

Our History of Value Creation

The origins of Japan Pulp & Paper can be traced back to 1845, when the traditional Japanese paper (washi) merchant Echisan Shoten was founded in Kyoto. Since then, we have continued to create value while constantly grasping the changes of the times and society and transforming our business. We will contribute to the sustainable development of society by identifying the areas in which we should demonstrate the strengths we have cultivated, drawing up management strategies, taking on challenges, and mobilizing the collective strength of the group.



Built up over 177 years as a leader in the paper distribution industry

Fostering the Japan Pulp & Paper Group's unique strengths based on trust

1845-

- Founded as a traditional Japanese paper (washi) merchant
- First in Japan to trade in machine-made paper



- 1845 Echisan Shoten established in Kyoto as a merchant in the trade of traditional Japanese paper (washi).
- 1876 First in Japan to trade in machine-made paper.
- 1899 Shanghai Nakai established.
- 1955 Hong Kong Representative Office opened (now Japan Pulp & Paper Co., (H.K.) Ltd.).
- 1967 New York Representative Office opened.

1970-

- Stock listing
- Entry into the wastepaper recycling business



- 1970 Japan Pulp & Paper formed through a merger with Fuji Yoshiten Company.
- 1972 Listed on the Tokyo Stock Exchange. Dusseldorf Representative Office opened (now Japan Pulp & Paper GmbH).
- 1973 JP Resources Co., Ltd. (now Fukudasansho Co., Ltd.) established, marking the group's full-scale entry into the wastepaper recycling business.
- 1979 JP Information Center Co., Ltd. (now OVOL ICT Solutions Co., Ltd.) established, marking the group's entry into the ICT business.
- 1998 Safeshred Co., Inc. (of the US) joins the group, marking the group's entry into the wastepaper recycling business outside Japan.

2000-

- Entry into the containerboard and printing paper manufacturing businesses, both of which use recovered paper as a raw material
- Entry into the comprehensive recycling business, including waste plastic recycling



- 2000 Launched "Paper & Goods," a website focused on the sale of digital on-demand printing paper.
- 2003 Taiho Paper Co., Ltd. and Indonesia's PT Oriental Asahi JP Carton Box (OAJ) join the group.
- 2007 Kawabe Biomass Power Generation Co., Ltd. begins power generation from woody biomass. Eco-Port Kyushu Co., Ltd. established, expanding the group's recycling business to waste plastic and other materials.
- 2009 Transfer of the paper manufacturing business of Tokiwa Corporation to Eco Paper JP Co., Ltd.

2010-

- Entry into the recycled household paper business
- Expanding the Non-Japan Wholesaling segment
- Strengthening the renewable energy power generation business

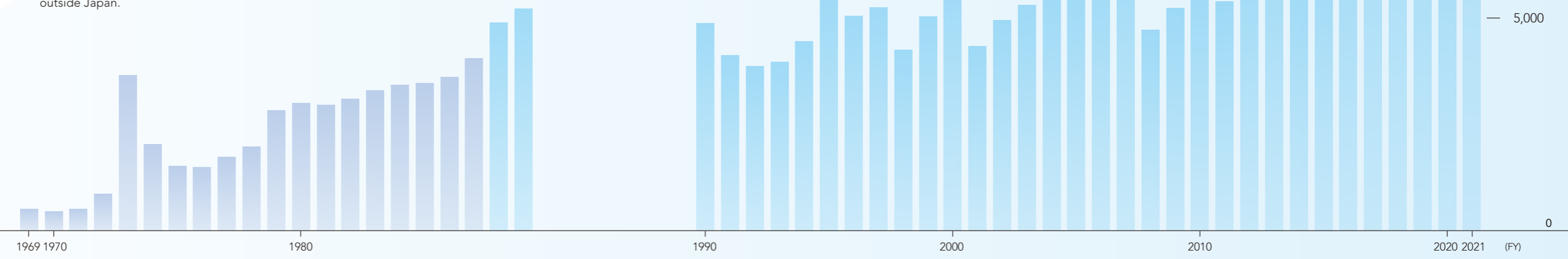


- 2010 Gould Paper Corporation, a leading US paper merchant, joins the group, strengthening the group's business foundation in the US and Europe.
- 2011 Corelex Group joins the group, marking entry into the recycled household paper business.
- 2012 KCT Trading Private Limited, an Indian paper merchant, joins the group, strengthening the group's business foundation in India.
- 2015 Corelex Shin-Ei Co., Ltd. begins operation of a new mill. Eco Power JP Co., Ltd. begins operation of Kushiro Onbetsu Solar Power Generation Plant.
- 2016 Noda Bio Power JP Co., Ltd. begins power generation from woody biomass.
- 2017 Ball & Doggett Group Pty Ltd joins the group, strengthening the group's business platform in Oceania. Fukudasansho Co., Ltd., a major Japanese wastepaper trading company, joins the group.
- 2018 Southeast Asia paper merchants Spicers Paper (Singapore) Pte Ltd (now OVOL Singapore Pte. Ltd.) and Spicers Paper (Malaysia) Sdn Bhd (now OVOL Malaysia Sdn. Bhd.) join the group. OVOL New Energy Sdn. Bhd. established, and begins collection, sales, and export of PKS in Malaysia.
- 2019 Premier Paper Group Limited, a leading paper merchant in the UK, joins the group, strengthening the group's business foundation in the UK. Launched "Paper & Green," a website specializing in environmentally conscious products.
- 2020 Fuchikami Co., Ltd., a paper merchant in Kagoshima and Okinawa, joins the group.
- 2021 Narumi-Kamiten Co., a paper merchant in Aomori, joins the group. OAJ begins full-scale operations of its new mill.
- 2022 Osaka Paperware Mfg. Co., Ltd. and Misuzushigyo Co., Ltd., containerboard manufacturers in Osaka, join the group.



Fiscal 2021 Consolidated Ordinary Profit
JPY 15.1 billion

Ordinary Profit
■ Non-consolidated
■ Consolidated



Value Creation Process

Corporate Philosophy

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OVOL Vision 2030

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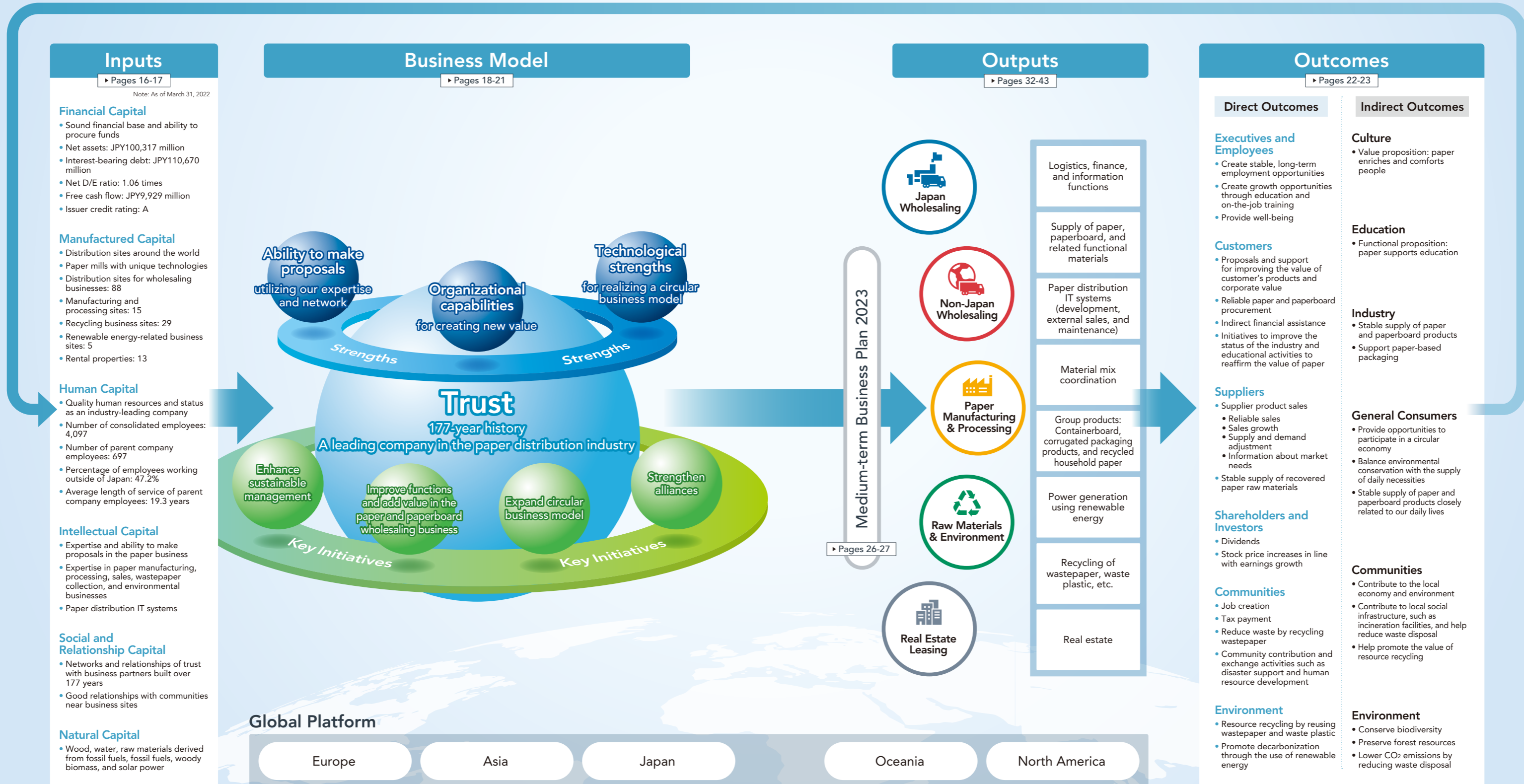
Material Issues

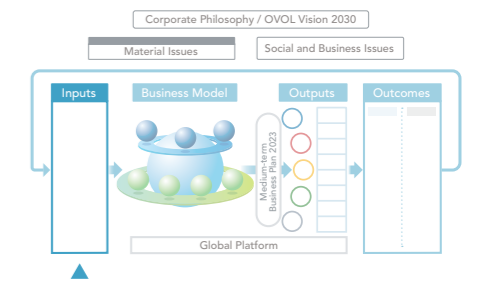
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Environment	Society	Employees	Governance
<ul style="list-style-type: none"> Climate Change Biodiversity Resource Recycling Environmental Impact 	<ul style="list-style-type: none"> Supply Chain Communities Digitalization 	<ul style="list-style-type: none"> Work Environment Diversity and Inclusion 	<ul style="list-style-type: none"> Corporate Governance Compliance Stakeholder Engagement

Social and Business Issues

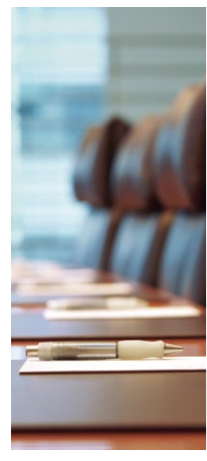
- Climate change and decarbonized society
- Biodiversity and forest conservation
- Depletion of water resources and water pollution
- Circular economy
- Social demand for respect for human rights and diversity
- Digitalization
- Demand for ESG initiatives
- Changes in people's awareness of the environment
- Harmonious coexistence with local communities
- Geopolitical risks
- Declining birthrate and aging population in Japan
- Changing world population and demographics





Management Capital (Inputs)

The Japan Pulp & Paper Group invests its six forms of management capital in the value creation process to support ongoing business activities and increase corporate value. The group is committed to sustainable business management that simultaneously generates both social and economic value and reinvests in the value creation process to strengthen and increase each form of management capital.



1 Financial Capital

- Sound financial base and ability to **procure funds**
- Net assets: **JPY100,317** million
- Interest-bearing debt: **JPY110,670** million
- Net D/E ratio: **1.06** times
- Free cash flow: **JPY9,929** million
- Issuer credit rating: **A**

The group is further increasing its corporate value by diversifying its businesses, reinforcing existing platforms, and creating value through alliances. The group also needs to enhance its financial capital because it is the source of funding for investments that will strengthen earnings. Our financial capital features stable earnings from a well-balanced business portfolio and high-quality receivables based on the relationships of trust built with business partners that the group has nurtured over the years. It also features stable and sound finances as a result of a policy of maintaining strict financial discipline and thorough management and execution of measures to ensure capital efficiency. The group is committed to improving its corporate value by investing the cash it generates from its financial capital in the value creation process.



2 Manufactured Capital

- Distribution sites **around the world**
- Paper mills with **unique technologies**
- Distribution sites for wholesaling businesses: **88**
- Manufacturing and processing sites: **15**
- Recycling business sites: **29** (Wastepaper yards: 28; Comprehensive recycling business sites: 1)
- Renewable energy-related business sites: **5** (Renewable energy power plants: 3; Palm kernel shell storage sites: 2)
- Rental properties: **13**

Guided by OVOL Vision 2030, the group is refining its expertise and network in the paper and paperboard wholesaling business to become recognized as the world's leading paper distribution group. We must therefore establish distribution sites in markets around the world, and provide the highest level of localized services in the key markets of the countries and regions we serve. The group also intends to increase its manufactured capital, one of its strengths, to encompass the manufacturing, processing, and sale of wastepaper as a raw material, which also includes the businesses of wastepaper collection and recycling. Furthermore, our commitment to realizing a circular economy involves the renewable energy power generation business.



3 Human Capital

- **Quality human resources and status** as an **industry-leading company**
- Number of consolidated employees: **4,097**
- Number of parent company employees: **697**
- Percentage of employees working outside of Japan: **47.2%**
- Average length of service of parent company employees: **19.3** years

Human capital is the most important form of management capital for achieving the group's goal of becoming the world's leading paper distribution group. The creation of new value, which is achieved by organically combining extensive expertise in the paper business with internal and external assets, is based on human capital. We will further strengthen our human capital by qualitatively and quantitatively hiring highly skilled people and empowering them to generate value by leveraging their diversity, individuality, and ideas. We are also committed to creating a corporate culture in which all employees can continue to work enthusiastically and in good health.



4 Intellectual Capital

- **Expertise** and **ability to make proposals** in the paper business
- **Expertise** in paper manufacturing, processing, sales, wastepaper collection, and environmental businesses
- **Paper distribution IT systems**

The group has been involved in the paper business for 177 years. Its extensive knowledge and experience related to paper and other materials, peripheral markets such as printing and processing, and the entire supply chain is a potent strength. This intellectual capital is unique to the group. Furthermore, the group uses this intellectual capital throughout the organization to create value in ways such as developing and marketing paper distribution IT systems. We will improve our ability to make proposals utilizing our expertise and network while quickly turning ideas into realities to increase the group's corporate value.



5 Social and Relationship Capital

- **Networks** and **relationships of trust** with business partners built over **177** years
- **Good relationships with communities** near business sites

The group has built relationships of trust with stakeholders including customers and business partners over 177 years. This social and relationship capital is unique to the group, and helps us create business opportunities and maintain our reputation in the markets we serve. The group needs to address major changes in the market, such as the continued decline in demand for paper due to population decline and digitalization. Part of that effort will involve greater collaboration with various stakeholders, including communities, to simultaneously generate both social and economic value and the sharing of information with stakeholders through dialogue to strengthen our relationship and grow together.



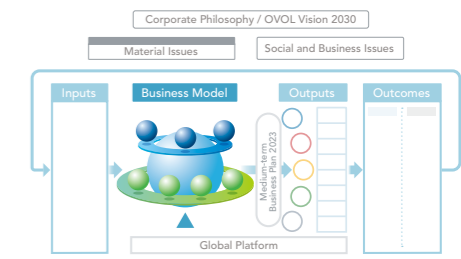
6 Natural Capital

- **Wood, water, raw materials derived from fossil fuels, fossil fuels, woody biomass, and solar power**

The group's business activities are closely related to natural capital, which encompasses the use of wood, water, and fossil-derived materials as product-related raw materials, and fossil fuels as energy sources. We are using the power of natural capital to build our businesses. Furthermore, the group operates in the wastepaper and waste plastic recycling businesses, and in so doing aims to create a circular economy that support the recycling and conservation of natural capital. We will enhance our environmental knowledge, expertise, and technology to efficiently use natural capital and reduce our environmental impact. Our initiatives to conserve the global environment and create economic value will help us fulfill our corporate social responsibility.

Business Model

Throughout its long history, the Japan Pulp & Paper Group has worked to build a unique business model based on trust. The group will further evolve this business model to simultaneously generate both social and economic value.



A Business Model Based on Trust



We have continued to build trust over our 177-year history with a commitment to what we do as a leading paper distribution group. Our Corporate Philosophy identifies integrity, fairness, and harmony as our core values, and everything we do begins and ends with our Corporate Philosophy. The trust we receive from our stakeholders is a major asset and the source of the group's unique strengths.

The Japan Pulp & Paper Group's core strengths are its ability to make proposals utilizing its expertise and network, technological strengths for realizing a circular business model, and organizational capabilities for creating new value. We are refining these strengths to gain and retain the trust of our stakeholders. Moreover, stakeholder trust is the basis of all of our initiatives as a leading paper distribution group. We will work to support our own development and the industry by actualizing the possibilities of paper in order to create new value.

Three Strengths

1 Ability to make proposals utilizing our expertise and network

Stakeholder trust is at the core of the group's business model. One of the strengths for earning that trust is our ability to make proposals utilizing our expertise and networks. The group began as a paper wholesaler, and today is a distribution company with a core business that specializes in paper wholesaling. Our 177-year history in the paper industry gives the group confidence in its strengths, which include extensive knowledge, expertise, and experience related to paper and other materials, peripheral markets

such as printing and processing, and the entire paper supply chain. We leverage these strengths, our global network, and strong relationships of trust with business partners to meet customer needs. This includes offering optimum paper products and appropriate processing capabilities, and other services. We are committed to creating new value by rediscovering the value of paper, and will explore all possibilities as we deploy our ability to make proposals.

The Japan Pulp & Paper Group's Ability to Make Proposals

As a Distributor	As a Trading Company	As a Coordinator
As a distributor for manufacturers in and outside of Japan, we have the ability to make proposals that meet the different market needs of the countries and regions we serve, procure the most appropriate products, and expand sales.	Our ability to make proposals utilizes the information and logistical networks we have built globally, and our financial functions to support society and business partners in various fields.	Our ability to make proposals involves coordinating everything from selecting the optimum product for customer needs to development and delivery.

2 Technological strengths for realizing a circular business model

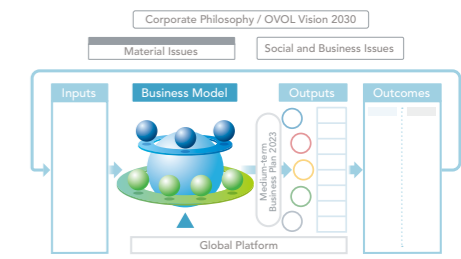
We see our paper recycling technology as a powerful technological strength that helps us realize a circular business model unique to the group. In each of the Corelex companies in our group we deploy this technology to manufacture household paper from recycled wastepaper materials that are difficult to recycle. The Corelex Group transformed milk cartons and paper cups into a recycled resource, and they are now commonly recycled.

We are also developing new recycling systems by creating innovative technologies for applications such as recycling laminated paper, aluminum packing paper, and used paper plates as raw materials. We have been involved in wastepaper recovery since the 1970s, and we will organically link our unique technological strengths to this and other businesses to promote resource recycling, take part in resolving social issues, and contribute to the creation of a society that recycles.

3 Organizational capabilities for creating new value

The group is able to create new value by integrating group functions and competitive advantages, and these organizational capabilities are a group strength. Japan Pulp & Paper Co., Ltd. and its 114 group companies around the world employ their various functions and capabilities in a broad array of businesses centered on paper in five segments: Japan Wholesaling, Non-Japan Wholesaling, Paper Manufacturing & Processing, Raw Materials & Environment, and Real Estate Leasing. Our organizational capabilities weave the group's diverse businesses and

extensive global operations together in a rich tapestry of functions and strengths to create new value. The group intends to exercise new functions and provide greater added value while deploying its organizational capabilities to further expand its businesses, which will further enhance the group's unique strengths. In addition, the group will exercise its organizational capabilities within alliances that combine its assets with those of external business partners.



Key Initiatives

1 Improve functions and add value in the paper and paperboard wholesaling business

One key initiative is improving functions and adding value in the paper and paperboard wholesaling business. This involves leveraging group strengths with the mission of helping customers to improve their business. We will do so by employing the product and peripheral knowledge we have acquired as the basis for providing analyses of market trends and other information, offer proposals to holistically optimize logistics, and provide solutions for environmentally responsible businesses that integrate product lifecycles from sale to recycling. These are all ways in which we help customers manage their businesses. We need to leverage the relationships of trust we have built with customers

over many years and make proposals that employ the organizational capabilities that combine our ability to make proposals and technological strengths. This will enable us to help improve the business of our customers, effectively providing the new functions and added value the group offers along with products that already offer value. Group businesses handle the ubiquitous material that is "paper," and our ability to improve functions and add value in the paper and paperboard wholesaling business is a key differentiator that leads customers to choose us. We will continue to offer more functions and increase added value to remain the corporate group of choice for our customers.

2 Strengthen alliances

Paper is a ubiquitous material, so the group is best able to clearly differentiate itself by adding value in its paper businesses. We are therefore emphasizing better and stronger alliances beyond the boundaries of the group. For example, paper, paperboard, and cardboard are bulky, which makes strengthening our alliances geographically the key to creating an efficient inventory and delivery network that serves local production and consumption. Market trends including population decline and digitalization suggest a downward trend in demand for paper and paperboard, so alliances will be important for improving

efficiency. We need to identify partners that can grow with us in order to create stronger alliances. The group has built relationships throughout its long history and has alliances built on trust with business partners in an array of regions and businesses. Our alliances with business partners will help increase the efficiency of existing businesses, and will be the catalyst for developing new products, services, and businesses. Strengthening our alliances will naturally involve utilizing our ability to make proposals, our organizational capabilities, and our technological strengths, and will include all segments. Our objective is to create value.

3 Expand circular business model

Expanding our circular business model will accelerate initiatives that leverage group strengths in the resource and energy cycles. In the resource cycle, we are leveraging our technological strengths to manufacture household paper from recycled wastepaper materials that are difficult to recycle. This technology for recycling used paper transforms wastepaper that used to be discarded into a raw material, thus creating a recycled resource that reduces waste. We will further enhance sorting quality in our wastepaper recovery business to increase the role of recycling in the domestic paper industry with a focus on stably supplying paper manufacturers in Japan. In addition, we are leveraging the group's organizational capabilities in an internal resource cycle in which our used paper recycling business supplies the group's Paper Manufacturing & Processing segment. We are addressing tighter regulations

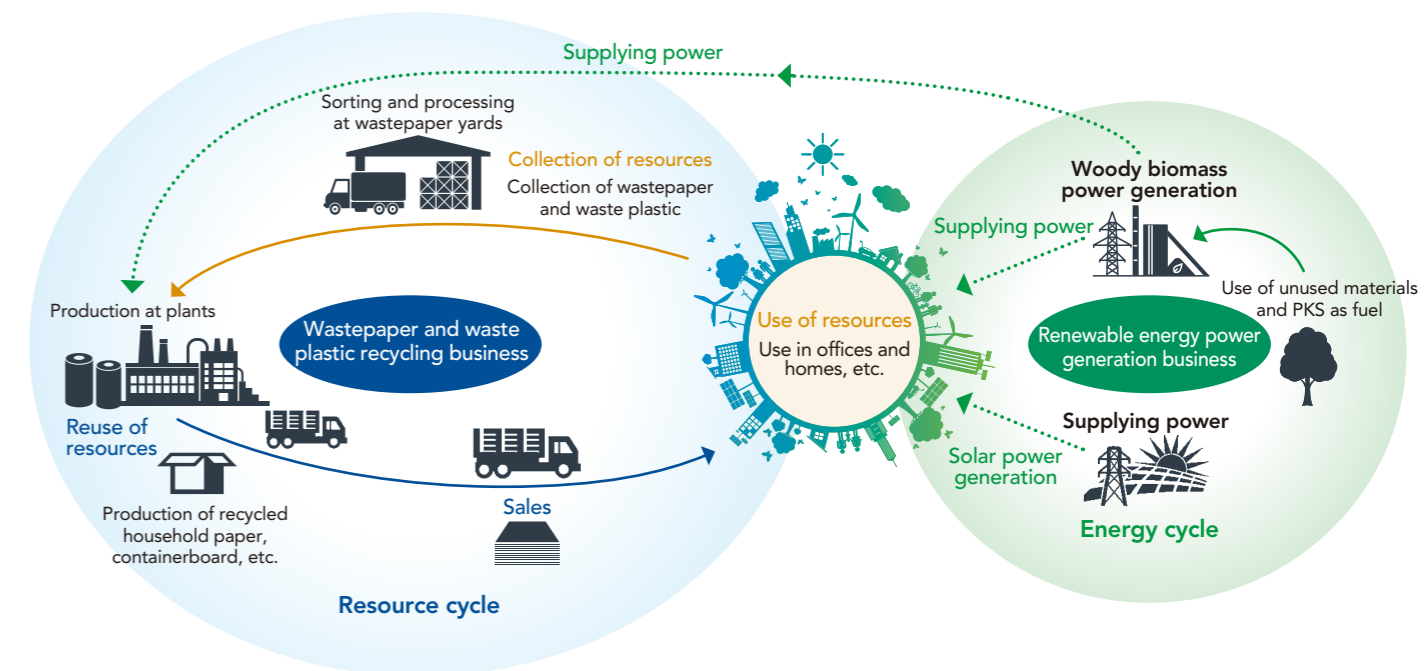
over the past several years and the increasing societal awareness of the importance of recycling waste plastic resources by aggressively expanding our comprehensive recycling business with an emphasis on recycling plastic materials. The energy cycle includes the renewable energy power generation business. We are fully committed to the mission of stably providing safe, environmentally responsible energy. In addition, the energy cycle includes the use of woody biomass as renewable energy for paper mills that employ used paper as a raw material, thus integrating the resource and energy cycles within the group. We are deploying the resource cycle we have built using our technological strengths and organizational capabilities to enhance our ability to make proposals, and we will also expand recycling businesses throughout the group.

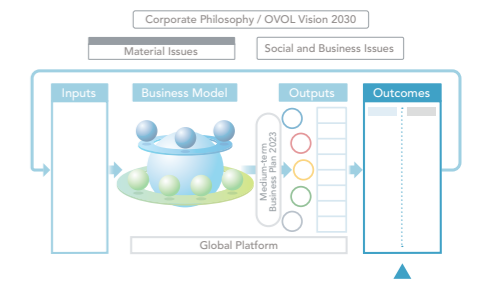
4 Enhance sustainable management

Around the world, various social problems such as climate change, resource depletion, marine pollution, poverty, widening disparities, and human rights violations are rapidly becoming more apparent and serious. Addressing these issues is therefore an urgent matter that impacts corporate sustainability. Given these circumstances, the group believes it can continue to increase corporate value by simultaneously generating social and economic value. Enhancing sustainable management is also a commitment to the stakeholders who place their trust in the group. Specific initiatives to enhance sustainable management

include the April 1, 2022 launch of the Executive Sustainability Committee and its operational organization, the Corporate Sustainability Division. We also revised the Charter of Corporate Behavior and the Code of Conduct for Executives and Employees, and established the Sustainability Policy and other related policies in order to link our Corporate Philosophy to sustainable management. We are committed to sustainable management, and we will proactively promote awareness and understanding. We want to encourage all executives and employees to embrace that approach in order to drive initiatives that increase corporate value and achieve sustainable development.

Realizing a Circular Economy





Creating Value for Stakeholders

The Japan Pulp & Paper Group creates direct outcomes and indirect outcomes for its stakeholders through a business model based on trust. Going forward, the group will continue to engage in sustainable business activities that simultaneously generate social and economic value.

Direct Outcomes

Subject	Direct Outcomes	Examples of Initiatives
Executives and Employees	<ul style="list-style-type: none"> Create stable, long-term employment opportunities Create growth opportunities through education and on-the-job training Provide well-being 	<ul style="list-style-type: none"> Spread the group's Corporate Philosophy Promote dialogue between management and employees to create an environment where executives and employees can work comfortably and make the most of their abilities
Customers	<ul style="list-style-type: none"> Proposals and support for improving the value of customer's products and corporate value Reliable paper and paperboard procurement Indirect financial assistance Initiatives to improve the status of the industry and educational activities to reaffirm the value of paper 	<ul style="list-style-type: none"> An extensive lineup of products to suit all users, needs, and applications Supply of products at the right price, volume, and time Global paper and paperboard distribution network Provide products with low environmental impact that resolve social issues Promote resource recycling by recycling the paper and plastic used in product packaging
Suppliers	<ul style="list-style-type: none"> Supplier product sales <ul style="list-style-type: none"> Reliable sales Sales growth Supply and demand adjustment Information about market needs Stable supply of recovered paper raw materials 	<ul style="list-style-type: none"> Revitalize pulp and paper-related industries by improving the value of paper Create sales opportunities Create product development opportunities by providing information on market needs
Shareholders and Investors	<ul style="list-style-type: none"> Dividends Stock price increases in line with earnings growth 	<ul style="list-style-type: none"> Implement OVOL Vision 2030 Implement the Medium-term Business Plan 2023 Promote sustainable management
Communities	<ul style="list-style-type: none"> Job creation Tax payment Reduce waste by recycling wastepaper Community contribution and exchange activities such as disaster support and human resource development 	<ul style="list-style-type: none"> Revitalize local economies near the group's business sites and the locations of its customers, suppliers, and other stakeholders
Environment	<ul style="list-style-type: none"> Resource recycling by reusing wastepaper and waste plastic Promote decarbonization through the use of renewable energy 	<ul style="list-style-type: none"> Reduce CO₂ emissions through the reduction of waste by recycling Promote the sustainable use of forest resources through the use of recovered paper materials Promote resource recycling through the use of recycled pulp and plastic materials

Indirect Outcomes

Subject	Indirect Outcomes	Examples of Initiatives
Culture	<ul style="list-style-type: none"> Value proposition: paper enriches and comforts people 	<ul style="list-style-type: none"> Activities to increase awareness about the functions and value of paper, its new possibilities, and other benefits
Education	<ul style="list-style-type: none"> Functional proposition: paper supports education 	<ul style="list-style-type: none"> Activities to increase awareness such as reading, writing, and learning on paper
Industry	<ul style="list-style-type: none"> Stable supply of paper and paperboard products Support paper-based packaging 	<ul style="list-style-type: none"> Stable supply of daily necessities such as printing and communication paper, household paper, and containerboard Contribute to a circular economy through the recycling of wastepaper Contribute to lowering our carbon impact throughout the entire supply chain
General Consumers	<ul style="list-style-type: none"> Provide opportunities to participate in a circular economy Balance environmental conservation with the supply of daily necessities Stable supply of paper and paperboard products closely related to our daily lives 	<ul style="list-style-type: none"> Contribute to better living through the pursuit of paper's unique functions and appeal Raise awareness of paper as an environmentally friendly and sustainable material Provide opportunities to purchase environmentally friendly products at reasonable prices
Communities	<ul style="list-style-type: none"> Contribute to the local economy and environment Contribute to local social infrastructure, such as incineration facilities, and help reduce waste disposal Help promote the value of resource recycling 	<ul style="list-style-type: none"> Reduce waste in communities and raise consciousness in cooperation with local governments Promote understanding of resource recycling through activities to raise awareness such as tours of recycled paper manufacturing mills and recycling facilities
Environment	<ul style="list-style-type: none"> Conserve biodiversity Preserve forest resources Lower CO₂ emissions by reducing waste disposal 	<ul style="list-style-type: none"> Contribute to the environment through the group's supply chain, from the collection of wastepaper to the commercialization of products Reduce CO₂ emissions through efficient logistics and shortening of delivery distances resulting from appropriate inventory locations

Examples of initiatives Flat-rate diaper delivery service

Approximately 6,000 diapers are needed for each baby. Eliminating the burden of restocking diapers and wipes contributes to more time for childcare.

We provide a flat-rate diaper delivery service in cooperation with Gakken Holdings Co., Ltd., Gakken E-Mirai Co., Ltd., and Oji Nepia Co., Ltd. We aim to provide added value to disposable diapers and reduce the burden of diaper supply for nursery schools and parents.

Until now, nursery schools had to manage diapers for each individual child and inform parents when diapers were running low or needed to be restocked. Parents also had to bring diapers to the nursery school and, depending on the rules, write their children's names on each diaper, which was a major hassle. We teamed up with Oji Nepia and Gakken E-Mirai, which have nationwide networks of kindergartens and nursery schools, to reduce this burden by providing sets of diapers and wipes, essential items for changing diapers, to infants and toddlers.

This service was initiated in cooperation with Gakken Holdings, Gakken E-Mirai, and Oji Nepia. It highlights the possibilities of paper and provides added value to disposable diapers as it creates new products and services that go beyond what we have accomplished to date. We will continue to take on the challenge of creating new value to benefit various companies and consumers by connecting paper manufacturers and user companies.



Examples of initiatives Gift Book Campaign 2022

Words, pictures, and photos on paper have the power to create lasting memories. We hope that as many people as possible enjoy the appeal of paper as it enriches and comforts them.

We sponsored the Gift Book Campaign 2022 organized by Bunka News, Ltd. that began in December 2021 at bookstores across Japan. This campaign was aimed at establishing the concept of, and passing on the outstanding culture of giving books as gifts to loved ones, including to oneself, by selling *Hon no Kimochi Desu 2022*, a comprehensive catalogue based on the joy of reading books. The catalogue features information on what books to give as gifts and includes recommendations by 50 celebrities, booksellers, librarians, and other professionals. It launched in bookstores nationwide during the Christmas and New Year's gift-giving season.

In *Hon no Kimochi Desu 2022*, each celebrity (including business people, cultural figures, scholars, athletes, and entertainers) has selected three titles, and major booksellers and librarians, who are connoisseurs of books, have each selected one title. The catalogue includes comments on each selection and a message from the person making the selection, and is well worth reading.

In the Medium-term Business Plan 2023, we have stated our commitment to "deliver the value of paper and paper products to society through events and business activities." We sponsored the event as we sympathized with the campaign's objective of "preventing the next generation of young people from moving away from paper media and passing on the culture of the printed word." We will continue to pursue the infinite possibilities of paper and take on the challenge of creating new value.



Material Issues

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. In accordance with this Corporate Philosophy, the group strengthened its sustainability promotion framework by establishing the Executive Sustainability Committee on April 1, 2022, with the aim of proactively promoting sustainable management. The group also revised its Charter of Corporate Behavior and established the Sustainability Policy as well as several other related policies.

Going forward, the group will work to strengthen sustainable management and promote effective initiatives by regularly confirming and reviewing material issues, which we have identified as "internal and external factors that have a significant impact on realizing sustainable business activities that generate both social and economic value," based on changes in the external environment.

Process of Identifying Material Issues

STEP 1 ▶

Based on the evaluation items of major ESG ratings agencies and industry-specific material issues provided by the US Sustainability Accounting Standards Board (SASB), we determined "ESG-related issues* such as environmental and social issues that have a significant impact on the group's sustainability and ability to create value" and looked at ways the group impacts stakeholders in the value chain. We then analyzed the degree of importance and identified possible material issues from the perspective of "priority items related to the group and its businesses that have a high level of impact on the environment and society."

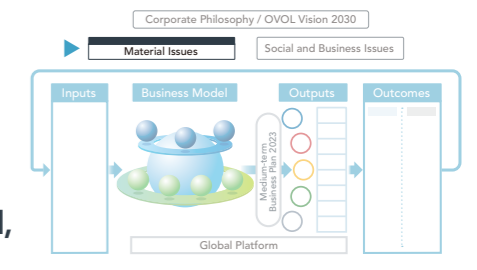
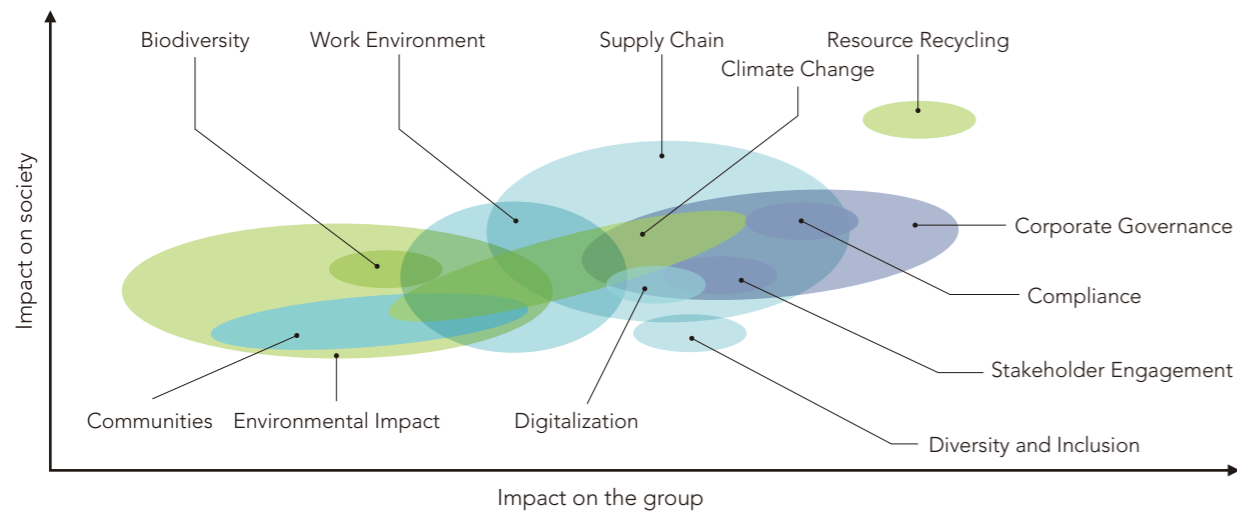
STEP 2 ▶

After narrowing down the possible material issues uncovered in "Step 1" from the standpoints of their importance and frequency, external experts, executives, and employees performed another evaluation from the perspectives of "ESG-related issues such as environmental and social issues that have a significant impact on the group's sustainability and ability to create value," and "priority items related to the group and its businesses that have a high level of impact on the environment and society."

STEP 3

Based on the evaluation conducted in "Step 2," and in order to achieve sustainability for the group, management held discussions 12 times to identify material issues based on the Charter of Corporate Behavior and the Medium-term Business Plan 2023. As a result, we identified four themes and 12 material issues as internal and external factors that have a significant impact on realizing sustainable business activities that generate both social and economic value. After approval by the Executive Sustainability Committee, a resolution on material issues was passed by the Board of Directors.

* 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.



The following presents material issues of the Japan Pulp & Paper Group, the reasons they were identified, and the SDGs to which the group contributes.

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

Themes	Material Issues	Reasons for Identification	SDGs to Which the Group Contributes
Environment	Climate Change	<ul style="list-style-type: none"> 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. 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. It is our responsibility to minimize climate change impact by reducing greenhouse gas emissions throughout our group and the entire supply chain. 	
	Biodiversity	<ul style="list-style-type: none"> 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. 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. 	
	Resource Recycling	<ul style="list-style-type: none"> It is essential to promote initiatives to realize a circular economy, including through the wastepaper recycling, recycled paper manufacturing, and comprehensive recycling businesses. It is essential to reduce all of society's waste and conserve the Earth's forest resources. It is essential to provide environmentally friendly products. 	
	Environmental Impact	<ul style="list-style-type: none"> It is essential to respond to stricter environmental regulations related to logistics and factory operations. It is our corporate responsibility to manage water intake/discharge and exhaust gas, as well as reduce waste. 	
Society	Supply Chain	<ul style="list-style-type: none"> It is essential to ensure sustainability throughout our 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. 	
	Communities	<ul style="list-style-type: none"> It is essential to reduce the environmental impact on communities and to achieve coexistence and co-prosperity through economic and social contributions. 	
	Digitalization	<ul style="list-style-type: none"> Declining demand for paper due to the progress of digitization will have a significant impact on the group's business. It is essential to improve productivity and the use of energy by promoting digital transformation (DX). 	
Employees	Work Environment	<ul style="list-style-type: none"> It is essential to provide stable employment, opportunities to develop skills, fair evaluations and equitable treatment, and to create a comfortable working environment. It is essential to strengthen our human capital by improving labor productivity and employee engagement. 	
	Diversity and Inclusion	<ul style="list-style-type: none"> 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. 	
Governance	Corporate Governance	<ul style="list-style-type: none"> 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. 	
	Compliance	<ul style="list-style-type: none"> Our corporate value may be significantly impaired in the event of compliance-related issues. 	
	Stakeholder Engagement	<ul style="list-style-type: none"> 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. 	