensive damage to sites, facilities, inventories, real estate, etc., due to wind and flood damage	<ul style="list-style-type: none"> <li>Conduct hazard surveys and implement flood prevention measures</li> <li>Conduct disaster preparedness drills and establish a Business Continuity Management (BCM) system in preparation for disasters</li> </ul>	Moderate
			Suspension of business due to disruptions in the supply chain caused by wind and flood damage, and resulting decline in sales revenues	<ul style="list-style-type: none"> <li>Request suppliers to establish BCM systems and prepare Business Continuity Plans (BCPs) to mitigate wind and flooding damage</li> <li>Ensure stable procurement by diversifying raw material suppliers and transportation methods</li> </ul>	Moderate
		Chronic	Impact of storm surge and other flooding damage to coastal sites due to rise in sea levels	<ul style="list-style-type: none"> <li>Conduct hazard surveys and implement flood prevention measures</li> <li>Conduct disaster preparedness drills and establish a BCM system in preparation for disasters</li> </ul>	Moderate
	Opportunities	Market	Contribution to business performance from increased demand for functional materials related to electronic components associated with the advance of electrification	<ul style="list-style-type: none"> <li>Monitor demand trends for functional materials related to electronic components, develop products, and ensure supply volumes in accordance with conditions</li> </ul>	Moderate
Contribution to business performance from increased demand for environment-friendly products such as paper with FSC® and PEFC Forest Certification and recycled paper			<ul style="list-style-type: none"> <li>Monitor demand trends for environment-friendly products, develop products, and ensure supply volumes in accordance with conditions</li> </ul>	Moderate	
Contribution to business performance from increased demand for paper products due to move away from plastics			<ul style="list-style-type: none"> <li>Monitor laws and regulations and demand trends, develop products, and ensure supply volumes in accordance with conditions</li> </ul>	Moderate	

Note: Scale of Impact is categorized as "Large" if the event in question poses a risk to the survival of the business and "Moderate" if a major change in the business strategy is required. Scale of Impact (Large, Moderate) were compiled based on Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks, COSO & WBCSD.

### Financial Impact Analysis

Based on the financial impact scenario analysis, we expect that the introduction of a carbon tax (transition risk) would have a significant impact, particularly on the group's paper manufacturing business. On the other hand, we believe that we can lower that impact by promoting the reduction of greenhouse gas emissions.

In terms of physical risks, we estimate that damage to the main bases of the group in Japan due to abnormal weather

events such as floods and typhoons would be in the range of JPY200 million to JPY600 million in the 1.5°C (2°C) and 4°C scenarios. In the event of severe damage to a business partner, there is a possibility that factories in the supply chain would not be able to operate and that the transportation of products, raw materials, and fuel would be disrupted, resulting in damage beyond our estimate.

#### Analysis Results<sup>1</sup>

Item	Risk	Analysis Content	Financial Impact (2050)	
			4°C Scenario	1.5°C (2°C) Scenario
Carbon tax	Transition	Impact of carbon tax introduction	—	JPY(6,630) million <sup>2</sup>
Electricity price	Transition	Impact of electricity price changes	JPY230 million	JPY(290) million
Flood damage	Physical	Annual average flood damage	JPY(510) million	JPY(170) million
Storm surge damage	Physical	Annual average storm surge damage	JPY(30) million	JPY(10) million
Damage due to suspension of business (flood)	Physical	Annual average damage due to suspension of business (flood)	JPY(80) million	JPY(30) million

1. Analysis of Japan Pulp & Paper Co., Ltd. and consolidated subsidiaries in Japan 2. Analysis based on greenhouse gas emissions in fiscal 2019

### Referenced Scenarios

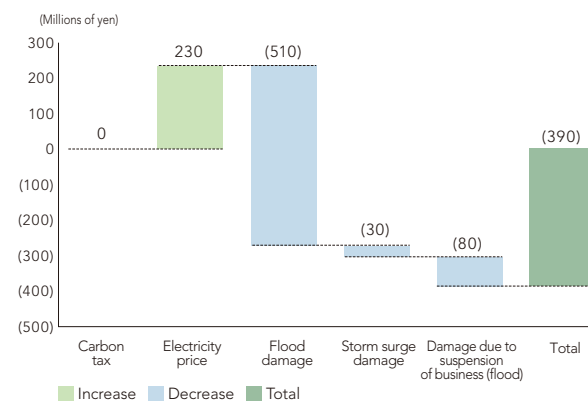
Transition Risks	IEA NZE	Net Zero Emissions by 2050 Scenario (NZE) This scenario assumes that net zero CO <sub>2</sub> emissions will be achieved by 2050.
	IEA SDS	Sustainable Development Scenario (SDS) In this scenario, the path to achieving the goal set in the Paris Agreement to "hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels" was analyzed.
	IEA APS	Announced Pledges Scenario (APS) This scenario reflects the ambitions and targets of each member country to reduce emissions, assuming that all the announced pledges of every government are implemented (also includes those that have not yet been implemented).
	IEA STEPS	Stated Policies Scenario (STEPS) This scenario incorporates the current plans of each government, including policy initiatives that have already been announced and implemented around the world.
	IEA B2DS	Beyond 2 Degrees Scenario (B2DS) This scenario assumes there is a 50% probability that the temperature rise in 2060 does not exceed 1.75°C.
Physical Risks	IPCC RCP 2.6	A scenario that projects a temperature increase of around 2°C compared with pre-industrial levels
	IPCC RCP 8.5	4°C scenario with the highest temperature increase

### Parameters Used for Financial Impact Analysis

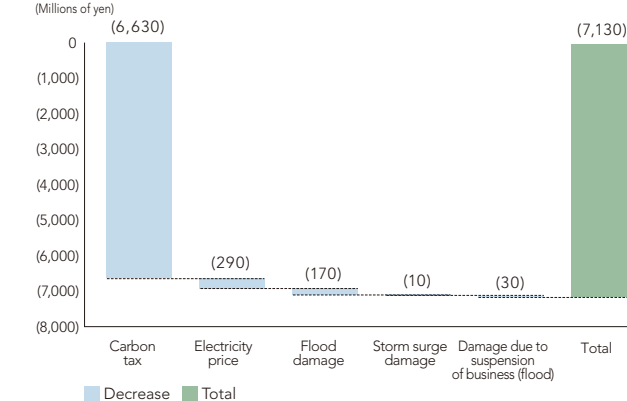
Item Name	Standard	Unit	Present	2050			Source
				4°C	2°C	1.5°C	
Carbon Price	Developed countries (With net zero pledge)	USD/t-CO <sub>2</sub>	0	0	200	250	IEA WEO 2022
Electricity Price	Japan	USD/MWh	216 (2018)	203 (2040)*	232 (2040)*	—	IEA WEO 2019
Flood Rate	Japan	—	—	4 (2040)*	2 (2040)*	—	Proposal for Flood Control Plans Based on Climate Change (Ministry of Land, Infrastructure, Transport and Tourism)
Storm Surge Rate	Japan	—	—	2	1.2	—	Assessment Report on Climate Change Impacts in Japan (Ministry of the Environment)

\* Analysis of figures for 2040 as there are no parameters for 2050

#### Financial Impact (Risks) under the 4°C Scenario (2050)



#### Financial Impact (Risks) under the 1.5°C (2°C) Scenario (2050)



## 3 Risk Management

The Executive Sustainability Committee identifies risks and opportunities related to climate change for the group as a whole, formulates response plans, instructs corresponding organizations led by the Corporate Sustainability Division, which is responsible for practical implementation, manages progress of measures, and reports to the Board of Directors.

The Board of Directors approves the content of reports or gives instructions on improvements, and monitors results to

ensure that appropriate risk management is being implemented. Risk matters related to climate change deliberated by the Executive Sustainability Committee are directed to its subordinate organizations, the Risk Management Meetings, the OVOL Environment & Safety Meetings, and the OVOL Sustainability Promotion Meetings, and reflected in the group's risk management.

## 4 Metrics and Targets

As part of efforts to address climate change, we began calculating the group's greenhouse gas emissions. In 2022, we disclosed Scope 1 and 2 emissions in Japan from 2019 onward for Japan Pulp & Paper and its consolidated subsidiaries in Japan. In 2023, we expanded the scope of calculation to the entire group, including subsidiaries outside of Japan, and disclosed Scope 3 emissions at Japan Pulp & Paper.

Going forward, we will further strengthen our response to climate change by setting specific group-wide metrics and targets for decarbonization, contributing to the realization of decarbonized society by 2050, and building a sustainable future.

## Renewable Energy Power Generation

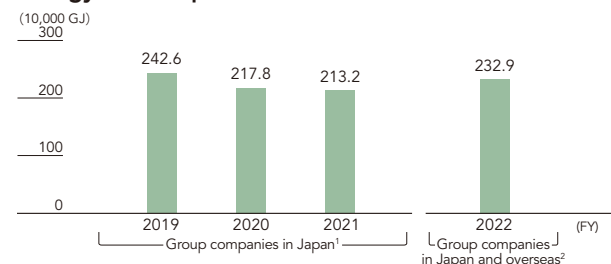
Since entering the biomass power generation business with the aim of supplying energy to the group's paper manufacturing companies, we have been working to ensure a stable supply of clean and safe electricity to meet growing demand from society. In 2016, we began operation of a woody biomass power plant (power output: 14,000 kW) in Noda Village, Iwate Prefecture under a renewable energy feed-in tariff (FIT) scheme. In collaboration with regional governments, we are developing projects that benefit the public interest and lead to the revitalization of local industries. In 2018, we established OVOL New Energy Sdn. Bhd., a company that collects palm kernel shells (PKS) in Malaysia and exports them to Japan and other countries, strengthening our system for the stable supply of biomass fuel to the Japanese market.

Under a renewable energy FIT scheme, we also operate a solar power generation business in Kushiro, Hokkaido (power output: 20,000 kW) and supply the electricity it generates.

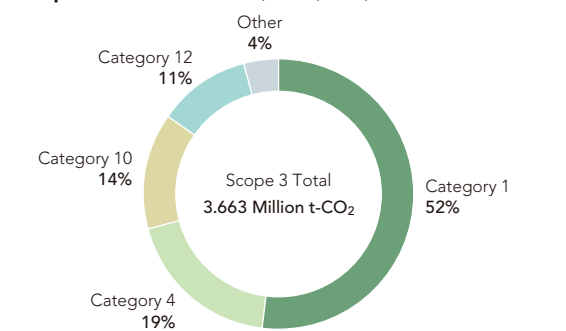


## Climate Change-related Data

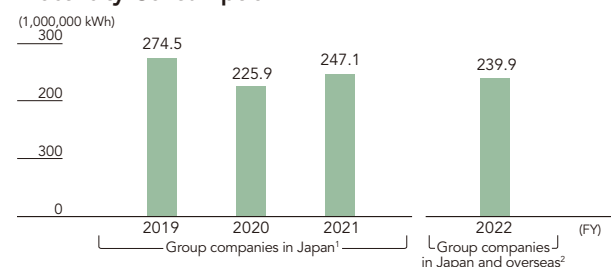
### Energy Consumption



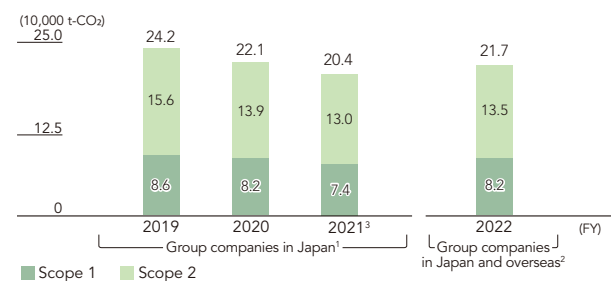
### Scope 3 Breakdown (Japan Pulp & Paper)



### Electricity Consumption



### Greenhouse Gas Emissions



1. Japan Pulp & Paper and its consolidated subsidiaries in Japan  
 2. Japan Pulp & Paper and its consolidated subsidiaries  
 3. Third-party verification of Scope 1 and 2 greenhouse gas emissions (parent company) has been conducted by the Japan Management Association GHG Certification Center

Item	Fiscal year ended March 31, 2022 (Unit: 10,000 t-CO <sub>2</sub> )
Category 1 Purchased goods and services	191.2
Category 2 Capital goods	0.2
Category 3 Fuel- and energy-related activities	4.4
Category 4 Upstream transportation and distribution	68.5
Category 5 Waste generated in operations	0
Category 6 Business travel	0
Category 7 Employee commuting	0
Category 8 Upstream leased assets	—
Category 9 Downstream transportation and distribution	0.9
Category 10 Processing of sold products	50.7
Category 11 Use of sold products	7.5
Category 12 End-of-life treatment of sold products	41.3
Category 13 Downstream leased assets	1.6
Category 14 Franchises	—
Category 15 Investments	—
<b>Scope 3 Total</b>	<b>366.3</b>

Calculation standard: Ministry of the Environment's "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" and "GHG protocol: Technical Guidance for Calculating Scope 3 Emissions"  
 Excluded categories: There are no relevant activities for categories 8, 14, and 15

## Biodiversity

In addition to "protecting the natural environment," as stated in our Environmental Policy, the group has identified "biodiversity" as a material issue. Forest resources are the main raw material for paper, and increased efforts to conserve biodiversity may lead to stricter regulations and higher costs in the procurement of raw materials used in the production of paper. In addition, it is essential to sell paper made with wood from properly managed forests, so as to have minimal impact on animal life and the natural environment.

## Environmentally Friendly Procurement

We aim to achieve sustainable wood consumption that does not lead to the destruction or degradation of forests. As such, we have acquired FSC® and PEFC Chain of Custody Certification (CoC Certification), both of which are global forest certification systems.

Forest Certification	FSC® Forest Certification/CoC Certification (acquired in October 2002) FSC®-C007042 PEFC Forest Certification/CoC certification (acquired in October 2007)
Scope	For both FSC® and PEFC, the scope is: 1) Purchase, cutting, and sale of managed forest certified paper 2) Purchase and sale of managed forest certified pulp

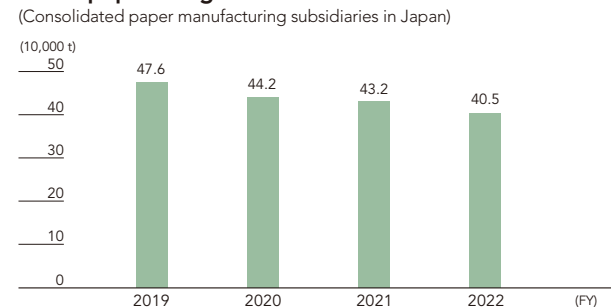
### Acquisition of Forest Certification by the Group (As of July 2023)

	Japan	Outside Japan
FSC® CoC Certification	16 companies	34 companies
PEFC CoC Certification	1 company	17 companies

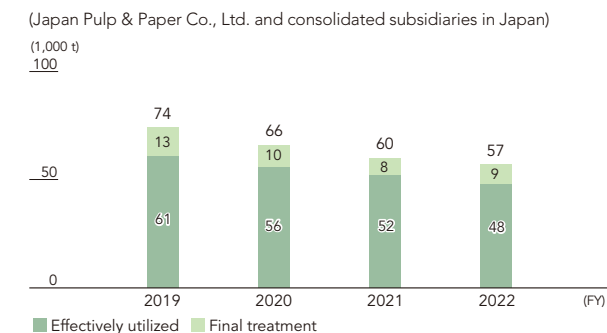
## Resource Recycling

"Efficient and reduced use of resources" is part of our Environmental Policy, and we designated "resource recycling" as a material issue. We are contributing to the creation of a resource recycling society by working to reduce waste and protect forest resources throughout society including through the wastepaper recycling, recycled paper manufacturing, and comprehensive recycling businesses.

### Wastepaper Usage



### Industrial Waste Generated



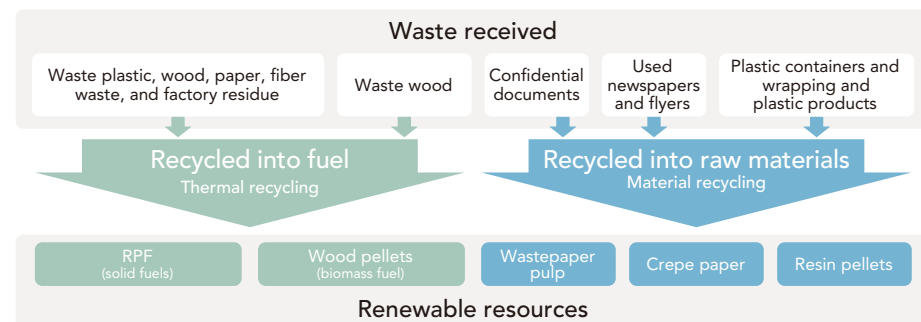
## Wastepaper Recycling

We promote the reuse and stable supply of wastepaper as a raw material for paper manufacturing. Since our full-scale entry into the wastepaper recycling business in 1973, we have expanded operations throughout Japan, and some business sites have acquired security certifications for processing confidential documents. Outside of Japan, we drew on the experience and know-how cultivated in Japan to expand into the United States in 1998. We have since commenced operations in India as well, working to strengthen our ability to collect and ship wastepaper. Currently, we have 28 wastepaper yards in Japan and in countries around the world, and are working to expand our global wastepaper collection network.



## Comprehensive Recycling

We work to efficiently recycle wastepaper, waste plastic, and waste wood through the combined use of thermal and material recycling.



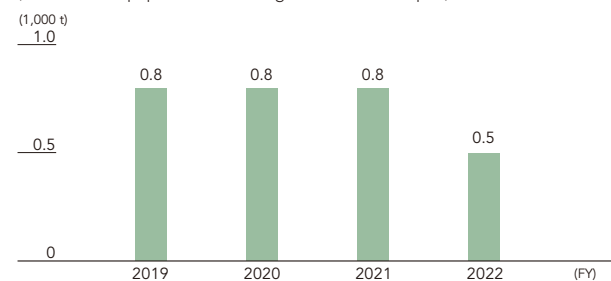
## Environmental Impact

In our Environmental Policy, we have set forth the goals of "Compliance with Relevant Laws and Regulations," "Reducing the Impact on the Environment," and achieving "Efficient and Reduced Use of Resources." In addition, we have identified "environmental impact" as a material issue that has a significant impact on the group's business.

In our business operations, we strive to comply with the environmental protection laws and regulations of each country and region we serve, and work to reduce environmental impact by lowering the amount of greenhouse gas emissions, reducing and properly disposing of waste, and promoting recycling. We will also effectively utilize and reduce the use of energy, water, and other resources.

### Emissions and Transfer of Substances under Japan's PRTR Regulations

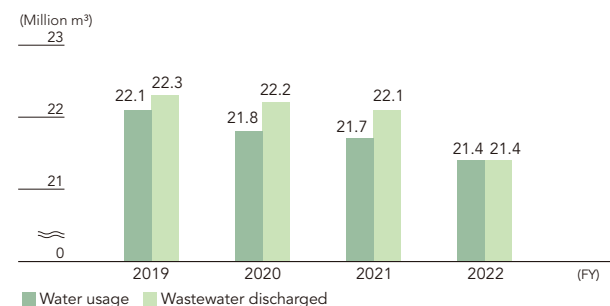
(Consolidated paper manufacturing subsidiaries in Japan)



\* A system in which companies report data and estimates for potentially hazardous chemical substances and/or pollutants released at business sites into air, water and soil and transferred off-site for treatment or disposal to enable governmental authorities to aggregate and publish the volume of emissions and transfers.

### Water Usage & Wastewater Discharge

(Consolidated paper manufacturing subsidiaries in Japan)



## Approach to Social Issues

The Japan Pulp & Paper Group promotes sustainable management and has clarified the role it should play in helping to realize a sustainable society. We are mindful of the supply chain, human rights, and communities in all our business activities.

### Supply Chain

As a responsible member of the supply chain, we are committed to fair and appropriate transactions with all suppliers based on the values of integrity, fairness, and harmony. We have defined these values in our Corporate Philosophy as values that should be cherished. We also work to maintain a sustainable and responsible procurement system, and to strengthen our supply chain management in order to provide a stable supply of safe and secure products and services. Current efforts are based on the Charter of Corporate Behavior, the Code of Conduct for

Executives and Employees, the Sustainability Policy, and the Environmental Policy. These policies help to demonstrate our basic approach to supply chain management both within and outside the group, and show our determination to comply with laws, regulations, and social norms. Going forward, we will formulate guidelines and action plans for sustainable procurement by the end of fiscal 2023 in order to more widely demonstrate our basic approach.

### Procurement

As a distribution company, the most important aspect of supply chain management is providing a stable supply of raw materials and quality products to customers and business partners worldwide without interruption. We procure a variety of products, raw materials, and other items from suppliers around the world to ensure a stable supply.

## Respect for Human Rights

To build a sustainable supply chain system that respects human rights, we are promoting group-wide initiatives based on the Japan Pulp & Paper Group Human Rights Policy formulated in February 2022. Under this policy, we recognize that respect for human rights is the foundation of all our business activities, and as such we respect the human rights of all people involved in our business. We will promote measures to ensure respect for human rights as we work to achieve our aim of realizing a sustainable society.

The Japan Pulp & Paper Group Human Rights Policy applies to all executives and employees (including contract, temporary, and part-time workers), and we want all business partners to also support it.

In order to foster awareness of human rights, we are working to ensure that all executives and employees have knowledge of the policy, provide education and distribute the *Compliance Letter*. Furthermore, we will continue to appropriately check, report on, and evaluate our business activities to prevent violations. For our business partners and suppliers, we will work to raise their understanding of this policy and awareness of human rights, and are considering the implementation of human rights due diligence in the supply chain to confirm compliance.

### Japan Pulp & Paper Group Human Rights Policy (Summary)

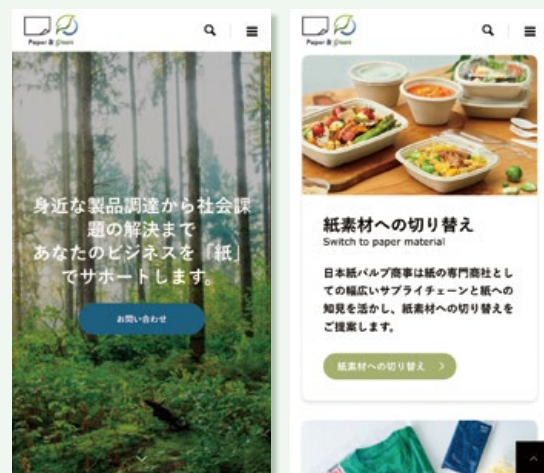
1. Basic Approach
2. Scope of Application
3. Due Diligence on Human Rights
4. Redress
5. Dialogue and Discussions with Stakeholders
6. Education for Executives and Employees
7. Disclosure of Information
8. Responsibility
9. Strict Compliance with Laws and Regulations

[https://www.kamipa.co.jp/eng/activity/human\\_rights/](https://www.kamipa.co.jp/eng/activity/human_rights/)

### Highlight Paper & Green

Paper & Green is a website that promotes the use of environmentally friendly products, proposes solutions, and provides consulting services. We renewed the website in October 2022, and we will contribute to the realization of a sustainable, circular economy by providing a variety of environmentally friendly products through our group network and by offering custom-made products to meet customer needs.

<https://www.paperandgreen.com/>  
(Japanese only)





## Communities

As we expand our business activities, we recognize that it is essential to reduce the environmental impact on communities and to achieve coexistence and co-prosperity through social and economic contributions. As such, we have identified “communities” as one of our material issues. We are working with local governments to reduce waste and promoting understanding of resource recycling through educational activities such as tours of recycled paper manufacturing mills and recycling facilities.

### Examples of Initiatives: Wastepaper Exchange Events

Headquartered in Shizuoka Prefecture, group company Corelex Shin-Ei has been developing a new recycling system ahead of the rest of the industry. In recent years, it has made a significant contribution to the creation of a recycling society by developing a system to prevent information leakage of confidential documents generated in office buildings, financial institutions, governments, and other organizations based on a revolutionary method for collecting and recycling. In October 2022, Corelex Shin-Ei held an on-site sale and wastepaper exchange event at its factory. The wastepaper exchange event was held in a drive-through format on the factory premises—a format adopted in 2021 as a COVID-19 countermeasure. Attendees remained in their vehicles, while employees unloaded the wastepaper in front of the raw material receiving area and loaded a similar amount of products at the product shipping area. During the two-day event, the company was able to collect about 50 tons of wastepaper from households. Going forward, we will continue to promote awareness-raising activities related to the use of wastepaper.



Drive-through format for collecting wastepaper from attendees and loading products

## Digitalization

### Digitalization as the Driving Force for Creating New Business Opportunities



**Fumio Watanabe**  
Executive Vice President  
CIO

Digitalization is having two major impacts on the group. First, the paper wholesaling business, the group’s main business, is facing a continuing decrease in demand for graphic paper due to progress in digitalization and a declining population in Japan. It is difficult to imagine a significant recovery in demand for paper in this field. However, paper is capable of presenting information clearly and easily. It also has a physical presence and characteristics such as touch, texture, and workability.

There is every reason to believe that it is possible for paper and digital media to coexist.

On the other hand, in order to realize OVOL Vision 2030, it is essential to build a robust management system that utilizes digital technology. From the perspective of business continuity plans (BCPs), we established the DX Promotion Office and began implementing group IT control activities from fiscal 2023. In addition, in order to generate further synergy across our diverse businesses, it is important to establish a data governance system for the entire group and to achieve higher productivity and more energy efficiency through DX. To do so, we aim to further enhance our organizational capabilities and fully utilize the strengths of each group company. We believe this will be the driving force for creating new business opportunities.

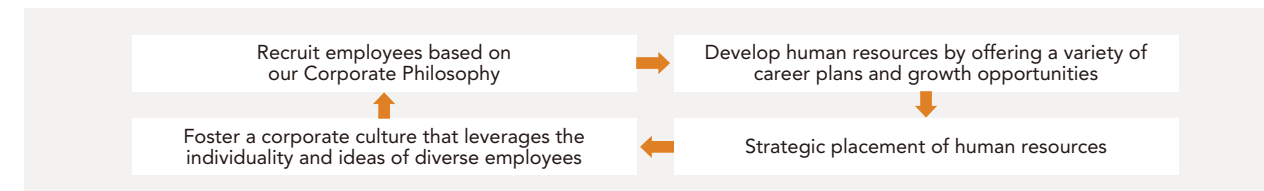
## Approach to Human Resources

Human resources are our greatest form of management capital. They are the foundation of the Japan Pulp & Paper Group’s business competitiveness, and are the main factor for achieving sustained growth. Accordingly, we have designated the “work environment” and “diversity and inclusion” as material issues.

In order to further strengthen human resources, our greatest form of management capital, we aim to secure high-level employees (both qualitatively and quantitatively) and give them the opportunity to demonstrate their value. To that end, one of the policies of

Medium-term Business Plan 2023 is “to respect diverse values and create an environment where it is easy to work and where individual abilities can be maximized.”

Going forward, in addition to focusing on recruiting the best people, we will offer opportunities for skills development, ensure fair treatment and impartial personnel evaluations, and provide a comfortable working environment. By encouraging all employees to play a more active role, we aim to improve our capabilities as an organization.



## Working Environment

### Recruitment of Employees

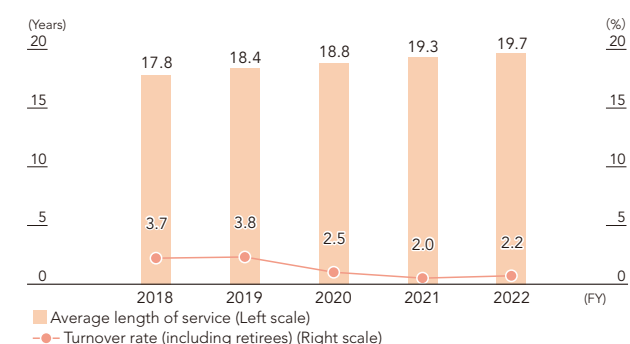
For the group to sustainably increase its corporate value in the future, it is essential to further strengthen human resources, which are our greatest form of management capital. For this reason, it is important to hire, train, and utilize excellent human resources.

Our hiring of employees is based on Our Corporate Spirit of integrity, fairness, and harmony, a belief that has been nurtured since our founding 178 years ago. We are committed to hiring people who can actively practice the three Cs: “Change (Change ourselves as society changes); Challenge (Challenge new fields with conviction and ambitious spirit); and Create (Create fresh global value through diversity).”

In addition, we are promoting the recruitment of experienced candidates as a way to strategically place human resources in areas of group business expansion. We welcome professionals with varied experience and a “Challenge” mindset, who are

looking for an environment where they can make the most of their abilities.

#### Average Length of Service & Turnover Rate (Including Retirees) (Parent company)



### Human Resource Evaluation and Treatment

The personnel evaluation system at Japan Pulp & Paper is comprised of Grade Standard Evaluation and Challenge Evaluation components. For the Grade Standard Evaluation, the expected level at each grade of a role is uniformly set as the “grade standard,” and the employee is evaluated based on the extent to which they demonstrate and realize that standard. The Challenge Evaluation consists of a “performance evaluation” and a “process evaluation.” In a performance evaluation, the employee’s organization is evaluated based on the extent to which it achieved quantitative results during the applicable time period. In a process evaluation, the company establishes high-priority goals that need to be challenged in order to achieve performance

goals, as well as medium-to-long-term initiatives to create new value, and evaluates the progress made in those areas. During these evaluation processes, emphasis is placed more on how difficulties and changes were handled than simply the level to which set goals have been achieved. We expect meaningful goals and true challenges to be established. In both setting goals and conducting evaluations, with clear communication between employees and evaluators, we focus on improving employee satisfaction and motivation levels through fair evaluation of achievements and actions, increased transparency of feedback, and rewarding their results.



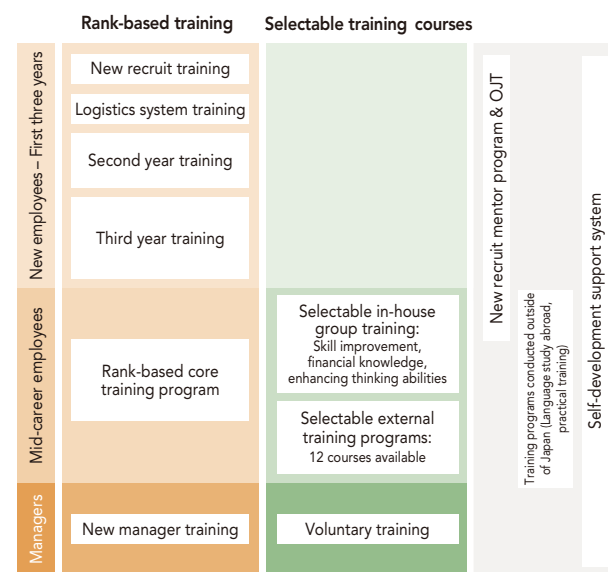
## Human Resource Development

Japan Pulp & Paper has adopted a personnel system centered on the Role Responsibility System and is working to vitalize human resources, its greatest form of management capital, through development and optimal utilization. The Role Responsibility System not only emphasizes organizational management, but also focuses on the promotion and recruitment of highly skilled and motivated persons for positions in which they can demonstrate their expertise and achieve specific tasks. In terms of education and training systems aimed at developing human resources, we created a program aimed at raising the skills of each and every individual and vitalizing people and organizations based on the concepts of “developing human resources able to fulfill their roles and responsibilities” and “developing personnel with self-initiative who are able to respond to times of change.”

Through rank-based training, we bring together all employees eligible for promotion and train them to understand what’s expected of them in their next role and to perform at a higher level. Selectable training courses incorporate practical training programs designed to give core personnel the necessary management knowledge and skills to solve and accomplish increasingly sophisticated and complex organizational and business challenges. In addition, one of our training programs is conducted outside of Japan to give employees a more international perspective and to develop their practical communication skills in foreign languages.

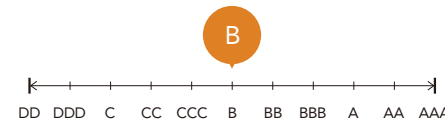
Through our talent management system, we also centrally manage and visualize basic employee data, such as their work

history, as well as their experience and other abilities including specific skills. We use this data for training and education purposes, and for strategic human resource placement that takes each employee’s uniqueness into account. Going forward, we will further refine our human resource data, and use it when making strategic investments in human resource development. In this way, we seek to improve the skills and abilities of employees who have the responsibility of continuously enhancing our corporate value.



## Engagement

We have positioned human capital management as one of the most important strategic issues related to the group’s sustainable management, which we have been developing and strengthening since fiscal 2022. In promoting human capital management, we first conducted an engagement survey\* in May 2023 in order to visualize the current state of employee engagement, and we plan to conduct the survey on a regular basis going forward. By analyzing the results, we aim to further increase the job satisfaction of employees, foster an organizational culture in which employees can play a more active role and take on the challenge of developing new ideas that create added value, and improve productivity.



\* The survey creates an Engagement Rating through the Motivation Cloud service offered by Link and Motivation Inc. Results are divided into 11 levels, and we currently have a “B” rating, which is a mid-range (6th level) rating.

## Health Management

### Japan Pulp & Paper Group Health Management Policy (Summary)

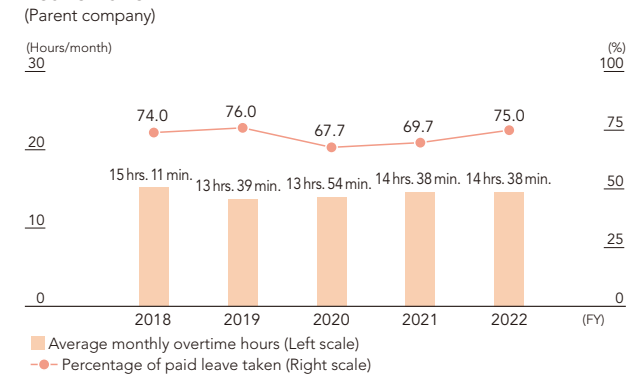
1. Promoting Good Mental and Physical Health
2. Creating an Energetic Workplace
3. Realizing Work-life Balance

<https://www.kamipa.co.jp/eng/activity/health/>

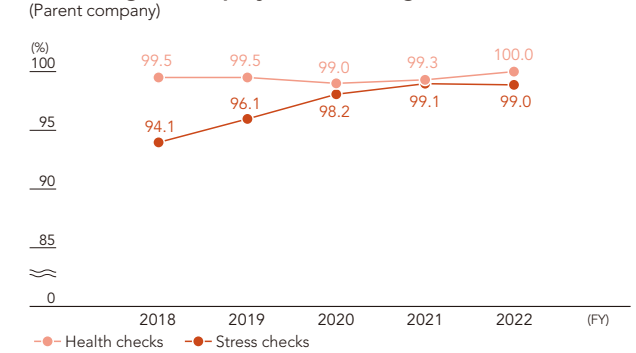
We aim to create a healthy working environment for our employees, our greatest form of management capital. We believe that if every employee, at every level, takes responsibility for his or her own physical and mental health and actively works to maintain and

improve it, both their quality of life and work will improve. This in turn will increase productivity and the group’s corporate value. To that end, we are implementing health management initiatives. We are committed to achieving work-life balance by reducing overtime hours, such as with “no-overtime days,” making it easier for employees to take paid leave, and introducing work-from-home and shift work systems. In addition, to prevent diseases and other issues, we conduct various medical examinations and stress checks and employ an industrial physician, full-time nurses, and appoint multiple health supervisors. We also aim to create a workplace in which every employee can actively demonstrate their abilities in a physically and mentally healthy way. We cooperate with external organizations as one way to achieve this goal.

## Average Monthly Overtime Hours & Percentage of Paid Leave Taken



## Percentage of Employees Receiving Health Checks & Percentage of Employees Receiving Stress Checks



## Occupational Health and Safety

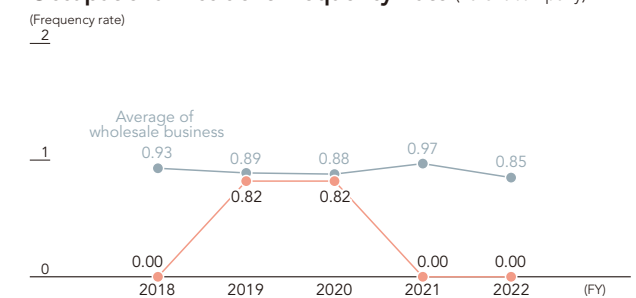
### Japan Pulp & Paper Group Occupational Health and Safety Policy (Summary)

1. Strict Adherence to Relevant Laws and Regulations and Internal Rules
2. Building a Workplace Where Everyone Can Work in Comfort
3. Preventing Occupational Accidents
4. Promoting Occupational Health and Safety Training and Education

<https://www.kamipa.co.jp/eng/activity/safety/>

The group is working to strengthen its occupational health and safety system and management with the aim of eradicating workplace accidents, hazards, and occupational illnesses. Each group company implements initiatives through the Personnel Department, the Environment & Safety Promotion Office, and the

## Occupational Accident Frequency Rate (Parent company)



OVOL Environment & Safety Meetings and progress is reported to the Executive Sustainability Committee. As a result of these activities, the group recorded zero fatal accidents in fiscal 2022. We have set “work environment” as a material issue for the group, and will continue to improve occupational health and safety as our highest priority by implementing measures to prevent workplace accidents and providing comfortable workplaces.

## Diversity and Inclusion

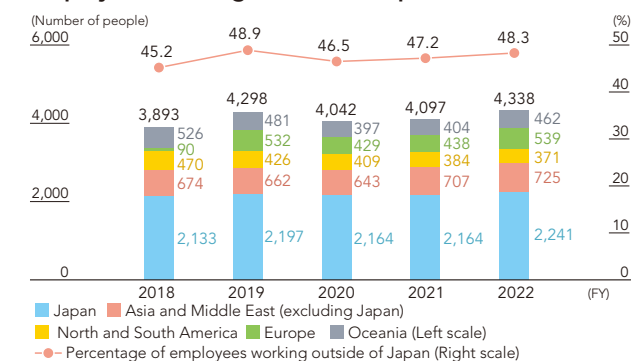
For the group to continually enhance its corporate value, it is essential that every employee has diverse experience, skills, and ways of thinking, and that they can add value by demonstrating their individuality and capabilities. Although we extended the retirement age in 2021, we have not set a fixed retirement age for each position, and the treatment of employees regardless of age remains unchanged. In order

to achieve diversity and inclusion, the group will focus on fostering a comfortable workplace culture, raising awareness, and building systems that embrace diverse attributes, values, and working styles, including ethnicity, religion, faith, gender, sexual orientation/gender identity, nationality, age, place of origin, educational background, or physical or mental disability.

## Global Human Resources

The group aims to be an organization in which diverse human resources can play an active role regardless of race or nationality. Currently, regions outside Japan account for approximately 50% of the group’s revenue, and roughly half of our employees are non-Japanese. To secure and nurture human resources who can work globally, we are committed to creating a work environment where employees of different nationalities, religions, and lifestyles can cooperate and demonstrate their individuality, experience, skills, and other abilities.

## Number of Employees by Region & Percentage of Employees Working Outside of Japan (Consolidated)



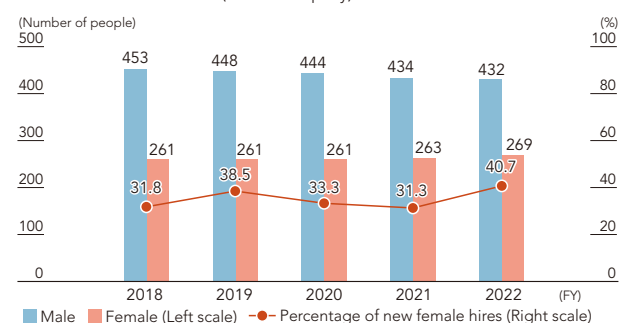


## Promotion of Female Participation and Advancement in the Workplace

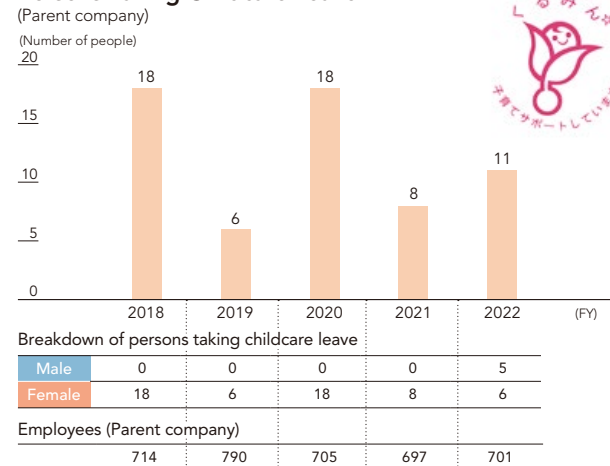
In order to realize a work environment in which all employees can create their own work-life balance, fully demonstrate their abilities, and continue to work regardless of gender, we have created the Action Plan for Promoting Female Participation and Advancement in the Workplace. We are implementing various measures with the goals of increasing the ratio of female employees, supporting continued employment and career advancement, reducing long working hours, and improving the percentage of paid leave employees take. We are also working to expand support systems for balancing work

and family life. In addition to expanding our childcare support, we have extended the period for which the shorter working hour system can be applied, introduced a shift work system that can be used for childcare, and established a system for limiting work areas. In recognition of these measures, in 2021 we received "Kurumin Certification" from the Japanese government for our childcare support activities.

### Number of Employees by Gender & Percentage of New Female Hires (Parent company)



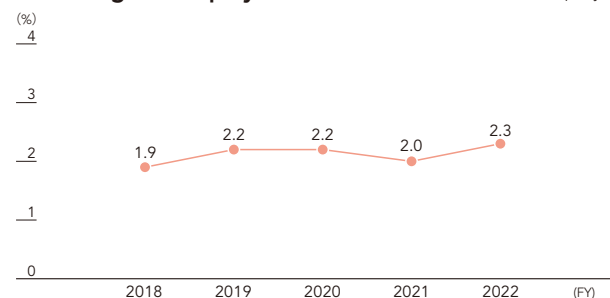
### Persons Taking Childcare Leave (Parent company)



## Employment of People with Disabilities

We are committed to facilitating the employment of people with disabilities. When hiring people with disabilities, securing an appropriate employment opportunity that takes their specific circumstances into consideration is something we take very seriously. We make decisions about work locations and duties after talking with each employee about the nature of their disability and their areas of expertise. We will continue to expand the employment opportunities for people with disabilities, and promote initiatives that enable them to make the most of their skills.

### Percentage of Employees with Disabilities (Parent company)



## Promoting Understanding of LGBT

In order to create a work environment where people from different backgrounds can respect each other and make the most of their abilities, we are moving forward with initiatives to promote proper understanding, awareness, and unbiased treatment of LGBT employees and other minority groups through internal measures such as posting information on intranet bulletin boards and conducting harassment prevention training. In our Charter of Corporate Behavior and the Code of Conduct for Executives and Employees, the group clearly states that it will not engage in any conduct that infringes on human rights, such as discriminatory behavior related to sexual orientation or gender identity.



**Yasushi Takei**  
Executive Vice President  
Administration, Planning & Sustainability

### Approach to Promoting Human Capital Management

In promoting sustainable management, we have positioned human capital management as a strategically important issue.

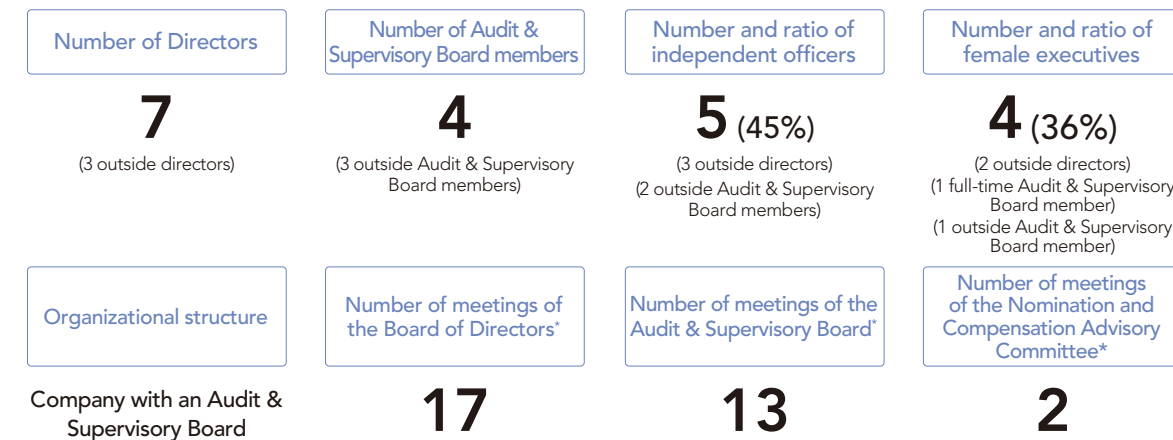
In order to realize OVOL Vision 2030, we must actively invest in human capital, our source of future innovation, and improve work engagement. Based on the results of an employee engagement survey we conducted in fiscal 2023, we will create a human resource strategy that is linked with our management strategy; build a human resource portfolio and then hire, assign, and develop talent based on that portfolio; and create an environment where diverse employees can thrive.

## Approach to Governance

The Japan Pulp & Paper Group recognizes that promoting corporate governance and strengthening compliance and risk management are critical to the sustainable improvement of corporate value. As such, "governance" is one of the themes we identified for our material issues.

## Corporate Governance

### Overview (As of June 23, 2023)



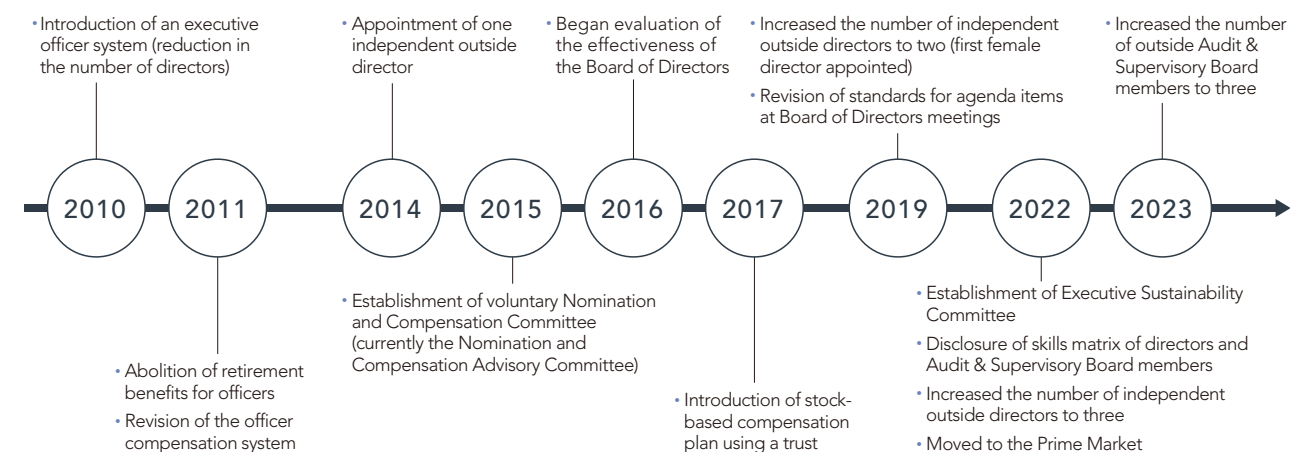
\* Number of meetings in fiscal 2022

## Basic Stance

The Japan Pulp & Paper Group has established its Corporate Philosophy, which consists of Our Corporate Spirit (the values we cherish), Our Mission, and Our Principles, which states the principles that the group's executives and employees adhere to. The group conducts business activities based on the slogan "Paper, and beyond." We have also established a Charter of Corporate Behavior. We are committed to complying with all laws and regulations, promoting fair and appropriate transactions and responsible procurement, and realizing coexistence and co-prosperity with stakeholders.

In line with its Corporate Philosophy and Charter of Corporate Behavior, the Japan Pulp & Paper Group's basic approach to corporate governance is to fulfill its accountability, build good relationships with shareholders and investors, employees, customers, business partners, communities, and all other stakeholders, and to practice efficient, fair, and transparent management to ensure the group's sustainable growth and increase corporate value over the medium to long term. The group will continue to further enhance and strengthen corporate governance.

## Efforts to Strengthen Governance





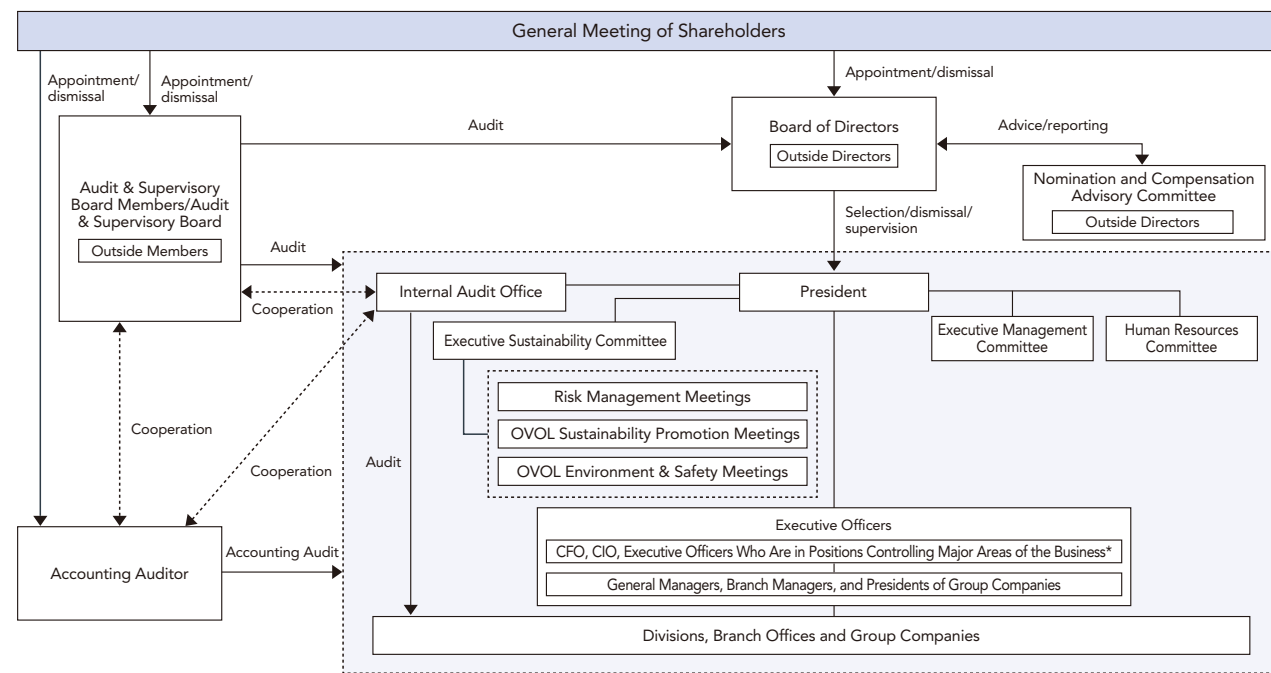
## Overview of Corporate Governance Structure

Japan Pulp & Paper aims to maintain and improve management efficiency based on a Board of Directors consisting of directors who have thorough knowledge of the group's businesses. Additionally, the company has introduced an executive officer system for the purpose of clarifying duties and responsibilities and increasing flexibility in the execution of operations to respond to rapid changes in the business environment.

In addition, outside directors also participate in the process of nominating and setting the compensation of directors and

Audit & Supervisory Board members, and provide appropriate supervision and recommendations from an objective standpoint. Japan Pulp & Paper, as a company with an Audit & Supervisory Board, achieves enhanced monitoring and supervisory functions and the transparency of decision-making by ensuring the adequate monitoring of management by the Audit & Supervisory Board, which includes outside members.

### ■ Corporate Governance Structure



\* Paper Sales & Marketing; Paperboard; Global Business, Specialties; Raw Materials & Environment; Household Paper; Administration, Planning & Sustainability; Logistics

### ■ Board of Directors

The Board of Directors meets regularly once a month and whenever necessary, in accordance with laws, the Articles of Incorporation, and the procedural rules for the Board of Directors. It makes decisions on matters stipulated by laws and the Articles of Incorporation, as well as on important matters pertaining to the General Meeting of Shareholders; key organizations and personnel; issues involving the company's stock; business plans; major investments; and the internal control system. The Board also supervises the execution of duties of individual directors.

<b>Composition</b>	7 directors, including 3 outside directors
<b>Number of meetings</b>	17 meetings in fiscal 2022
<b>Chairperson</b>	Representative director, president
<b>Main agenda items for fiscal 2022</b>	Partial amendments to the Articles of Incorporation, distribution of dividends from retained earnings, transfer of real estate, overseas M&A, reorganization of group companies in Japan, matters concerning internal control systems, confirmation of appropriateness of cross-shareholdings, and matters concerning sustainability/ESG, etc.

### ■ Audit & Supervisory Board

The Audit & Supervisory Board meets regularly once a month and whenever necessary, in accordance with laws, the Articles of Incorporation and the rules of the Audit & Supervisory Board. It conducts audits of Board of Directors' proposals and the directors' execution of their duties. It also holds liaison meetings with the representative directors once a month to exchange opinions on matters including issues the company should address, the environment for audits by Audit & Supervisory Board members, and material issues regarding auditing.

<b>Composition</b>	1 full-time Audit & Supervisory Board member and 3 outside Audit & Supervisory Board members
<b>Number of meetings</b>	Held 13 times in fiscal 2022

### ■ Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee was established to discuss and report on personnel-related matters and compensation for directors and Audit & Supervisory Board members. The committee meets at least once a year and whenever necessary.

<b>Composition</b>	Representative director, president (chairperson), 3 independent outside directors
<b>Number of meetings</b>	Held 2 times in fiscal 2022
<b>Content of discussions held in fiscal 2022</b>	<ul style="list-style-type: none"> <li>Proposal for election of director candidates</li> <li>Proposal for election of candidates for Audit &amp; Supervisory Board members</li> <li>Deliberation on base monthly compensation for directors by position</li> <li>Deliberation on base amount of bonuses by position and performance-linked system</li> <li>Deliberation on base amount of stock-based compensation by position</li> </ul>

### ■ Human Resources Committee

Based on committee rules, the Human Resources Committee meets regularly once a month and whenever necessary, in order to determine important personnel measures necessary for the strategic business development of the group, and to optimize the allocation of human resources in the group.

<b>Composition</b>	Representative director, president (chairperson); the CFO (vice chairperson); CIO; executive officers who are in positions controlling major areas of the business;* branch managers of the Kansai Branch and Chubu Branch
<b>Number of meetings</b>	Held 13 times in fiscal 2022

### ■ Executive Officers

The company has appointed a total of 28 executive officers, including four who are also directors as of June 23, 2023. Executive officers who are also directors, or who are in positions controlling major areas of the business,\* oversee group business as a whole, and assist the president with each major management target to support achievement of common

### ■ Group Governance

With regard to business management of group companies, prior approval of the parent company is required for important decisions in accordance with the Rules on the Management of Affiliates, while respecting the independence of group companies. Particularly important matters also require approval by the Board of Directors. In addition, each group company reports its business conditions and financial results to the department in charge of group company management on a regular basis. Reports are also made in a timely manner in the event of disasters, accidents, misconduct, etc. In fiscal 2023, as part of efforts to enhance group governance we launched an initiative related to group IT control activities and plan to conduct a risk assessment in order to identify significant risks to the group.

### ■ Executive Management Committee

Based on committee rules, the Executive Management Committee meets regularly twice a month and whenever necessary to discuss significant matters concerning the group's management and business execution, and to formulate management policies and business plans.

<b>Composition</b>	Representative director, president (chairperson); full-time directors; CIO; executive officers who are in positions controlling major areas of the business;* full-time Audit & Supervisory Board member (observer)
<b>Number of meetings</b>	Held 22 times in fiscal 2022

### ■ Executive Sustainability Committee

Based on committee rules, the Executive Sustainability Committee meets regularly once a quarter and whenever necessary. The committee is in charge of formulating sustainability-related policies and strategies, resolving ESG-related issues, and managing the achievement of the group's goals. It serves as the command center for group-wide sustainability initiatives.

<b>Composition</b>	Representative director, president (chairperson); full-time directors; CIO; executive officers who are in positions controlling major areas of the business;* full-time Audit & Supervisory Board member (observer)
<b>Number of meetings</b>	Held 15 times in fiscal 2022

group targets. Other executive officers focus on fulfilling their respective roles and improving results as general managers, branch managers, or presidents of group companies.

\* Paper Sales & Marketing; Paperboard; Global Business, Specialties; Raw Materials & Environment; Household Paper; Administration, Planning & Sustainability; Logistics

To ensure proper group governance, the Internal Audit Office supports the internal control promotion system, while conducting periodic audits of group companies and providing guidance on areas for improvement. In addition to receiving reports such as those described above on a regular basis, Audit & Supervisory Board members verify the business reports of group companies and exchange information and opinions at subsidiary auditor liaison meetings. In particular, for matters related to companies that have newly joined the group and group companies of high importance, Audit & Supervisory Board members directly engage in dialogue with the management team, managers, and personnel in administration divisions and conduct on-site audits and inspections or use an online format.

The group will work to improve the effectiveness of group governance through these activities.



## Approach to the Diversity of the Board of Directors

To ensure diversity (regardless of gender, nationality, race, or age) and achieve balance in terms of knowledge, experience, and ability, the company appoints persons of outstanding character and insight from both inside and outside the company for Board of Director positions. This includes persons with extensive know-how and experience in each business field of the group, expertise in corporate planning and administration, experience in management positions at other companies, and knowledge of ESG issues.

## Skills Matrix of Directors and Audit & Supervisory Board Members

The major areas of expertise and experience of directors and Audit & Supervisory Board members are as follows.<sup>1</sup> (As of June 23, 2023)

Name	Position	Independent officer	Nomination and Compensation Advisory Committee	Number of years in office	Major areas of expertise and experience						
					Industrial insight	Corporate management	Sales	Global	Finance and accounting	Legal affairs and compliance	Human resource management
Akihiko Watanabe	Representative Director, President & CEO		○ Chairperson	7	●	●	●	●		●	●
Chihiro Katsuta	Representative Director, Senior Executive Vice President			7	●	●	●		●	●	●
Kazuhiko Sakurai	Director of the Board, Senior Executive Vice President			6	●	●	●				●
Tetsuo Izawa	Director of the Board, Senior Executive Vice President			2	●	●	●				●
Sumiko Takeuchi	Director (outside)	○	○	4		●		●			●
Yoko Suzuki	Director (outside)	○	○	1						●	●
Hiroshi Takahashi	Director (outside)	○	○	Newly appointed <sup>2</sup>		●	●		●	●	●
Rie Uesaka	Audit & Supervisory Board Member (full-time)			3	●	●		●	●		
Naofumi Higuchi	Audit & Supervisory Board Member (outside)	○		7				●	●	●	
Mitsutaka Honda	Audit & Supervisory Board Member (outside)			Newly appointed <sup>2</sup>						●	●
Miyuki Fukushima	Audit & Supervisory Board Member (outside)	○		Newly appointed <sup>2</sup>		●			●		

1. The table above does not indicate all of the skills and experience possessed by individual directors and Audit & Supervisory Board members.

2. Newly appointed at the General Meeting of Shareholders held on June 23, 2023.

### Reasons and Criteria for Selection of Skills

Based on our management plan and various policies, we have established the following eight items for skills criteria.

Item	Reason for selection	Criteria for selection
Industrial insight	<ul style="list-style-type: none"> <li>Necessary to have people who can make appropriate decisions and supervise important business operations as part of a leading paper distribution company</li> </ul>	<ul style="list-style-type: none"> <li>Directors who are internally promoted to the position</li> <li>Experience in management at other companies in related industries</li> <li>Experience as a director of an industry association</li> </ul>
Corporate management	<ul style="list-style-type: none"> <li>Necessary to have people who can properly develop sustainable growth strategies, and execute and supervise operations amid major changes in the business environment</li> <li>Necessary to have people who can utilize management experience at other companies as an outside officer</li> </ul>	<ul style="list-style-type: none"> <li>Experience as director of Japan Pulp &amp; Paper or executive officer in position controlling major areas of business</li> <li>Experience as a president of a subsidiary</li> <li>(Outside officers) Experience as a representative director, president or vice president, etc., at other companies</li> <li>Experience as an entrepreneur</li> </ul>
Sales	<ul style="list-style-type: none"> <li>Necessary as our main business is wholesaling and distribution</li> </ul>	<ul style="list-style-type: none"> <li>Experience in management of departments related to sales, marketing, and procurement</li> </ul>
Global	<ul style="list-style-type: none"> <li>Necessary to have people with extensive knowledge and experience in overseas management and expertise related to the business environments in order to achieve global growth and expand our Non-Japan Wholesaling segment</li> </ul>	<ul style="list-style-type: none"> <li>Experience in management of departments related to overseas business</li> <li>Experience as an officer of an overseas subsidiary</li> <li>Experience as a member of an international organization</li> <li>Experience as a participant in international conferences</li> </ul>
Finance and accounting	<ul style="list-style-type: none"> <li>Necessary to have people with solid knowledge and experience in the fields of finance and accounting in order to develop financial strategies to ensure accurate financial reporting, build a sound financial base, promote M&amp;A, and maintain stable dividends</li> </ul>	<ul style="list-style-type: none"> <li>Experience related to financial management, fund procurement, loans, and accounting</li> <li>People with relevant knowledge and experience, certified public accountants, tax accountants, etc.</li> </ul>
Legal affairs and compliance	<ul style="list-style-type: none"> <li>Necessary to have people with solid knowledge and experience in the fields of governance, risk management and compliance, in order to further enhance governance and compliance, which are the foundations for ensuring sustainable growth in corporate value</li> </ul>	<ul style="list-style-type: none"> <li>Experience related to risk management and compliance departments</li> <li>Experience as a member of a third-party committee</li> <li>People with relevant knowledge and experience, lawyers, etc.</li> </ul>
Human resource management	<ul style="list-style-type: none"> <li>Necessary to have people with extensive knowledge and experience in the fields of human resource development and management in order to further strengthen human capital, which is our most important form of management capital</li> </ul>	<ul style="list-style-type: none"> <li>Experience as a chairperson of a human resource committee, or in the management of a human resource department</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>Necessary to have people with solid knowledge and experience in the fields of sustainability, ESG, and the SDGs in order to respond to sustainability issues, as they are material management issues that not only reduce risks but also lead to new profit opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Experience in management of a department related to sustainability, ESG, the SDGs, renewable energy, etc.</li> <li>Experience as a member of advisory bodies and various organizations on sustainability, ESG, and the SDGs</li> <li>Consultants, people with relevant knowledge and experience, and examiners</li> </ul>

## Standards for the Selection of Directors and Audit & Supervisory Board Members

The Nomination and Compensation Advisory Committee, which is comprised mainly of outside directors, nominates candidates for director and Audit & Supervisory Board member positions from among those who we expect will make significant contributions to the company and are considered indispensable for its development, as well as based on the outstanding character and insight of the candidate. A resolution on their nomination is then made by the Board of Directors. The Board also obtains the prior consent of Audit & Supervisory Board members with respect to candidates for Audit & Supervisory Board member positions.

For candidates for independent officers, the company selects individuals who can provide advice on the company's business from an objective viewpoint and professional perspective. Candidates are selected in accordance with the independence standards set by the Tokyo Stock Exchange.

When dismissing directors or Audit & Supervisory Board members, the Nomination and Compensation Advisory Committee deliberates on their competency. A resolution on their dismissal is made by the Board of Directors and then submitted for approval at the General Meeting of Shareholders.

## Reasons for Electing Outside Directors and Audit & Supervisory Board Members

Name	Independent officer	Reason for appointment	Attendance at meetings in the fiscal year ended March 31, 2023	
			Board of Directors	Audit & Supervisory Board
Outside directors	○	Sumiko Takeuchi was involved for many years in nature and environmental conservation at her previous company. Since retiring from that post, she has been engaged in research in the fields of the environment and energy at an NPO, universities and other organizations, and has conducted wide-ranging research and advocacy activities in the fields of the environment and energy. She has also served in a large number of public roles, including as a government delegate. The company elected her as an outside director to provide proposals and advice from a professional standpoint based on her experience as stated above and deep insight, as well as to supervise decision-making on important matters, the execution of business, and the progress of the medium-term business plan. <b>Reason for designation as an independent officer:</b> Ms. Takeuchi has no special interests with the company, and no risk of a conflict of interest with the company's general shareholders. Therefore, she has been designated as an independent officer. <b>Significant concurrent positions:</b> Director and Senior Fellow of International Environment and Economy Institute; Joint Founder and Representative Director of U3Innovations LLC; Specially Appointed Professor of Tohoku University; Senior Advisor of Deloitte Tohmatsu Financial Advisory LLC; Outside Director of GRID co.	17/17 (100%)	—
	○	Yoko Suzuki possesses advanced professional knowledge as an attorney, and abundant experience as an outside director and audit and supervisory board member at several companies, and as a director and auditor at several corporations where she has been deeply engaged in corporate management. The company elected her as an outside director to provide advice to the company's management, to supervise its business execution, and to contribute to strengthening its corporate governance from an objective, professional standpoint, using her advanced professional knowledge and abundant experience as stated above. <b>Reason for designation as an independent officer:</b> Ms. Suzuki has no special interests with the company, and no risk of a conflict of interest with the company's general shareholders. Therefore, she has been designated as an independent officer. <b>Significant concurrent positions:</b> Partner of Suzuki Sogo Law Office; Outside Director and Member of the Audit Committee of Bridgestone Corporation; Outside Director and Audit and Supervisory Committee Member of Nippon Pigment Company Limited; External Audit & Supervisory Board Member of MARUI GROUP CO., LTD.	13/13 (100%)	—
	○	Hiroshi Takahashi has a wealth of experience in corporate management, having worked in key positions at financial institutions for many years and served as an executive officer and director. The company elected him as an outside director so he can utilize his experience and deep insight to supervise and provide advice on the overall management of the company from an objective and professional standpoint. <b>Reason for designation as independent officer:</b> Mr. Takahashi worked at Sumitomo Mitsui Trust Bank, Limited, which has a transactional relationship with the company, and also is a shareholder of the company. Loans borrowed from the bank, as of the end of March 2023, amounted to 11.7% of the total borrowings of the company, and the ratio of the voting rights of the company held by the bank is 0.5%. However, the company deals with multiple financial institutions and the influence on its business is therefore negligible. He is also a director of Custody Bank of Japan, Ltd., a shareholder of the company, but the bank specializes in asset management, and the beneficial shareholders have the right to instruct the bank to exercise voting rights. There are no direct transactions between the bank and the company. Therefore, there is no risk of a conflict of interest arising with the company's general shareholders, and he has been designated as an independent officer. <b>Significant concurrent positions:</b> Director & Senior Managing Executive Officer of Custody Bank of Japan, Ltd.	(Newly appointed)	—
Outside Audit & Supervisory Board members	○	Naofumi Higuchi has experience in auditing many companies as a certified public accountant. He has a wealth of knowledge on finance and accounting, and is well versed in corporate accounting. Currently, in addition to operating his own certified public accounting office, he is serving as a professor at Tohoku University Accounting School. The company elected him as an outside Audit & Supervisory Board member so that he can utilize his wealth of knowledge and experience in audits of the company. <b>Reason for designation as an independent officer:</b> Mr. Higuchi has no special interests with the company, and no risk of a conflict of interest with the company's general shareholders. Therefore, he has been designated as an independent officer. <b>Significant concurrent positions:</b> Professor of Tohoku University Accounting School; Representative of Higuchi Certified Public Accountant Office; Outside Director and Audit and Supervisory Committee Member of Nippon Aqua Co., Ltd.; Auditor of JMA Consultants Inc.	17/17 (100%)	13/13 (100%)
	—	Mitsutaka Honda has extensive practical experience as an attorney-at-law, deep insight into legal and compliance matters as well as specialized knowledge and abundant experience. He is also well-versed in corporate legal affairs. The company elected him as an outside Audit & Supervisory Board member because it believes that his wealth of experience and knowledge will be reflected in its audits and contribute to strengthening the company's audit function and governance structure. <b>Significant concurrent positions:</b> Attorney of Marunouchi Law Office	(Newly appointed)	(Newly appointed)
	○	After working for a trading company, Miyuki Fukushima has been involved in taxation and accounting for many companies as a certified tax accountant and currently represents a tax accounting firm. The company elected her as an outside Audit & Supervisory Board member so she can utilize her high level of expertise and broad experience in taxation and accounting in audits, and contribute to strengthening audit functions and the governance system. <b>Reason for designation as an independent officer:</b> Ms. Fukushima has no special interests with the company, and no risk of a conflict of interest with the company's general shareholders. Therefore, she has been designated as an independent officer. <b>Significant concurrent positions:</b> Representing Partner of FLAIR Accounting Firm; Representative Director, President of MID POINT Corporation, Outside Director and Audit and Supervisory Committee Member of NIPPON DENSETSU KOGYO CO., LTD.	(Newly appointed)	(Newly appointed)



## Efforts to Improve the Effectiveness of the Board of Directors

Every year, the Board of Directors requests the opinion of each member of the Audit & Supervisory Board in addition to self-evaluations from each member of the Board of Directors, and conducts an evaluation of the effectiveness of the Board of Directors based on the results.

In fiscal 2022, a questionnaire survey of all directors and Audit & Supervisory Board members was conducted, and was used as the basis of discussion by the Board of Directors. It was confirmed that the Board of Director was sufficiently diverse and of the appropriate size (out of 10 officers including auditors, there are 5 outside officers (50%) and 3 women (30%)).\* In terms of management, the content of resolutions and discussion time, and advance explanations to outside officers were generally

appropriate. It was confirmed that the effectiveness of the Board of Directors is secured, and that there are free and open exchanges of opinions at meetings. In addition, discussions on matters such as acquisitions, sustainability, internal control/risk management, and compliance-related issues have been further enhanced.

On the other hand, there was an awareness of issues such as those related to management strategy, evaluation of effectiveness of investments, human capital initiatives, corporate governance including group governance, and internal control/risk management. Taking this evaluation into account, we will make the necessary improvements and continue to secure and improve the effectiveness of the Board of Directors.

\* As of December 2022

## Director and Audit & Supervisory Board Member Training

Internal organizations such as the General Affairs Department and Internal Audit Office appropriately provide information and access to the knowledge necessary for directors and Audit & Supervisory Board members to fulfill their duties. In addition, outside directors and outside Audit & Supervisory Board members are provided with an explanation of the company's business environment and other information concerning their roles when they are appointed. In this way, we work to enhance their understanding of the required roles and responsibilities.

In addition, each member also actively participates in seminars and information exchange meetings organized by external organizations such as the Japan Foundation for Accounting Education and Learning.

In fiscal 2022, in response to a climate change questionnaire promoted by the Carbon Disclosure Project (CDP), an international environmental NGO, study sessions were held by the Executive Sustainability Committee in August 2022 and January 2023, with lecturers from consulting company SGS Japan.

## Status of Audits

The Audit & Supervisory Board, in accordance with audit policy and the division of duties, not only attends the Board of Directors meetings but also holds liaison sessions with the representative directors once a month in principle, raising issues and exchanging opinions. Outside Audit & Supervisory Board members also perform routine business audits, attend important meetings with organizations such as of the Executive Management Committee and the Executive Sustainability Committee, exchange opinions with people from administrative departments, and read reports from branch offices and sales departments (to the extent possible). If a full-time Audit & Supervisory Board member acts independently, they share the information with other members, and if necessary, make

a recommendation to the Board after discussing the issue. In this way, we are able to properly audit the execution of duties by directors and enhance the check-and-balance system. Furthermore, we have set "initiatives to strengthen group governance" as a priority audit theme, and conduct regular audits of the business/financial condition of group companies and monitor business execution by holding meetings with auditors of group companies. In addition, we are strengthening the functions of the Audit & Supervisory Board by working together with accounting auditors and the Internal Audit Office to confirm the maintenance and operation status of the internal control system. We also established an Auditor Secretariat (a department dedicated to assisting auditors) in April 2023.

## Officer Compensation

### 1. Basic Policy

Compensation of the company's directors consists of three types: base compensation paid according to the director's role and responsibilities, performance-based bonuses as a short-term incentive, and stock-based compensation, which raises directors' awareness of contributing to medium-to-long-term corporate value and clarifies the linkage of that value with the company's stock price. The company's basic policy is to

set each director's compensation at an appropriate level, taking the director's duties into consideration. Regarding the compensation ratio by compensation type, there are no major differences based on position, but higher-ranking directors have a higher ratio of performance-based compensation. In view of their duties, outside directors are paid only base compensation.

## 2. Overview of Officer Compensation System

### Base Compensation

The base compensation of the company's directors is a monthly fixed salary according to the director's position. The standard amount for each position is set based on a comprehensive review that includes referring to information such as officer compensation surveys by external research organizations, comparing the amount with data from other companies of similar size in the same industry and business category, and taking the level of employee compensation into consideration.

### Bonuses

Bonuses of the company's directors (excluding outside directors) are performance-based compensation that reflects consolidated business performance and are linked with the medium-term business plan. The amount of payment is calculated by multiplying the standard bonus by position by the ratio of consolidated

ordinary profit for the fiscal year to consolidated ordinary profit for the reference year (fiscal year ended March 31, 2021), and is paid at a fixed time every year.

### Stock-based Compensation

The company has introduced a stock-based compensation plan using a Board Benefit Trust (BBT) plan. As stock-based compensation for directors (excluding outside directors), the company contributes up to JPY270 million (over three fiscal years) as funds for stock acquisition in accordance with the company's stock-granting regulations, and grants a total of up to 30,000 points (1 point = 1 share) per fiscal year, with the number of points determined in accordance with the position of each director. Directors shall receive the company's shares upon their retirement from office, in principle.

## 3. Process for Determining Officer Compensation

The company has established a Nomination and Compensation Advisory Committee mainly comprised of outside directors.

The Nomination and Compensation Advisory Committee deliberates on the compensation of directors and the Board of Directors makes a resolution based on compensation limits

approved at the General Meeting of Shareholders. The allocation of base compensation and bonuses for each individual is determined by the representative director, president based on a resolution of the Board of Directors.

## 4. Compensation (Fiscal 2022)

### Compensation System

Officer category	Aggregate compensation (Millions of yen)	Total compensation by type (Millions of yen)			Number of officers eligible
		Monetary compensation		Non-monetary compensation	
		Base compensation	Performance-based bonuses	Stock-based compensation	
Directors (excluding outside directors)	303	119	138	46	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	24	24	—	—	1
Outside officers	62	62	—	—	5

Note: As of the end of fiscal 2022, 7 directors (including 3 outside directors) and 3 Audit & Supervisory Board members (including 2 outside Audit & Supervisory Board members) are eligible.

## Policy on Cross-Shareholdings

The company acquires and holds shares in companies it deems necessary in order to build, maintain, and strengthen business and cooperative relationships. Each year, the Board of Directors reviews the appropriateness of each individual stock held based on a quantitative look at whether the earnings from transactions and dividends exceed cost of capital, as well as a qualitative look at the medium-to-long-term business relationship with the company in question. If a company's holdings are determined

to be no longer appropriate, they are sold to reduce the size of our holdings. (See page 37 for details.)

In exercising voting rights for cross-shareholdings, the company examines proposals from the perspective of whether they will lead to medium-to-long-term improvement in the corporate value of the company in question and whether they are likely to damage our corporate value. A decision for or against the proposal is then made.

### Status of Cross-Shareholdings

	As of March 31, 2022	As of March 31, 2023
Number of shares (of which, listed shares)	124 (58)	120 (56)
Amount recorded on the balance sheet	JPY23,918 million	JPY23,191 million
Percentage of consolidated net assets	23.84%	18.08%

Note: There are no deemed shares held.

## Messages From Outside Directors and Outside Audit & Supervisory Board Members

In June 2023, Mr. Hiroshi Takahashi was appointed as an outside director, and Mr. Mitsutaka Hondo and Ms. Miyuki Fukushima were appointed as outside Audit and Supervisory Board members. There are now three outside directors and three outside Audit and Supervisory Board members. In this section, the six outside officers discuss the strengths of Japan Pulp & Paper Group and the value it provides.



### Enhancing Board efficiency and ensuring diversity

**Sumiko Takeuchi**

Outside Director

Needless to say, for a company to enhance its value over the medium to long term it is critical that it has an effective Board of Directors. In order for it to be able to accurately identify risks and seize opportunities in these uncertain times, the company is working to improve the diversity of the Board. The percentage of female executives stands at 30.0%, which is second in the wholesale sector among

companies listed on the Prime Market (as of July 31, 2022), and lively and multifaceted discussions take place at every Board meeting.

In addition, while the Executive Sustainability Committee and the Corporate Sustainability Division were established in fiscal 2022 in order to enhance sustainable management, the group can only do so much on its own. I contributed in my own small way to bringing stakeholders into the mix by joining other members in giving lectures at meetings with business partners on the topic of environmental and energy issues. I look forward not only to group-wide efforts to help achieve a sustainable society, but also to working more closely with a wide range of stakeholders based on the Corporate Philosophy, which encompasses Our Corporate Spirit of integrity, fairness, and harmony.

Japan Pulp & Paper has a 178-year history as a leading paper distribution company. However, the company has not rested on past accomplishments and continues to create new value. I will participate in Board meetings with a strong awareness of the need to further refine the group's organizational capabilities for creating new value, the ability to make proposals utilizing its expertise and network, and the technological strengths for realizing a circular business model. I will continue to participate in Board discussions in support of efforts toward realizing the corporate slogan of "Paper, and beyond."

### Contributing to the creation of a vibrant work environment that generates innovation

**Yoko Suzuki**

Outside Director

It has been a year since I was elected as an outside director in 2022. One thing I have found very beneficial is the pre-briefings that take place prior to Board meetings. In addition to thorough explanations, receiving reports from the Audit & Supervisory Board and the Executive Management Committee gives me the chance to review the necessary information before attending Board meetings. We are able to have lively discussions at Board meetings due to the efforts of the Secretariat of the Board of Directors. This also contributes to improving the effectiveness of the Board of Directors and, in turn, the effectiveness of governance. Going forward, it will be important to link these efforts to group governance and establish a more well-coordinated governance system.

As evidenced by the early achievement of the quantitative targets of Medium-term Business Plan 2023, the group is creating value through a wide range of businesses based on a stable management foundation. For nearly half a



century, the group has also contributed to the realization of a circular economy through its recycling business, including wastepaper recycling. I want to make sure this value creation and other unique group initiatives are conveyed to society and receive the recognition they deserve.

In order to further enhance corporate value in the future, the company needs to create a vibrant work environment that unlocks the potential of employees and generates innovation. I will fulfill my duties as an outside director and contribute to these efforts.

### Strengthening human capital management and pursuing the potential of the paper business

**Hiroshi Takahashi**

Outside Director

I was elected as an outside director at the General Meeting of Shareholders held in June 2023. I began my career working at a bank in 1985, and have continued to be involved in a wide variety of banking businesses. I would like to use my experience to supervise and provide advice on the overall management of the group from the standpoint of an outside director.

Looking at the current business environment and performance trends, sustainable growth and value creation will be determined by how the group mitigates risk and firmly seizes business opportunities. One of the most common risks associated with the paper industry is that demand for paper will decline as digital technology progresses, limiting the potential for growth. However, I believe that the group has unlimited potential to create high-value-added products if it firmly seizes business opportunities by utilizing its ability to make proposals, its organizational capabilities, and its technological strengths—all three of which are group strengths. In other words, further enhancing group governance and achieving group synergy will lead to the continued realization of the corporate slogan, "Paper and beyond."



While taking advantage of paper's inherent qualities such as its ability to convey a message or its uses for wrapping and wiping, as well as its flexibility and other features, the group will pursue the unlimited potential of the paper business. This will include strengthening the group's unique circular business model and expanding business in peripheral areas through M&A. In this way, the group will be able to provide new value to society.

Human capital is the most important form of capital for achieving the group's goal of becoming the world's leading paper distribution group, so it is important to develop executive candidates, including talent from outside of Japan, for the next generation of management.

I look forward to further strengthening human capital management, including the development of the human resource management system.



## Further enhancing internal controls to create a system for ensuring more effective group governance

Naofumi Higuchi

Outside Audit & Supervisory Board Member

One particular aspect of the governance structure that I would like to emphasize is that management has a system in place for taking immediate corrective action on any issues that may impact the group. Internal controls and corporate governance, as well as other elements that are a part of the inner workings of corporate management leadership, are appropriate, and internal audits are functioning well. In terms of group governance, while the current level is adequate for a company listed on the Prime Market, I believe it is necessary for the company to further strengthen and enhance its efforts as it looks to expand the scope of its operations in the future.

The Board of Directors carefully considers the M&As and investment projects that are frequently on the agenda, and spends a great deal of time evaluating and discussing the post-investment status of each project. The Board can confirm that the company is making good progress and achieving results, especially with regard to M&As outside of Japan. However, due to the physical distance between Japan and some of these countries overseas, the key to management and IT control lies in the head office taking the lead, while also considering the three lines of defense. As mentioned before, the number of group companies,

both in Japan and overseas, has increased through M&As, and the business is becoming more diverse. I would like to promote further fluidity and diversification of management personnel, such as by training people who can be entrusted with the management of subsidiaries and appointing talent from outside of Japan to management positions in Japan and other countries.

Finally, I would like to express my expectations for the group. The Japan Wholesaling segment, which is the group's original business, has the ability to generate stable cash flow. It also has considerable strengths and potential through the networks and know-how it has developed over its long history. I look forward to seeing these valuable management resources utilized to create new value as well as in cross-industry initiatives or even activities that go beyond the industry.



## Providing new value to society by resolving the environmental issues facing companies

Mitsutaka Hondo

Outside Audit & Supervisory Board Member

I was elected as an Audit & Supervisory Board member in June 2023. I will utilize my practical experience as an attorney-at-law and my deep insight into legal and compliance matters to strengthen audit functions and the governance system.

Based on its position as a leading company in the paper wholesaling industry, Japan Pulp & Paper is taking on the challenge of creating new businesses and expanding the potential of paper. Paper is attracting attention as a material with a lot of potential, and it is increasingly being considered as an alternative to plastic. Moreover, paper has great potential in terms of reducing environmental impact. As a leading company in the industry, Japan Pulp & Paper can propose solutions to diverse issues. I look forward to seeing the group continue to propose solutions and provide value in helping to achieve the 17 SDGs and resolving issues that companies face in reducing their environmental impact.

Since there is no concrete goal line when it comes to corporate governance, it is important to both resolve governance issues that arise and update systems to ensure



they are fair and equitable from a social perspective. The potential of paper is expanding, and that is steadily being reflected in business results. Under these circumstances, problems are more likely to arise if the company becomes complacent. Therefore, I would like to fulfill my duties from the standpoint of an outside Audit & Supervisory Board member. As a global company, I expect Japan Pulp & Paper to enhance its corporate value by transforming its governance structure to meet global standards for fairness and honesty, and by emphasizing dialogue and communication with all stakeholders.

## Enhancing audit functions and establishing a highly transparent management system

Miyuki Fukushima

Outside Audit & Supervisory Board Member

I was newly elected as an Audit & Supervisory Board member at the General Meeting of Shareholders held in June 2023. I hope to utilize my experience as a certified public tax accountant with knowledge of corporate taxation, accounting, and other related fields to enhance audit functions.

Since I have only been an Audit & Supervisory Board member for a short period of time, I would like to talk about my impressions of the company from an outsider's perspective. Although Japan Pulp & Paper has a history of 178 years, it has always taken on new challenges to enhance corporate value. Indicators such as the capital-to-asset ratio, cash ratio, debt, ROE, and the net D/E ratio show that it has a good balance of assets, liabilities, and capital. This indicates that it has been promoting management while remaining conscious of expanding its financial base.

In Medium-term Business Plan 2023, the final year targets for some indicators have already been achieved, and I see this as good progress in terms of earnings. Going forward, from the perspective of further enhancing sustainable

management, I expect the company to continue to promote initiatives that lead to increased corporate value, particularly when it comes to addressing climate change-related risks and expanding human capital management. In addition, from the perspective of realizing a sustainable society, I hope to see the establishment of a system for increasing employee satisfaction, and efforts to increase employee engagement by helping them realize that their work contributes to the enhancement of corporate value. I would also like to utilize my experience to contribute to enhancing corporate value and to the establishment of a highly transparent management system.



Governance

# Directors of the Board, Audit & Supervisory Board Members and Executive Officers

(As of June 23, 2023)

## Directors of the Board

\* Director of the Board also serving as an Executive Officer



**Akihiko Watanabe\***  
Representative Director,  
President & CEO

Apr. 1982 Joined the Company  
Apr. 2015 Executive Vice President of the Company  
President of Japan Pulp & Paper (U.S.A.) Corp.  
Apr. 2016 Executive Vice President  
Global Business  
General Manager, International Sales Division of  
the Company  
Jun. 2016 Director of the Board  
Executive Vice President  
Global Business  
General Manager, International Sales Division of  
the Company  
Apr. 2017 Representative Director  
President of the Company  
Apr. 2023 Representative Director, President & CEO of the  
Company (present position)



**Chihiro Katsuta\***  
Representative Director

Apr. 1982 Joined the Company  
Apr. 2014 Executive Vice President  
General Manager, Chubu Branch of the  
Company  
Apr. 2016 Executive Vice President  
Household Paper of the Company  
Jun. 2016 Director of the Board  
Executive Vice President  
Household Paper of the Company  
Apr. 2017 Director of the Board  
Senior Executive Vice President  
CFO of the Company  
Jun. 2019 Representative Director  
Senior Executive Vice President  
CFO of the Company  
Apr. 2021 Representative Director  
Senior Executive Vice President  
CFO  
Raw Materials & Environment of the Company  
Apr. 2023 Representative Director  
Senior Executive Vice President  
CFO of the Company (present position)



**Kazuhiko Sakurai\***  
Director of the Board

Apr. 1982 Joined the Company  
Apr. 2015 Executive Vice President  
Paperboard & Household Paper of the Company  
Jun. 2015 Director of the Board  
Executive Vice President  
Paperboard & Household Paper of the Company  
Apr. 2016 Director of the Board  
Executive Vice President  
Paperboard of the Company  
Apr. 2017 Director of the Board  
Executive Vice President  
Paperboard & Household Paper of the Company  
Jun. 2017 Senior Executive Vice President  
Paperboard & Household Paper of the Company  
Jun. 2019 Director of the Board  
Senior Executive Vice President  
Paperboard & Household Paper of the Company  
(present position)



**Tetsuo Izawa\***  
Director of the Board

Apr. 1981 Joined the Company  
Apr. 2015 Executive Vice President  
General Manager, Kansai Branch of the  
Company  
Apr. 2018 Executive Vice President  
Paper Sales & Marketing  
General Manager, Paper Merchant Sales  
Division of the Company  
Apr. 2021 Senior Executive Vice President  
Paper Sales & Marketing, ICT & Logistics of the  
Company  
Jun. 2021 Director of the Board  
Senior Executive Vice President  
Paper Sales & Marketing, ICT & Logistics of the  
Company  
Apr. 2023 Director of the Board  
Senior Executive Vice President  
Paper Sales & Marketing, Logistics of the  
Company (present position)



**Sumiko Takeuchi\*\***  
Director of the Board

Apr. 1994 Joined Tokyo Electric Power Company, Inc.  
Jan. 2012 Director and Senior Fellow of International  
Environment and Economy Institute (present  
position)  
Feb. 2012 Director of Forestock Association  
Apr. 2014 Assistant Project Leader of The 21st Century  
Public Policy Institute (present position)  
Apr. 2016 Visiting Professor of University of Tsukuba  
Oct. 2016 External Advisor of Accenture Japan Ltd.  
Nov. 2016 Joint Representative of Matrix Associates LLP  
Apr. 2018 Visiting Professor of Kansai University  
Apr. 2018 External Advisor of McKinsey & Company, Inc.  
Oct. 2018 Co-representative of U3Innovations LLC  
(present position)  
Jun. 2019 Outside Director of the Board of the Company  
(present position)  
Apr. 2020 Specially Appointed Professor of Tohoku  
University (present position)  
Apr. 2021 Senior Advisor of Deloitte Tohmatsu Financial  
Advisory LLC (present position)  
Jul. 2022 Outside Director of GRID co. (present position)



**Yoko Suzuki\*\***  
Director of the Board

Apr. 1998 Registered as an attorney (Tokyo Bar Association)  
Apr. 1998 Joined Takagi Godo Law Office  
Nov. 2002 Partner of Suzuki Sogo Law Office (present  
position)  
May 2003 Outside Audit & Supervisory Board Member of  
Ito-Yokado Co., Ltd.  
Sep. 2005 Outside Audit & Supervisory Board Member of Seven  
& i Holdings Co., Ltd.  
Jan. 2008 Director of International IC Association of Japan  
Apr. 2015 Auditor of The Research Institute of Economy,  
Trade and Industry (RIETI) (present position)  
Mar. 2018 Outside Director and Member of the Audit  
Committee of Bridgestone Corporation (present  
position)  
Jun. 2018 Outside Director and Audit and Supervisory  
Committee Member of Nippon Pigment  
Company Limited (present position)  
Jun. 2018 Auditor of Hitotsubashi University Collaboration  
Center (present position)  
Jun. 2020 External Audit & Supervisory Board Member of  
MARUI GROUP CO., LTD. (present position)  
Sep. 2021 Auditor of NATIONAL ARCHIVES OF JAPAN  
(present position)  
Jun. 2022 Outside Director of the Board of the Company  
(present position)



**Hiroshi Takahashi\*\***  
Director of the Board

Apr. 1985 Joined Mitsui Trust and Banking Company, Limited  
Apr. 2012 Executive Officer, General Manager of Sales  
Department 13 of Head Office of Sumitomo  
Mitsui Trust Bank, Limited  
Apr. 2015 Executive Officer, General Manager of Sales  
Department 1 of Head Office of Sumitomo  
Mitsui Trust Bank, Limited  
Apr. 2017 Managing Executive Officer of Sumitomo Mitsui  
Trust Bank, Limited  
Apr. 2018 Representative Director & Vice President of  
Japan Trustee Services Bank, Ltd.  
Oct. 2018 Director of JTC Holdings, Ltd.  
Jul. 2020 Director & Senior Managing Executive Officer of  
Custody Bank of Japan, Ltd. (present  
position)  
Jun. 2023 Outside Director of the Board of the Company  
(present position)

\*\* Outside directors and outside auditors  
registered as independent officers as  
stipulated by the Tokyo Stock Exchange.

## Audit & Supervisory Board Members



**Rie Uesaka**  
Audit & Supervisory Board  
Member (Full-time)

Apr. 1986 Joined the Company  
Jun. 2005 Director  
Financial Controller  
Japan Pulp & Paper GmbH  
Apr. 2010 General Manager  
Overseas Administration Department of  
the Company  
Apr. 2017 Director  
Deputy General Manager  
Japan Pulp & Paper (Shanghai) Co., Ltd.  
Apr. 2018 Director  
JPTS Electronics Materials (Shanghai) Co., Ltd.  
Jun. 2020 Full-time Audit & Supervisory Board Member  
of the Company (present position)



**Naofumi Higuchi\*\***  
Audit & Supervisory Board  
Member

Oct. 1997 Joined Chuo Audit Corporation  
Apr. 2001 Registered as a certified public accountant  
Aug. 2007 Joined Mizuho Securities Co., Ltd.  
Aug. 2009 Joined the Japanese Institute of Certified Public  
Accountants  
Apr. 2012 Associate Professor of Tohoku University  
Accounting School  
Jan. 2013 Joined Grant Thornton Taiyo ASG LLC  
Jun. 2016 Established Higuchi Certified Public Accountant  
Office, Appointed as Representative (present  
position)  
Jun. 2016 Outside Audit & Supervisory Board Member of  
the Company (present position)  
Apr. 2018 Professor of Tohoku University Accounting  
School (present position)  
Mar. 2020 Outside Director of Nippon Aqua Co., Ltd.  
Director of the Japanese Institute of Certified  
Public Accountants (present position)  
Mar. 2023 Outside Director and Audit and Supervisory  
Committee Member of Nippon Aqua Co., Ltd.  
(present position)  
Jun. 2023 Auditor of JMA Consultants Inc. (present  
position)



**Mitsutaka Honda**  
Audit & Supervisory Board  
Member

Nov. 1989 Passed the National Bar Examination  
Apr. 1992 Completed legal apprenticeship  
Apr. 1992 Registered as an attorney (Marunouchi Law  
Office) (present position)  
Apr. 2005 Director of EBIC Co., Ltd. (present position)  
Jun. 2023 Outside Audit & Supervisory Board Member  
of the Company (present position)



**Miyuki Fukushima\*\***  
Audit & Supervisory Board  
Member

Apr. 1980 Joined TOMEN Corporation (currently Toyota  
Tsusho Corporation)  
Dec. 1990 Passed the Certified Public Tax Accountant  
Examination  
Jan. 1991 Joined Yoshihiro Hongo Certified Public  
Accountants' Office (currently Hongo Tsuji Tax  
& Consulting)  
Oct. 1994 Joined Horie Accounting Office  
Mar. 1998 Registered as a certified public tax accountant  
Oct. 2002 Established Miyuki Fukushima Tax Accounting  
Office  
Oct. 2011 Representing Partner of Fukushima Accounting  
Firm (currently FLAIR Accounting Firm) (present  
position)  
Nov. 2011 Representative Director, President of MID  
POINT Corporation (present position)  
Jun. 2023 Outside Director and Audit and Supervisory  
Committee Member of NIPPON DENSETSU  
KOGYO CO., LTD. (present position)  
Jun. 2023 Outside Audit & Supervisory Board Member of  
the Company (present position)

## Executive Officers

### President & CEO

**Akihiko Watanabe**

### Senior Executive Vice Presidents

**Chihiro Katsuta**  
CFO

**Kazuhiko Sakurai**  
Paperboard & Household Paper

**Tetsuo Izawa**  
Paper Sales & Marketing, Logistics

### Executive Vice Presidents

**Yasushi Takei**  
Administration, Planning &  
Sustainability

**Fumio Watanabe**  
CIO

**Mitsutoshi Imamura**  
Global Business, Specialties

**Makoto Shirofumi**  
Raw Materials & Environment

**Nobuyuki Matsuura**  
General Manager, Kansai Branch

### Senior Vice Presidents

**Koji Ukeguchi**  
General Manager, Newsprint  
& Publication Paper Sales  
Division

**Kagetaka Matsuura**  
General Manager, Paper  
Merchant & Printer Sales  
Division

**Masasaaki Sato**  
General Manager,  
International Business  
Division

**Susumu Tanaami**  
General Manager, Chubu  
Branch

**Hiroshi Kashima**  
President, Japan Pulp &  
Paper (U.S.A.) Corp.

**Shinichiro Yamamoto**

### Executive Officers

**Shinsuke Yamamoto**  
General Manager, Corporate  
Sustainability Division

**Kenichiro Fujii**  
General Manager, Finance &  
Administration Division

**Shigeyuki Sasaki**  
General Manager, Corporate  
Planning Division

**Hisaaki Matsuoka**  
General Manager, Purchasing  
Division

**Kozo Nishio**  
General Manager, Industrial  
Materials Sales Division

**Seiichi Suganuma**  
General Manager, Functional  
Materials Sales Division

**Yutaka Endo**  
General Manager, Raw Materials &  
Environmental Business Division

**Satoshi Wada**  
Deputy General Manager, Kansai  
Branch

**Shuichi Takeoka**  
General Manager, Kyushu Branch

**Toshihiko Kitayama**  
General Manager, Kitanihon Branch

**Takeyuki Matsuura**  
President, JP Household Supply  
Co., Ltd.

**Hiroyuki Ito**  
Vice President, JP Corelex Holdings  
Co., Ltd.

**Takahiro Miyata**  
Managing Director, Ball & Doggett  
Group Pty Ltd



## Compliance

### Approach to Compliance

As a framework for thorough compliance, we have established a Charter of Corporate Behavior and a Code of Conduct for Executives and Employees based on our Corporate Philosophy. We place the highest priority on thorough compliance in all of our corporate activities. In addition, as our sustainability and compliance promotion system, we have established the Executive Sustainability Committee, chaired by the president, as the command center for group-wide sustainability initiatives. We also established the OVOL Sustainability Promotion Meetings, consisting of members appointed from each division, branch office, and group company, as a cross-organizational entity to promote sustainability and compliance.

### Charter of Corporate Behavior and Code of Conduct for Executives and Employees

The group revised its Charter of Corporate Behavior in April 2022 in order to further promote sustainable management. The charter is a guide for ensuring that all executives and employees recognize the values that have been cultivated over the years, and constantly embody them.

Japan Pulp & Paper Group Charter of Corporate Behavior		
1. Contributing to Society through Business Activities	4. Respect for Human Rights	7. Healthy and Safe Working Environment
2. Compliance with Laws and Regulations	5. Diversity	8. Thoroughgoing Risk and Crisis Management
3. Promoting Environmental Protection	6. Fair and Appropriate Business Practices and Responsible Sourcing	9. Harmonious Coexistence and Coprosperity with Stakeholders

The Code of Conduct for Executives and Employees, which was also revised in April 2022, is based on the Charter of Corporate Behavior and defines the values and actions that should be pursued by executives and employees of the group in their daily business activities in order to achieve the goals of the Sustainability Policy. We will ensure that all executives and employees are fully aware of these charters, norms, and policies, and work to foster a stronger understanding of compliance.

### Free, Fair, and Transparent Business Activities

We strive to be a company that is trusted by society due to our free, fair, and transparent business activities. The Code of Conduct for Executives and Employees states that we comply with the competition laws of each country and region we serve, work to prevent violations, and will establish internal systems to correct violations should they occur. We also prohibit bribery and any other acts that may be suspected of offering benefits for illicit gain, forbid the giving and receiving of gifts, entertainment, and other economic benefits beyond the scope

of social etiquette, and require employees to refrain from any involvement in illicit business transactions and money laundering.

Furthermore, in order to maintain transparency and promote business activities on an equal and fair basis, we have established an Anti-corruption Policy and declared our commitment to preventing bribery of public and government officials as well as inappropriate demands of business partners.

On-site Inspection by the Japan Fair Trade Commission
On April 11, 2023, the Japan Fair Trade Commission conducted an on-site inspection on the suspicion of violation of the Antimonopoly Act in relation to a bid for recycled roll paper with the National Printing Bureau. We take this matter seriously, and will fully cooperate with the Japan Fair Trade Commission's investigation.

### Taxation Compliance

The Japan Pulp & Paper Group's Taxation Policy states its commitment to contributing to economic and social development and the interests of all stakeholders by paying appropriate taxes in accordance with the relevant laws and regulations of all countries and regions where it operates. The policy also clarifies

our basic approach to tax compliance. For important tax-related issues, the group receives advice from external experts and consults with tax authorities in advance, as necessary, in order to minimize tax risks.

## Efforts to Ensure Compliance

The group conducts annual educational programs such as rank-based and theme-based compliance training and e-learning to ensure that executives and employees are fully aware of the importance of compliance and have the knowledge and information necessary to put it into practice. In addition, the group posts the *Compliance Magazine* on the company's internal bulletin board twice a month and the *Compliance Letter* in the group's magazine four times a year. Our goal is to regularly disseminate information to executives and employees and to raise awareness of compliance.

Compliance awareness activities (Fiscal 2022)	Target	Frequency of meetings	Number of participants
Rank-based compliance training	New employees, new managers, and seconded employees of Japan Pulp & Paper	4 times	38
Harassment prevention training	Deputy section managers and assistant managers (including seconded employees) of Japan Pulp & Paper	5 times	232
Antimonopoly Act seminar	Executives and employees of Japan Pulp & Paper	1 time	913
e-learning tests	Executives and employees of Japan Pulp & Paper and group companies in Japan	2 times	Average: 1,873
Information on amendment to Act on the Regulation of Chemical Substances	Sales department managers of Japan Pulp & Paper	1 time	61

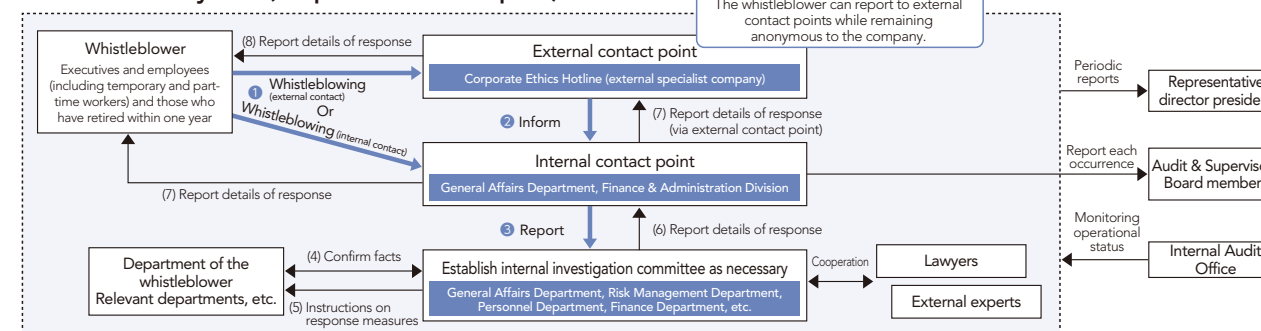
### Whistleblower System

Some companies within the group have established dedicated internal and external contact points for whistleblowing on violations of laws and regulations, internal irregularities, and acts in violation of corporate ethics by executives and employees, in accordance with the Corporate Ethics Helpline Operating Regulations.

The content of the whistleblower reports and responses are conveyed to the representative director president and Audit & Supervisory Board members, and the Internal Audit Office regularly monitors the operational status of the whistleblower system as part of internal control.

In fiscal 2022, we received 13 whistleblower reports, nine of which were anonymous. The reports tended to be issues related to harassment and labor relations.

#### Whistleblower System (Corporate Ethics Helpline)



## Risk Management

### Approach to Risk Management

To ensure business continuity and maintain a stable management base, we have positioned risk management as a management priority and are promoting relevant initiatives. The risks a company faces are becoming increasingly diverse and complex. If any of these serious risks materialize, not only could the group's management resources be damaged, but there may be harmful consequences for business continuity. This could include damage to the relationship of trust built with customers and business partners, as well as loss of social credibility. In order to respond to these risks, we have established a system to identify the possibility and potential impact of the occurrence of such risks and to ensure the implementation of measures to prevent the manifestation of such risks. We have also put measures in place to deal with such risks in the event that they do materialize.

### Risk Management System

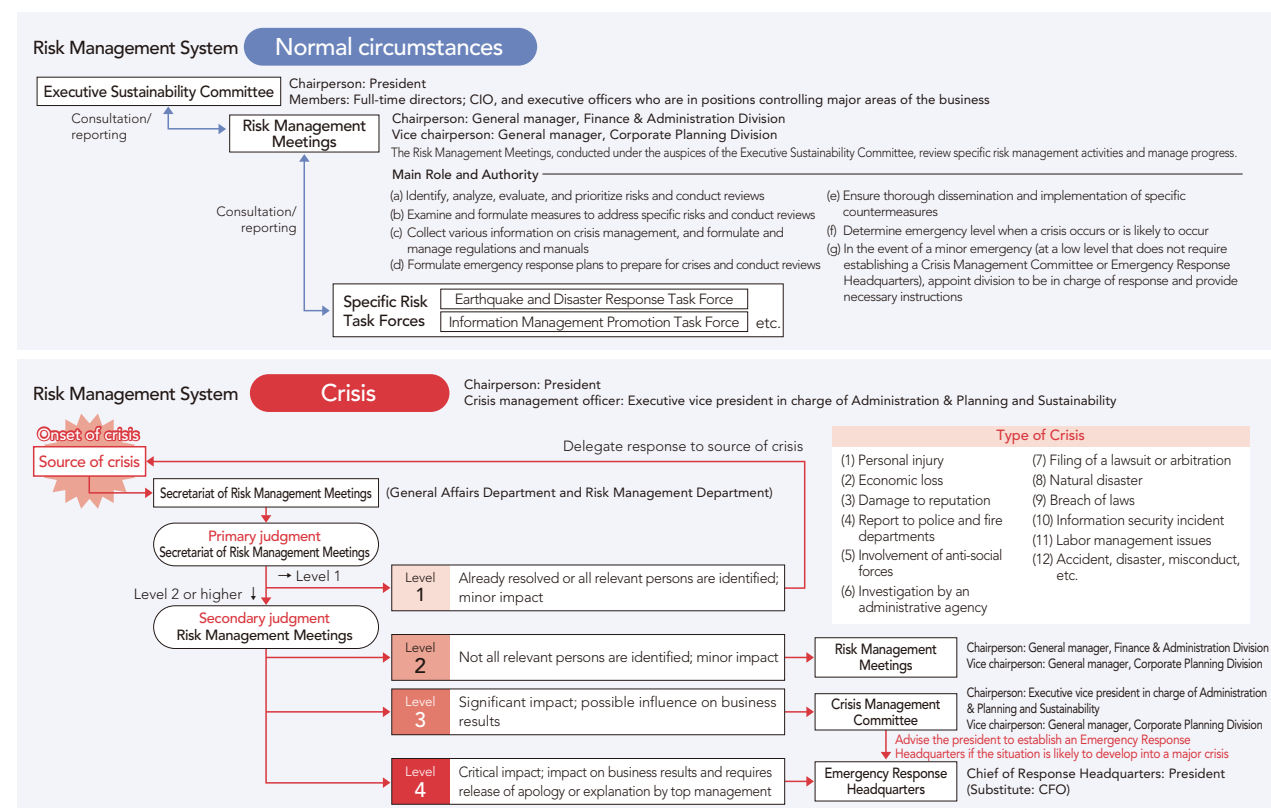
In order to identify various risks related to the management of the group, the Executive Sustainability Committee, with ultimate responsibility held by the president, approves annual activity plans related to risk management and confirms the progress of these plans on a quarterly basis. The Risk Management Meetings, under the auspices of the Executive Sustainability Committee, are chaired by the general manager of the Finance & Administration Division, and members identify, analyze, evaluate, and prioritize risks as well as formulate measures to

address specific risks. In the event that a risk with a significant negative impact on the group's management or business arises, a Crisis Management Committee, with ultimate responsibility held by the president and chaired by the executive officer in charge of Administration, Planning & Sustainability, will be established. The committee will be tasked with rapidly and appropriately dealing with the emergency situation, minimizing or preventing damage, restoring normalcy, and putting countermeasures in place.

Classification	Subclassification	Details	Segment impacted				
			Japan Wholesaling	Non-Japan Wholesaling	Paper Manufacturing & Processing	Raw Materials & Environment	Real Estate Leasing
Particularly significant risks	Market conditions and market risks	Risks related to a decrease in demand for main products handled, market conditions, and macroeconomic fluctuations	●	●	●	●	
		Impact of real estate market conditions					●
	Risks related to business transactions	Credit risks of business partners	●	●	●	●	●
		Risks of policy changes at supplier manufacturers	●	●	●	●	●
	Other significant risks	Risks related to decline in paper distributor function	●	●	●	●	
		Risks related to logistics	●	●	●	●	
Risks related to new business investments		●	●	●	●		
Impairment risk for stocks of subsidiaries and affiliates and impairment of goodwill		●	●	●	●		
Other risks	Risks related to business environment	Legal and regulatory restrictions	●	●	●	●	●
		Country risk	●	●	●	●	●
	Risks related to financial markets	Risks related to financing	●	●	●	●	●
		Risks related to foreign exchange rate fluctuations	●	●	●	●	●
	Risks related to climate change, natural disasters, etc.	Risks related to climate change and natural disasters, etc.	●	●	●	●	●
		Risks of fluctuation in market value of investment securities held	●	●	●	●	●
	Other risks	Risks related to IT and security	●	●	●	●	●
		Risks related to litigation	●	●	●	●	●
		Human resource and labor-related risks	●	●	●	●	●
		Risks of impairment of property, plant, and equipment	●	●	●	●	●
		Risks related to recoverability of deferred tax assets	●	●	●	●	●
		Impact of resurgence of COVID-19	●	●	●	●	●

### Crisis Management System/BCP System

The group is addressing issues such as responding to revisions of laws and regulations, transaction risks, disaster and crime prevention, IT controls, strengthening of information security, and enhancing effectiveness of compliance activities. As part of our risk management activities, we have begun conducting risk assessments of current conditions and are using experts to help identify and analyze current risks and prioritize issues. Based on the results of the assessments, we plan to strengthen the risk management system of the entire group by informing each division and group company of the measures they need to take. We will also periodically check the progress of initiatives.



### Stakeholder Engagement

#### Approach to Communication with Stakeholders

The group's Corporate Philosophy encompasses the values of integrity, fairness, and harmony, and the mission of "carving a better future for society and the environment" based on the principles of change, challenge, and create. Our aim is to realize a sustainable society.

In order to achieve this, it is important to accurately understand and respond to the expectations and demands of our stakeholders. We accomplish this through active dialogue. In addition to working to respond to the opinions and requests obtained through such dialogue, we will continue to aim for timely and appropriate information disclosure and proactive communication.

Type of Stakeholder	Description of Communication	Main Communication Activities and Methods
All Stakeholders	We engage in accurate information disclosure and active dialogue to help us accurately understand the expectations and demands of society and allow us to build relationships of trust. We provide and collect information relating to sustainability, including environmental protection and respect for human rights.	<ol style="list-style-type: none"> <li>PR activities including information made available via our website</li> <li>Response to inquiries submitted via our website</li> <li>Integrated Report</li> <li>Exhibitions, trade shows, and events</li> <li>Promotional and advertising activities</li> </ol>
Executives and Employees	We work to ensure that all executives and employees are fully aware of our Corporate Philosophy and to ensure understanding of the management policy through messages from the president. We engage in dialogue to build an environment where executives and employees with diverse values can work comfortably and make the most of their abilities.	<ol style="list-style-type: none"> <li>Intranet</li> <li>Issuing of the group magazine (four times a year)</li> <li>Issuing of the <i>Compliance Letter</i></li> <li>Issuing of the <i>OVOL Sustainability News</i></li> <li>Issuing of the <i>OVOL Bridges Express</i></li> <li>HR appraisal/self-evaluation system</li> <li>Employee engagement survey</li> <li>Dialogue sessions between management and employees</li> <li>Training and seminars</li> <li>Internal and external consultation desks</li> <li>"Something New" activities</li> </ol>
Business Partners and Consumers	We proactively release information and engage in dialogue to help us understand the needs of business partners and consumers and to contribute to solving issues.	<ol style="list-style-type: none"> <li>Communication through business activities</li> <li>Dissemination of information through our e-commerce sites</li> <li>Responses to inquiries via e-commerce sites</li> <li>Certification and registration for CSR procurement</li> </ol>
Shareholders and Investors	We work to provide timely and accurate information, to improve management transparency and deepen understanding of the group's business, with the aim of achieving continued growth, increasing corporate value, and gaining a fair evaluation from investors.	<ol style="list-style-type: none"> <li>General Meeting of Shareholders</li> <li>Financial results briefings for analysts and institutional investors (twice a year)</li> <li>Meetings with analysts and institutional investors as necessary (held 26 times in fiscal 2022)</li> <li>Securities Report</li> <li>Financial Report</li> <li>Timely disclosures to Tokyo Stock Exchange</li> <li>Response to surveys by ESG rating agencies</li> </ol>
Local Communities	We aim to give back to the local communities in which our business facilities are located through our activities as a "good corporate citizen," and to achieve harmonious coexistence through collaboration with local governments.	<ol style="list-style-type: none"> <li>Organizing exchange events with local community residents at our business facilities</li> <li>Signing agreements with local governments on disaster prevention cooperation and support for disaster prevention and mitigation</li> <li>Social contribution and volunteer activities</li> </ol>
NPOs and NGOs	Through dialogue with NPOs and NGOs, we work to gain an understanding of the responses to social and environmental issues expected of our group, and ensure these are reflected in our business activities.	<ol style="list-style-type: none"> <li>Collaboration with NPOs and NGOs through our business</li> <li>Sponsorship and participation in events, etc.</li> </ol>
Government Agencies, Local Governments, and Industry Associations	In carrying out our business activities, we abide by the laws and regulations of all the countries where we operate, and fulfill our role as a "good corporate citizen." We cooperate with local governments in areas where our business facilities are located to contribute to local communities.	<ol style="list-style-type: none"> <li>Appropriate communication with relevant government authorities and local governments</li> <li>Activities through industry associations</li> </ol>