

03

Foundation for Sustainable Growth

Sustainable Management	64	Society		Governance	
Material Issues	65	Supply Chain	75	Management Team	83
Environment		Communities	76	Roundtable Discussion among the Outside Directors	85
Climate Change	69	Digitalization	76	Corporate Governance	89
Biodiversity	73	Employees		Compliance	98
Resource Recycling	73	Work Environment	78	Risk Management	100
Environmental Impact	74	Diversity and Inclusion	81	Messages from Outside Audit & Supervisory Board Members	103
				Stakeholder Engagement	105

Sustainable Management

Approach to Promoting Sustainability



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Japan Pulp & Paper was founded as a wholesaler of paper, an environmentally friendly material, and will celebrate its 180th anniversary in 2025. Today, as a global corporate group operating under five business segments, we are contributing to the development of a circular economy through business activities such as wastepaper and plastic recycling, paper manufacturing using wastepaper as the primary raw material, and power generation using renewable energy. In 2022, we established our Sustainability Policy and strengthened our sustainability promotion framework, including the establishment of the Executive Sustainability Committee. In OVOL Medium-term Business Plan 2026, launched in 2024, we identified key priorities such as expanding human capital investment, reducing GHG emissions over the medium-to-long-term, responding to business and human rights, strengthening environmental and occupational safety compliance systems, and strengthening risk management. We are accelerating specific initiatives in these areas and making sustainability-related investments as part of our growth strategy. Going forward, we will continue to promote sustainability in order to achieve sustainable growth and improve our corporate value over the medium-to-long-term, while contributing to the realization of a sustainable society.

Japan Pulp & Paper Group Sustainability Policy

<https://www.kamipa.co.jp/eng/sustainability/management/sustainability-policy/>

Sustainability Promotion Framework

We define “sustainability” as business activities that realize both economic and social value, and have established the Executive Sustainability Committee to promote sustainability-related initiatives. Chaired by the representative director, president, 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. 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 throughout the entire group, serves as the secretariat for the OVOL Sustainability Promotion Meetings and the OVOL Environment & Safety Meetings.

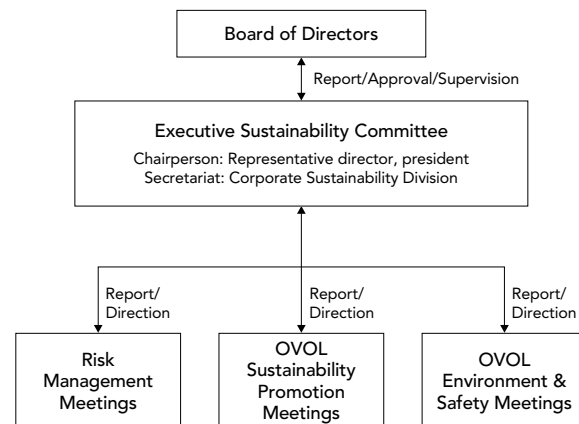
In fiscal 2023, we formulated a goal for each of the group’s material issues, and in fiscal 2024, we developed

concrete action plans by backcasting from these goals. Going forward, we will manage progress using key performance indicators (KPIs) and advance specific initiatives aimed at achieving our goals.

* 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 and Governance 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 CSR and 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	Vice chairperson: General manager, Corporate Planning 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 & Sustainability, and CIO)	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	Vice chairpersons: General manager, Finance & Administration Division and general manager, Corporate Planning Division Members: Appointed from divisions, branch offices, and group companies in and outside of Japan (Observer: Executive vice president in charge of Administration, Planning & Sustainability)	11	Members work to strengthen and promote group-wide sustainability initiatives. Members promote sustainability initiatives within each department and group company, including addressing human rights issues, legal compliance, social contribution activities, and implementing measures to achieve social value through business activities. They also serve as liaisons with the head office in the event of a disaster or other emergency.
OVOL Environment & Safety Meetings	General manager, Corporate Sustainability Division	Vice chairpersons: General manager, Finance & Administration Division and general manager, Corporate Planning Division Members: Appointed from divisions, branch offices, and group companies in and outside of Japan (Observer: Executive vice president in charge of Administration, Planning & Sustainability)	2	Members work to strengthen and promote 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 held in fiscal 2023

Material Issues

The group has identified four themes (the 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 economic and social value.” We have formulated a new action plan to achieve our goals and are working to promote sustainability.

Themes	Material Issues	Reasons for Identification	Goals	Action Plan	Main Initiatives, Results, and Progress in Fiscal 2023	Scope	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. 	<ul style="list-style-type: none"> Achieve carbon neutrality 	<ul style="list-style-type: none"> Respond to climate change (Promotion of energy saving and use of renewable energy) Expand sales of environmentally friendly products that contribute to plastic reduction and paper usage 	<ul style="list-style-type: none"> Reduced greenhouse gas emissions (Scope 1 and 2): Reduction of 34% compared with FY2019 Target: Reduce emissions by 50% by FY2030 (compared with FY2019) Greenhouse gas emissions (Scope 3): 7.156 million t-CO₂ (FY2022) Utilization rate of renewable energy: 56.1% Launch of the Paper x Eco series through the environmental solutions proposal website Paper & Green. The series aims to promote the use of paper and the elimination/reduction of the use of plastic. 	<ul style="list-style-type: none"> Consolidated Consolidated Consolidated companies in Japan Parent company 	
	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. 	<ul style="list-style-type: none"> Promote nature positive initiatives for sustainable forest resources 	<ul style="list-style-type: none"> Gain understanding of dependence on, impact, risks, and opportunities related to nature (TNFD initiatives) 	<ul style="list-style-type: none"> Number of group companies with FSC® and PEFC forest certifications: 47 companies with FSC® CoC certification and 15 companies with PEFC CoC certification Sales coverage rate of FSC® and PEFC-certified products: 30.1% (Excluding revenue from the Real Estate Leasing segment) 	<ul style="list-style-type: none"> Consolidated Consolidated 	
	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 provide environmentally friendly products. 	<ul style="list-style-type: none"> Realize a circular economy by recycling waste in society 	<ul style="list-style-type: none"> Promote wastepaper usage Expand comprehensive recycling businesses Enhance resource recycling networks Promote recycling of industrial waste generated within the group 	<ul style="list-style-type: none"> Volume of wastepaper used: 400,000 t Recycling rate of industrial waste: 86.2% Began formulating a plan for building a second plant at Eco-Port Kyushu Joined the Japan Earth Conscious Labeling Association (J-ECOL), an organization that promotes the recycling of used release paper from labels and stickers 	<ul style="list-style-type: none"> 5 paper manufacturing companies Consolidated companies in Japan Consolidated companies in Japan Parent company 	
	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. 	<ul style="list-style-type: none"> Implement specific zero emissions measures Minimize environmental impact throughout our supply chain 	<ul style="list-style-type: none"> Ensure compliance with environmental and occupational safety regulations Reduce impact on the environment Efficient and reduced use of resources 	<ul style="list-style-type: none"> Implementation of environmental and occupational safety audits at group companies in Japan: 8 out of 36 companies Number of administrative penalties related to violations of environmental laws and regulations: 0 Number of companies with ISO 14001 certification: 11 companies in Japan and 2 companies outside of Japan Reduction in emissions and transfers under the PRTR system: 0.0 thousand t (FY2022: (0.5) thousand t) 	<ul style="list-style-type: none"> Consolidated companies in Japan Consolidated companies in Japan Consolidated 5 paper manufacturing companies 	
Society	Supply Chain	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Ensure a stable supply of raw materials and products and responsible procurement 	<ul style="list-style-type: none"> Establish and implement a supplier monitoring system for human rights and environmental risk management Establish a grievance mechanism for addressing human rights violations 	<ul style="list-style-type: none"> Formulated the Japan Pulp & Paper Group's Approach to Sustainable Procurement 	<ul style="list-style-type: none"> Consolidated 	
	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. 	<ul style="list-style-type: none"> Create new value through coexistence and co-prosperity with local communities 	<ul style="list-style-type: none"> Create opportunities for interaction with local communities through paper-related initiatives 	<ul style="list-style-type: none"> Costs associated with social contribution activities, including community donations: JPY42.2 million Creation of opportunities for cooperation and interaction with local communities: Employment support for local people with disabilities (Corelex Group), sponsorship of Shikokuchuo City's "Shodo Performance Koshien" event, and provision of the official paper to be used at schools participating in preliminary rounds nationwide (Gokura) 	<ul style="list-style-type: none"> Consolidated Consolidated 	
	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). 	<ul style="list-style-type: none"> Create new demand for paper by proposing the value and enhancing the role of paper in a digital society Leverage digital technology as a new business strength 	<ul style="list-style-type: none"> Promote the value and advantages of paper in a digital society Invest in the promotion of DX within the paper industry Business reform through DX Improve DX literacy 	<ul style="list-style-type: none"> Number of users of generative AI (Japan Pulp & Paper exclusive version of ChatGPT): 233 Number of employees with IT certification (including seconded employees): 31 with IT Passport and 66 with MOS 	<ul style="list-style-type: none"> Parent company Parent company 	

Themes	Material Issues	Reasons for Identification	Goals	Action Plan	Main Initiatives, Results, and Progress in Fiscal 2023	Scope	SDGs to Which the Group Contributes
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. 	<ul style="list-style-type: none"> Achieve zero workplace accidents in safe, secure, and healthy working environments Create innovation ahead of the times in a work environment that offers new challenges and excitement through personal growth Achieve well-being through a high level of engagement 	<ul style="list-style-type: none"> Promote health management Enhance human resource development and create a more comfortable work environment Strengthen environmental and occupational safety compliance systems 	<ul style="list-style-type: none"> Average monthly overtime hours: 12 hrs. 43 min. Target: Less than 10 hours of overtime per month on average in FY2026 Training expenses: JPY32 million Target: More than three times the level of FY2023 in FY2026 Employee engagement survey: "B" rating Target: "BBB" or higher in FY2026 Percentage of paid time off taken: 79.0% Target: 80% or more by FY2026 Lost time injury frequency rate: 0.00 	<ul style="list-style-type: none"> Parent company Parent company Parent company Parent company 	
	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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Build a diverse and vibrant organization 	<ul style="list-style-type: none"> Percentage of female managers: 0.4% Target: 10% or higher by FY2030 Ratio of female employees in career track positions (five-year average) Target: 30% or higher by FY2026 Percentage of eligible male employees taking childcare leave: 76.9% Target: 100% by FY2026 	<ul style="list-style-type: none"> Parent company Parent company Parent company 	
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. 	<ul style="list-style-type: none"> Achieve sustainable medium-to-long-term improvement of corporate value through honest and fair governance 	<ul style="list-style-type: none"> Conduct risk assessments Strengthen IT security systems within the group Revise the business continuity plan (BCP) 	<ul style="list-style-type: none"> Worked to identify risks within the group that could impact the business activities of Japan Pulp & Paper and group companies in Japan Conducted survey of current status of group companies in preparation for group information security audit Target: Conduct audits every 3 years at 48 group companies in and outside of Japan (Starting from FY2024) Conducted training for standard-type phishing email attacks: 2 times 	<ul style="list-style-type: none"> Consolidated companies in Japan Consolidated Parent company 	
	Compliance	<ul style="list-style-type: none"> Our corporate value may be significantly impaired in the event of compliance related issues. 	<ul style="list-style-type: none"> Ensure all executives and employees conduct business activities with a strong sense of ethics and responsibility 	<ul style="list-style-type: none"> Enhance compliance system 	<ul style="list-style-type: none"> Completion rate of compliance confirmation tests: 99.3% (annual average) Target: 100% by FY2026 Number of internal reports: 30 (Japan Pulp & Paper and group companies in Japan) Number of serious compliance violations: 1 	<ul style="list-style-type: none"> Consolidated companies in Japan Consolidated companies in Japan Consolidated 	
	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. 	<ul style="list-style-type: none"> Reflect the expectations and requests of stakeholders in management by engaging in dialogue 	<ul style="list-style-type: none"> Strengthen dialogue and engagement with stakeholders Actively disclose financial and non-financial information Participate in initiatives with organizations aimed at solving social and environmental issues 	<ul style="list-style-type: none"> Number of meetings with institutional investors: 27 	<ul style="list-style-type: none"> Others 	

Material Issues

Step 1

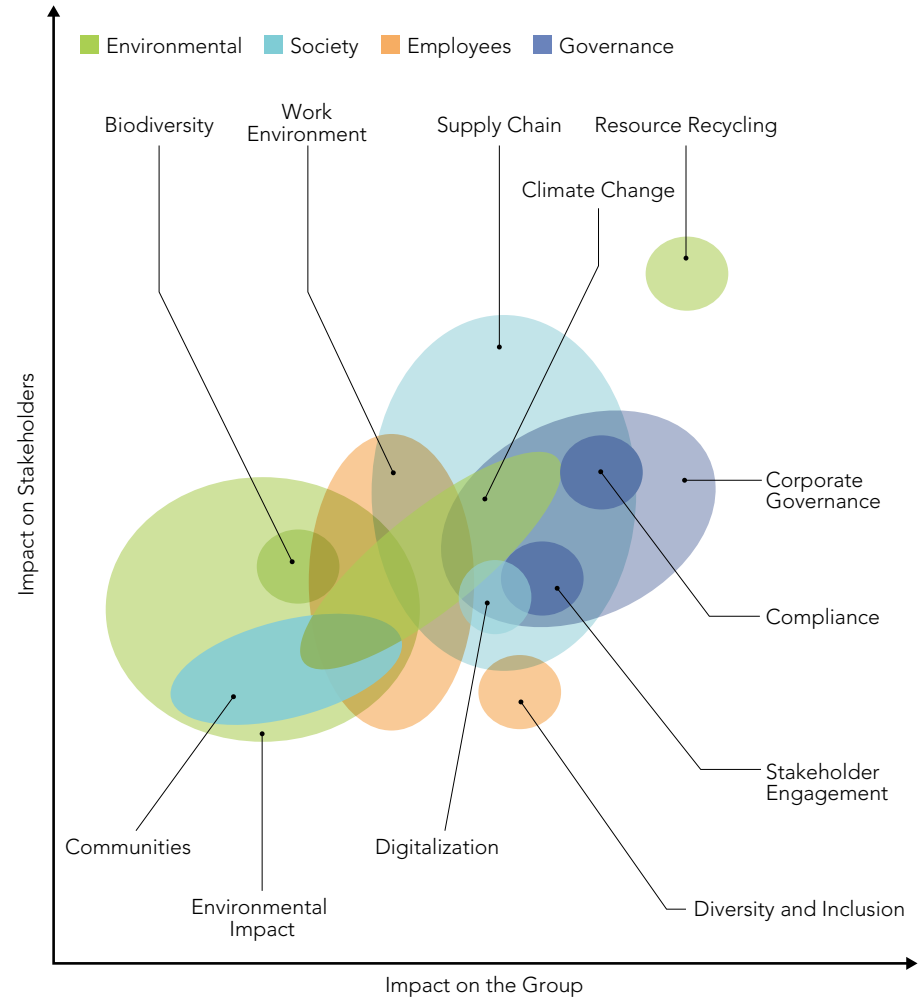
Based on the evaluation items of major ESG ratings agencies and industry-specific material issues provided by the U.S. Sustainability Accounting Standards Board (SASB), we determined “ESG-related issues such as environmental and social issues that have a significant impact on the group’s sustainability 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 realize sustainable business activities for the group, management held discussions 12 times to identify material issues based on the Charter of Corporate Behavior and OVOL 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 achieving sustainable business activities that realize both economic and social value. After approval by the Executive Sustainability Committee, a resolution on material issues was passed by the Board of Directors.



Environment

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 mission in mind, the group has identified "climate change," "biodiversity," "resource recycling," and "environmental impact" as material issues and has strengthened its efforts to address these global environmental problems. In 2022, we established the Japan Pulp & Paper Group Environmental Policy, and in 2024 we formulated a new "Approach to Sustainable Procurement." In addition, as part of our proactive response to climate change, we have set "Japan Pulp & Paper Group Medium- and Long-term Reduction Targets for Greenhouse Gas Emissions." Key initiatives for achieving carbon neutrality by 2050 include improving production efficiency in the Paper Manufacturing & Processing segment, promoting energy conservation, and transitioning to renewable energy. We will regularly disclose our progress.

Japan Pulp & Paper Group Environmental Policy

<https://www.kamipa.co.jp/eng/sustainability/environment/environmental-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.

Currently, 14 companies in the group have 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 and the SDGs. In addition, employees from group companies participate in OVOL Environment & Safety Meetings and OVOL Sustainability Promotion Meetings. These organizations serve as forums for sharing sustainability-related data and information on revisions to laws on environmental and occupational safety; promoting efforts aimed at decarbonization; strengthening environmental and safety management; giving updates on social contribution activities; and conducting sustainability-related education.

ISO Training at Japan Pulp & Paper (FY2023)

Training	Number of Sessions	Number of Participants
General environmental education and division-specific environmental education	1 time	770
New employee training	1 time	18
Mid-career employee training	1 time	24

Environment

Climate Change

We recognize that climate change can lead to the depletion of forest resources, as well as increased risks associated with global warming and potential financial burden. In addition, we view reducing greenhouse gas emissions across the entire supply chain as a corporate responsibility and have identified “climate change” as a material issue. Our response to climate change has focused mainly on the Paper Manufacturing & Processing segment, where greenhouse gas emissions are high. We have promoted energy efficiency and the utilization of non-fossil energy sources to reduce emissions. Based on greenhouse gas reduction targets set in 2024, we will strengthen our efforts to achieve carbon neutrality by 2050.

Japan Pulp & Paper Group Medium- and Long-term Reduction Targets for Greenhouse Gas Emissions



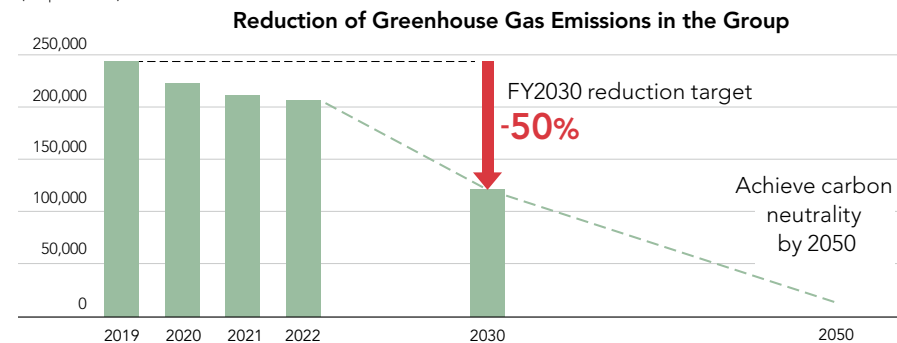
Note: Scope 1 and 2 emissions for Japan Pulp & Paper and its consolidated subsidiaries

Key Initiatives

1. Pursue further production efficiency in the Paper Manufacturing & Processing segment
2. Promote thorough energy savings
3. Switch to renewable energy

Note: We are also currently calculating and determining Scope 3 emissions for the whole group, and plan to reduce emissions in the future.

Greenhouse Gas Emissions (t-CO₂)
(Scope 1 and 2)



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 Disclosures (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, including the Paper and Paperboard Wholesaling, Paper Manufacturing & Processing, Raw Materials & Environment, and Real Estate Leasing segments.* We disclose 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 promptly disclose relevant information.

* 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 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 climate change-related matters for the entire group, as well as overseeing the process of finding solutions to ESG issues and meeting our ESG goals. The Executive Sustainability Committee is chaired by the representative director, president, who has ultimate responsibility for management decisions related to climate change. The progress of matters reviewed and discussed by the committee is regularly reported to the Board of Directors, 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 for implementation at each group site.

Note: Please refer to page 64 for details on the sustainability and governance structure.

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 transition risks associated with the transition to a low-carbon society and the physical impacts of climate change. 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, medium-term, and long-term.

Risks and Opportunities

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

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.

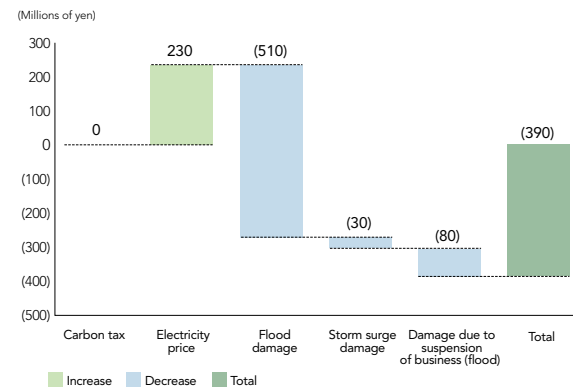
Environment

Financial Impact Analysis

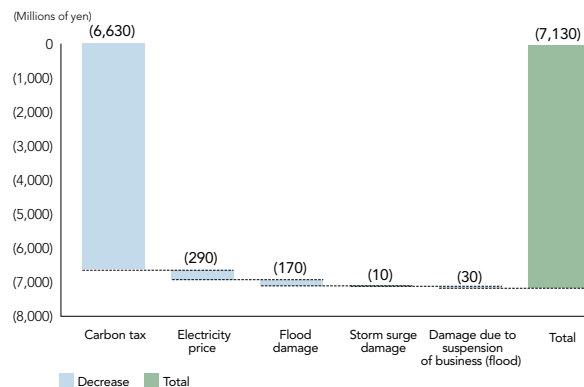
Based on the financial impact scenario analysis, we expect that the introduction of a carbon tax would have a significant impact, particularly on the group's paper manufacturing business. On the other hand, we believe that we can lower that impact by promoting the reduction of greenhouse gas emissions.

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.

Financial Impact (Risk) under the 4°C Scenario (2050)



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



Parameters Used for Financial Impact Analysis

<https://www.kamipa.co.jp/eng/sustainability/environment/climate-change/>

Analysis Results¹

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

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, 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 the Risk Management Meetings, the OVOL Environment & Safety Meetings, and the OVOL Sustainability Promotion Meetings, and reflected in the group's overall risk management.

4 Metrics and Targets

In response to climate change, we have set “Japan Pulp & Paper Group Medium- and Long-term Reduction Targets for Greenhouse Gas Emissions.” As part of these initiatives, we are implementing various measures to reduce Scope 1 and 2 emissions throughout the group, including switching to biomass boilers and renewable energy, and fundamentally reforming production efficiency through the use of a distributed control system (DCS). As a result, in fiscal 2023 we achieved approximately a 34% reduction in Scope 1 and 2 emissions compared with fiscal 2019 levels.

Regarding Scope 3 emissions, since fiscal 2022 we have expanded the scope of calculation from Japan Pulp & Paper to include consolidated subsidiaries. We plan to actively promote reduction initiatives for Scope 3 emissions going forward.

Highlight

Renewable Energy Power Generation

We launched the biomass power generation business with the aim of supplying energy and steam to the group's paper manufacturing companies. As such, we are 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 MW) in Noda Village, Iwate Prefecture. In collaboration with regional governments, we are developing projects that benefit the public interest and lead to the revitalization of local industries. We also operate a solar power generation business in Kushiro, Hokkaido (power output: 20 MW) and supply the electricity it generates.

In 2018, we established OVOL New Energy, a company that collects palm kernel shells (PKS) in Malaysia for export, creating a system for the stable supply of biomass fuel.

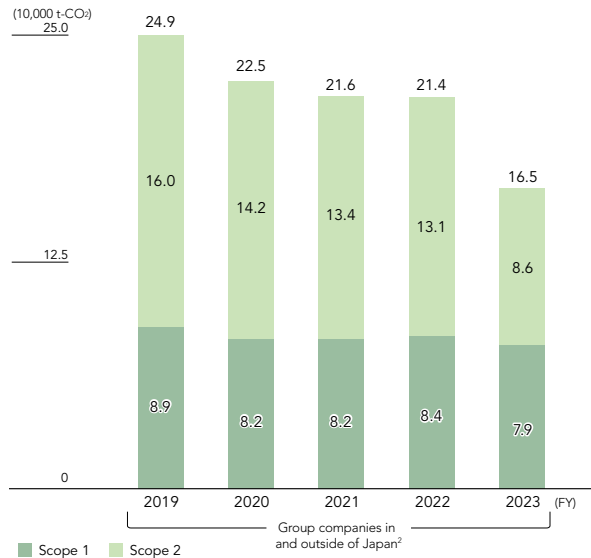
Introduction of Renewable Energy at Group Companies

In fiscal 2023, both Eco Paper JP, which manufactures containerboard and printing paper, and Taiho Paper, which also manufactures containerboard, began using electricity from renewable energy sources to help reduce greenhouse gas emissions. Both companies have long promoted CO₂ reduction through the use of woody biomass power generation, but are now taking their efforts a step further by switching the electricity they purchase to hydroelectric power. Eco Paper JP has achieved a renewable energy use rate of 50%, while Taiho Paper has achieved 100%.

In addition, group companies are in the process of introducing EV trucks, EV forklifts, and fuel cell electric vehicles (FCEVs) as part of our efforts to achieve carbon neutrality by 2050.

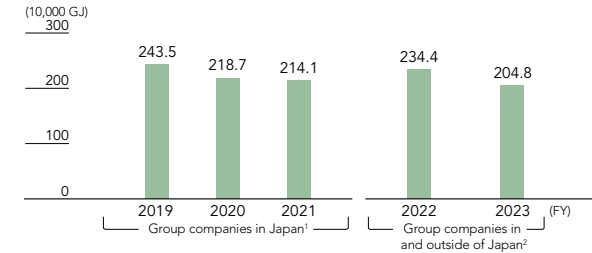
Climate Change-Related Data

Greenhouse Gas Emissions^{3, 4, 5, 6}

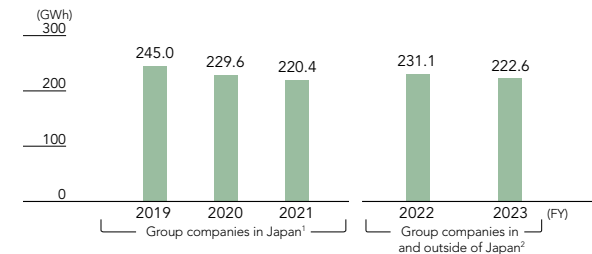


1. Japan Pulp & Paper and consolidated subsidiaries in Japan 2. Japan Pulp & Paper and consolidated subsidiaries in and outside of Japan 3. Figures for subsidiaries outside of Japan for 2019 to 2021 are estimated based on 2022 emissions. 4. Calculated in accordance with the standards of the GHG Protocol. The coefficients used for calculations are based on Japan's Act on Promotion of Global Warming Countermeasures. 5. Scope 1 and 2 GHG emissions have been refined and recalculated retroactively to 2019. 6. Third-party verification of Scope 1 and 2 GHG emissions (parent company) for FY2021, FY2022, and FY2023 has been conducted by the Japan Management Association GHG Certification Center.

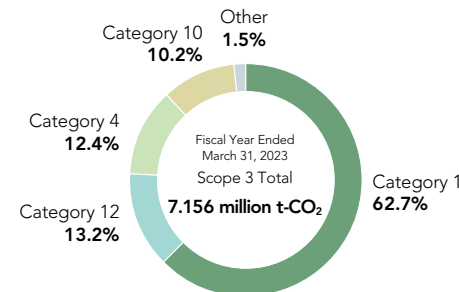
Energy Consumption



Electricity Consumption



Scope 3 Breakdown (Consolidated)



Item	Fiscal Year Ended March 31, 2023 (10,000 t-CO ₂)	Item	Fiscal Year Ended March 31, 2023 (10,000 t-CO ₂)		
Category 1	Purchased goods and services	448.8	Category 9	Downstream transportation and distribution	1.3
Category 2	Capital goods	1.0	Category 10	Processing of sold products	72.6
Category 3	Fuel- and energy-related activities	4.7	Category 11	Use of sold products	0.7
Category 4	Upstream transportation and distribution	89.0	Category 12	End-of-life treatment of sold products	94.6
Category 5	Waste generated in operations	0.1	Category 13	Downstream leased assets	2.5
Category 6	Business travel	0.0	Category 14	Franchises	—
Category 7	Employee commuting	0.2	Category 15	Investments	—
Category 8	Upstream leased assets	—	Scope 3 Total		715.6

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.

Environment

Biodiversity

We believe it is important for the group to sell products that contribute to biodiversity conservation, including paper made from forest resources that are properly managed so as to not harm forest ecosystems or the natural environment.

In addition to “protecting the natural environment,” as stated in our Environmental Policy, the group has identified “biodiversity” as a material issue. Going forward, we will work to better understand the group’s dependence on nature and the related impacts, risks, and opportunities in order to achieve nature-positive outcomes with regard to sustainable forest resources.

Environmentally Friendly Business Activities

The forest certification system is a process in which third-party organizations certify forests and their products as being properly managed. We have acquired FSC® and PEFC Chain of Custody (CoC) certifications, 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 2024)

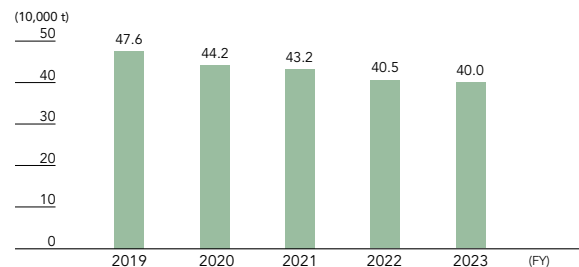
	Japan	Outside Japan
FSC® CoC Certification	17 companies	30 companies
PEFC CoC Certification	1 company	14 companies

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 waste plastic recycling businesses.

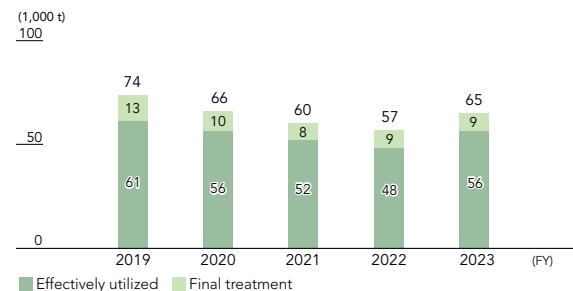
Wastepaper Usage

(Consolidated paper manufacturing subsidiaries in Japan)



Industrial Waste Generated

(Japan Pulp & Paper Co., Ltd. and consolidated subsidiaries in Japan)

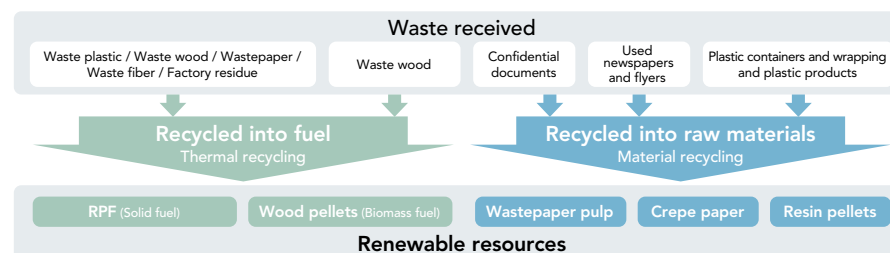


Wastepaper Recycling

Since our full-scale entry into the wastepaper recycling business in 1973, we have expanded operations throughout Japan and strengthened our ability to collect and ship wastepaper, starting with our entry into the U.S. in 1998 and later expansion into India. In Japan, we supply collected wastepaper to the group’s paper manufacturing businesses, where it is used to produce containerboard, printing paper, and household paper. This is a key feature of the Japan Pulp & Paper Group.

Waste Plastic Recycling

The recycling of waste plastic is a major social issue. Group company Eco-Port Kyushu works to efficiently recycle wastepaper, waste plastic, and waste wood through the combined use of thermal and material recycling.



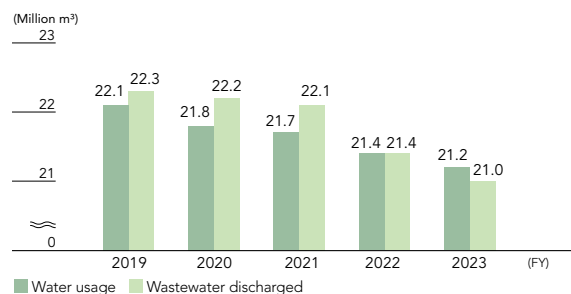
Environmental Impact

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 laws and regulations of each country and region we serve, and work to reduce environmental impact by lowering 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. Furthermore, for chemicals and other substances that are subject to the PRTR system and may pose risks to human health and ecosystems, we promote the transition to alternative substances. In fiscal 2023, the use of substances subject to the PRTR system was reduced to zero.

Water Usage and Wastewater Discharge

(Five consolidated paper manufacturing subsidiaries in Japan)



Note: We have evaluated the water risk at paper manufacturing sites directly operated by the group using the WRI Aqueduct Water Risk Atlas and confirmed that none of them are in high or very high water-stressed areas. In addition, there were no violations of water quality or quantity standards, or any non-compliance with regulations.

Compliance with Environmental Laws and Regulations

We comply with environmental laws and regulations and work collectively to reduce our environmental impact. In the event of a violation of any laws or regulations within the group, the issue is promptly reported to the department in charge of group company management, and the situation is monitored by the Environment & Safety Promotion Office. We have established systems for managing and ensuring compliance with environmental laws and regulations at each group company in and outside of Japan. This system includes self-management at each company, on-site inspections by the Environment & Safety Promotion Office, and objective evaluations by external experts. In fiscal 2023, as in the previous year, there were no incidents of legal violations or penalties or fines imposed. We will continue to ensure compliance with legal frameworks while strengthening efforts to prepare for upcoming regulations.



The packaging material Kami-air design window, which is sold through the website Paper & Green operated by Japan Pulp & Paper, won the Japan Star Award (Minister of Economy, Trade and Industry Award), the highest honor at the 2024 Japan Packaging Contest. Kami-air design window uses a special processing technique to make the window portion transparent, eliminating the need for laminating separate materials such as plastic or glassine paper, which are typically required to create the window. The replacement of conventional plastic film packaging with this product, significantly contributes to a reduction in plastic use and has been adopted by companies for packaging apparel and miscellaneous goods. Going forward, the Japan Pulp & Paper Group will continue promoting the use of paper-based and plastic-free packaging in the packaging sector, while advancing sustainability initiatives and conducting sustainable business activities that realize both economic and social value.



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

Society

Approach to Social Issues

The Japan Pulp & Paper Group is committed to respecting human rights and considering the environment throughout the entire supply chain. This includes not only within the group but also with business partners and other companies. We also promote sustainable management by contributing to local communities.

Supply Chain

The group, as a responsible member of the global supply chain, has identified the “supply chain” as a material issue and is working to strengthen supply chain management. Our goal is to achieve both a stable supply of raw materials and products and responsible procurement at an even higher level. We recognize the need to address social, human rights, and environmental issues, not only within the group but throughout the supply chain in order to realize “responsible procurement.” In June 2024, we formulated the Japan Pulp & Paper Group’s Approach to Sustainable Procurement. We plan to conduct assessments and monitor the supply chain based on this approach.

The Japan Pulp & Paper Group’s Approach to Sustainable Procurement

<https://www.kamipa.co.jp/eng/sustainability/society/sustainable-procurement/>

Procurement

We are strengthening our relationships of trust with suppliers to ensure a stable supply of raw materials and products. In addition, we share our stance on human rights and environmental issues with suppliers and are promoting responsible procurement by considering social and environmental risks when procuring raw materials and products.

Respect for Human Rights

We believe that respect for human rights should be the standard of conduct for all individuals and conducts our business activities based on the Japan Pulp & Paper Group Human Rights Policy. This policy outlines our commitment to respecting the human rights of all individuals involved in our business and our intent to contribute to the realization of 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 seek the support of all business partners, including customers and other companies within the supply chain.

In January 2023, we signed the United Nations Global Compact. We are promoting initiatives in line with the 10 principles of the compact in the four areas of human rights, labor, the environment, and anti-corruption. We issue newsletters through the OVOL Sustainability Promotion Meetings, distribute a compliance handbook, and provide training on business and human rights to group executives and employees. Going forward, we will continue to conduct human rights due diligence to identify human rights risks and address issues for both the group as well as suppliers and other companies. We will also establish a grievance mechanism to help remedy human rights violations.

Japan Pulp & Paper Group Human Rights Policy

<https://www.kamipa.co.jp/eng/sustainability/society/human-rights-policy/>

Communities

As we expand our business activities, we recognize that it is essential for us 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 sponsor events in collaboration with local governments and work to promote understanding of resource recycling.

Examples of Initiatives

Sponsorship of Community Events and Provision of Paper and Cardboard Products

Group company Osaka Paperware, which designs, manufactures, and sells packaging materials and paper products, sponsors the Takatsuki Jazz Street and Tonda Jazz Street music events held in Takatsuki City, Osaka Prefecture, where the company is headquartered. It also produces and provides cardboard products for the events. For Takatsuki Jazz Street, the signboard for the T-shirt booth was made of cardboard, while for Tonda Jazz Street, the company was again asked to make a containerboard sculpture and festival decorations, as the ones it previously made were well-received. In addition, the company has produced cardboard rugby balls, which were distributed at various events. These community-based activities not only help build good relationships with local residents but contribute to community development.



Takatsuki Jazz Street



Tonda Jazz Street

Digitalization



Fumio Watanabe

Executive Vice President
CIO

Digital Transformation and Strengthening IT Controls

In 2023, we established the DX Promotion Office, which is responsible for advancing digital transformation (DX) and strengthening IT controls throughout the group. DX promotion is based on two perspectives: digital transformation and digital optimization. Digital transformation is a strategic initiative aimed at business reform to help ensure our overwhelming competitive advantage in the market. It starts with deciding on a project policy in line with our management strategy of “winning through differentiation.” This is a large-scale strategic initiative that involves the participation of various business departments and company-wide divisions.

For digital optimization on the other hand, we first analyze group-wide operations to better understand the current situation, and then implement business reforms that are not bound by conventional procedures or structures. As digitalization progresses, the importance of IT controls is also increasing year by year. Starting in fiscal 2024, we will begin IT control audits throughout the entire group. In addition, we are working to establish the Basic IT Governance Policy and the Basic Information Security Policy as group-wide policies.

Through these initiatives, we will strengthen our competitiveness in the digital age and build a foundation for achieving sustainable growth.

Employees

Approach to Human Resources



Yasushi Takei

Executive Vice President
Administration, Planning &
Sustainability

We position human capital management as a critical issue in our management strategy, particularly in terms of promoting sustainability.

In OVOL Medium-term Business Plan 2026, which was launched in fiscal 2024, one of the fundamental principles is enhancing profitability by improving productivity and work engagement. To this end, we have set KPIs related to expanding our education and training systems, enhancing employee engagement, improving work styles, and ensuring diversity, and will implement specific measures to achieve these goals. For example, in 2023, when we conducted our first employee engagement survey, our rating was “B,” which is in the mid-range. However, for our KPIs for FY2026, we have set the goal of achieving

a “BBB” rating. To achieve this, we will strengthen communication and coordination functions to further share and promote management strategies, and conduct recruitment, placement, and training based on a human resource portfolio aligned with those strategies.

In working to realizing one of OVOL Vision 2030’s goals of becoming “a corporate group that strives to be considered a trustworthy and engaging partner both within and beyond the paper industry,” we will strengthen our human resources, our greatest form of management capital, and foster a corporate culture where diverse talent can continuously take on challenges by leveraging their individuality.



Work Environment

Recruitment of Employees

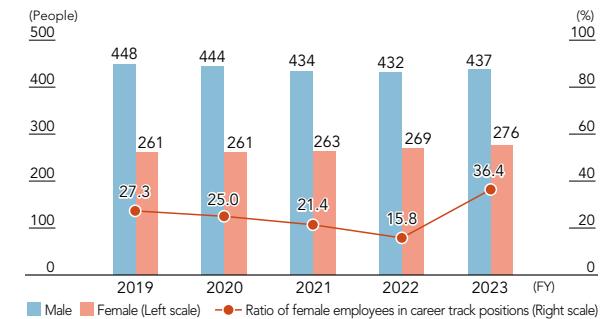
For the group to continue to sustainably increase its corporate value, it is essential to further strengthen human resources, which are our greatest form of management capital. For this reason, it is important to hire, train, and utilize excellent human resources.

Our hiring of employees is based on Our Corporate Spirit of integrity, fairness, and harmony, a belief that has been nurtured since our founding 179 years ago. We are committed to hiring people who can actively practice the 3Cs: “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. In OVOL Medium-term Business Plan 2026, we have set a goal of increasing the ratio of female employees in career track positions (parent company) to 30% or more. We achieved this target in fiscal 2023.

Number of Employees by Gender, and Ratio of Female Employees in Career Track Positions

(Parent company)



Human Resource Development

Japan Pulp & Paper has adopted a personnel system based on the Role Responsibility System. This system aligns the basic functions of management—vision and strategy development, performance management, and business execution—with the roles and performance responsibilities assigned to each employee. This framework serves as the basis for personnel management and is aimed at developing and utilizing human resources effectively. In terms of education and training systems aimed at developing human resources, we are promoting 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

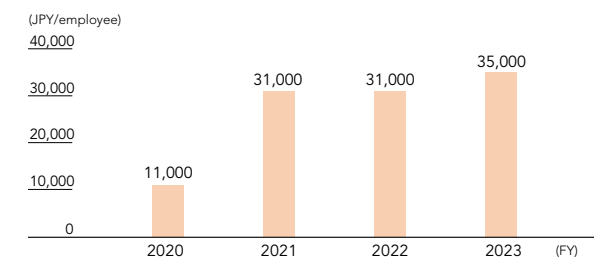
to give core personnel the necessary management knowledge and skills to solve and accomplish increasingly sophisticated and complex organizational and business challenges. In addition, one of our training programs is conducted outside of Japan to give employees a more international perspective and to develop their practical communication skills for interacting with international counterparts in foreign languages. As a part of 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 developing a curriculum, 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.

As part of OVOL Medium-term Business Plan 2026, we have set a target of more than tripling the investment in training and education compared with fiscal 2023, with the aim of raising the overall skill level of employees and developing specialists.

Cost of Training/Education per Employee

(Parent company)



Employees

Human Resource Development at Japan Pulp & Paper

Rank-based training	Newly appointed general managers: External management training
	Employees promoted to different grades: Training to understand expected roles
	Mid-career employees: Coaching and logical thinking training
	First three years after joining the company: Group training (Annually)

Selectable training courses	In-house group training
	External dispatch training
Other systems	Self-development support system
	Training programs conducted outside of Japan (Language study abroad and practical training)
	New recruit mentor program

Initiatives from FY2024

Introduction of the Udemy Business online training service (available to all employees)
Expansion of the participant range for selectable training
Introduction of external training for newly promoted general managers

Goal Management and Personnel Evaluation System

In business, goal management is essential for performance management. When combined with a personnel evaluation system, it promotes organizational motivation and individual skill development, and is an important factor in determining personnel management. The personnel evaluation system at Japan Pulp & Paper is comprised of Grade Standard Evaluation and Challenge Evaluation components. The system is used as a tool for employee development to maximize performance. In both setting goals and conducting evaluations, we emphasize clear communication between evaluators and those being evaluated to ensure fair evaluation of achievements and actions and increase transparency through feedback. We aim to enhance employees' sense of understanding and motivation.

Evaluation Criteria		Key Points
Grade Standard Evaluation		Expected standards for each grade are uniformly set as "Grade Standards," and the degree of performance and execution is evaluated.
Challenge Evaluation	Performance Evaluation	Evaluates the achievement of quantitative performance goals for the employee's organization
	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. <ul style="list-style-type: none"> • Emphasizes the ability to respond to difficulties and change • Requires the goals to be truly challenging

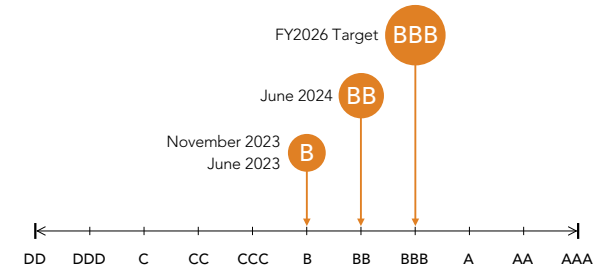
Engagement

The company recognizes that improving engagement through the promotion of human capital management is a critical issue for achieving our long-term vision. Since 2023, we have been conducting employee engagement surveys twice a year. By using feedback from survey results to identify and address organizational challenges, 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.

Challenges Identified and Initiatives Based on the Last Three Engagement Survey* Results

Challenges identified from the last three engagement surveys include the lack of communication of the group’s growth strategy to employees and the development of human resources through personnel rotation.

In response to these challenges, we are implementing training aimed at strengthening the coordination functions of management and restructuring our development program through rotation. Going forward, we will continue to further enhance engagement.



* The engagement 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.

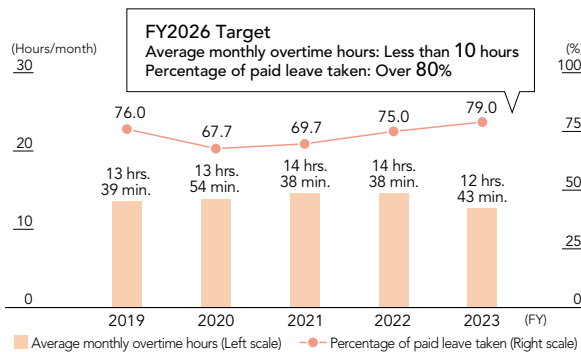
Health Management

We view human resources as our most important form of management capital and support each employee in taking the initiative to improve their health and increase their vitality. In addition to reducing overtime hours and creating an environment that makes it easier to take paid leave, we are further promoting workstyle reforms. As part of OVOL Medium-term Business Plan 2026, we aim to reduce average monthly overtime to less than 10 hours and increase the paid leave usage rate to over 80%, ensuring a

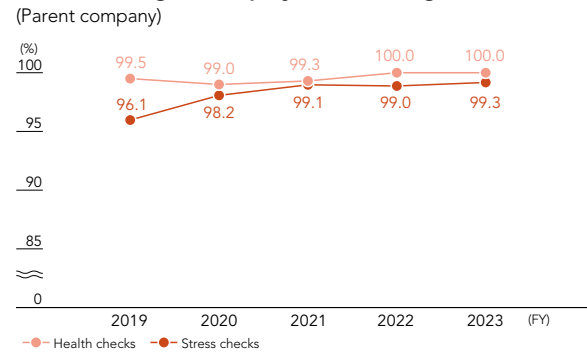
better work-life balance. As one of our initiatives to support employee health, we offer healthy menu options at the company cafeteria aimed at improving metabolic health and encourage employees to receive specific health guidance. To prevent strokes and cardiovascular diseases such as heart attacks, we have implemented smoking cessation support programs and hold walking events for all employees once a year. We also conduct various other initiatives such as holding multiple health seminars each year

to improve health literacy. In fiscal 2023, we were certified as a Health & Productivity Management Organization. In addition, we are improving the system-based management of health check data, and we will use this data to implement effective health measures. Our goal is to create a work environment where each employee can maintain both mental and physical health and perform at their best.

Average Monthly Overtime Hours and Percentage of Paid Leave Taken (Parent company)



Percentage of Employees Receiving Health Checks and Percentage of Employees Receiving Stress Checks (Parent company)



Japan Pulp & Paper Group Health Management Policy

<https://www.kamipa.co.jp/eng/sustainability/employees/health-management-policy/>



Employees

Occupational Health and Safety

The Japan Pulp & Paper Group has established the Occupational Health and Safety Policy, and 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 OVOL Environment & Safety Meetings, and progress is reported to the Executive Sustainability Committee. Efforts are overseen by the Board of Directors. In the same way that it has established systems for managing and ensuring compliance with environmental laws and regulations, the group works to improve safety management through self-management,

the Environment & Safety Promotion Office, and on-site visits by external experts. We also promptly share information on accidents and incidents within the group to prevent recurrence. The OVOL Environment & Safety Meetings held two general meetings for group companies in Japan in fiscal 2023, providing a forum for communication between employees on labor safety and health.

We have set the “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.

The group recorded zero fatal accidents in fiscal 2023.

Japan Pulp & Paper Group Occupational Health and Safety Policy

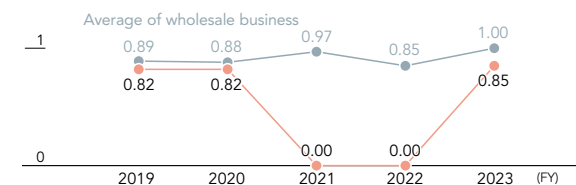
<https://www.kamipa.co.jp/eng/sustainability/employees/health-and-safety-policy/>

Occupational Accident Frequency Rate

(Parent company)

(Frequency rate)

$\frac{2}{}$



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 create new value by demonstrating their individuality and capabilities. We have also identified “diversity and inclusion” as a material issue for the group. Although we extended the retirement age to 65 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.

Promotion of Female Participation and Advancement in the Workplace

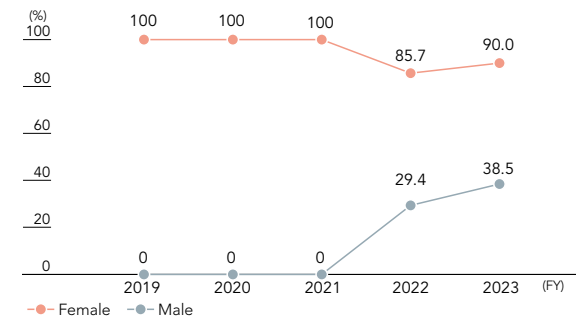
In order to realize a work environment in which all employees can create their own work-life balance, fully demonstrate their abilities, and continue to work regardless of gender, the company has created the Action Plan for Promoting Female Participation and Advancement in the Workplace. We are implementing 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 systems for hourly paid leave and for limiting work areas. In 2021, we received “Kurumin Certification” from the Japanese government for our childcare support activities. In OVOL Medium-term Business Plan 2026, we set the target for eligible male employees taking childcare leave at 100% or more, as part of efforts to further promote the advancement of women in the workplace.



Percentage of Chidcare Leave Taken

(Parent company)



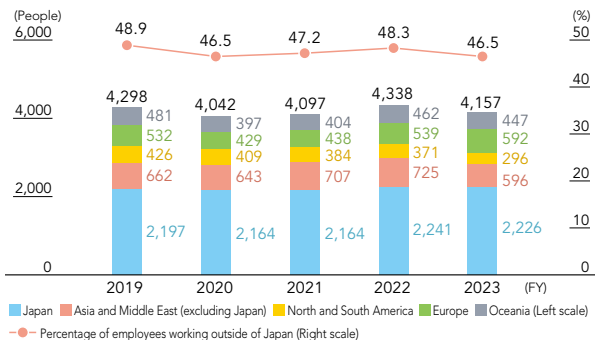
Note: The target for eligible male employees taking childcare leave, including the company's unique leave system, is 100% for fiscal 2026.

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 and Percentage of Employees Working Outside of Japan

(Consolidated)

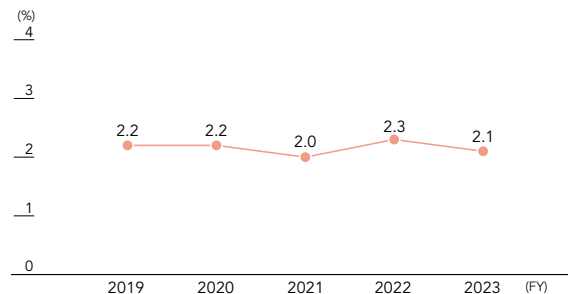


Employment of People with Disabilities

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)



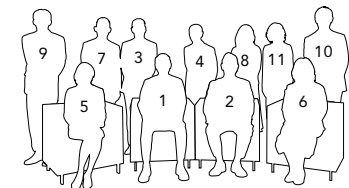
Promoting Understanding of LGBT Issues

In order to maintain 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.

Management Team (As of June 26, 2024)



- | | | | | | |
|---|---|--|---|--|---|
| 1 Akihiko Watanabe
Representative Director,
President & CEO | 2 Chihiro Katsuta
Representative Director | 3 Kazuhiko Sakurai
Director | 4 Tetsuo Izawa
Director | 5 Sumiko Takeuchi
Outside Director | 6 Yoko Suzuki
Outside Director |
| 7 Hiroshi Takahashi
Outside Director | 8 Rie Uesaka
Full-time Audit & Supervisory
Board Member | 9 Naofumi Higuchi
Outside Audit & Supervisory
Board Member | 10 Mitsutaka Honda
Outside Audit & Supervisory
Board Member | 11 Miyuki Fukushima
Outside Audit & Supervisory
Board Member | |



Directors

Akihiko Watanabe*

Representative Director, President & CEO

April 1982 Joined the Company
 June 2016 Director of the Board
 Executive Vice President
 April 2017 Representative Director, President of the Company
 April 2023 Representative Director, President & CEO of the Company
 (present position)

Sumiko Takeuchi Independent

Outside Director

June 2019 Outside Director of the Company (present position)

Significant Concurrent Positions

Director and Senior Fellow of International Environment and Economy Institute
 Co-representative of U3Innovations LLC
 Specially Appointed Professor at Tohoku University
 Outside Director of GRID INC.
 Outside Director and Audit Committee Member of NIPPON STEEL CORPORATION

Chihiro Katsuta*

Representative Director

April 1982 Joined the Company
 June 2016 Director of the Board
 Executive Vice President
 April 2017 Director of the Board
 Senior Executive Vice President
 June 2019 Representative Director
 Senior Executive Vice President (present position)

Yoko Suzuki Independent

Outside Director

June 2022 Outside Director of the Company (present position)

Significant Concurrent Positions

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.
 Auditor of NATIONAL ARCHIVES OF JAPAN
 Auditor of Maison franco-japonaise

Kazuhiro Sakurai*

Director

April 1982 Joined the Company
 June 2015 Director of the Board
 Executive Vice President
 June 2019 Director of the Board
 Senior Executive Vice President (present position)

Hiroshi Takahashi Independent

Outside Director

June 2023 Outside Director of the Company (present position)

Significant Concurrent Positions

None

Tetsuo Izawa*

Director

April 1981 Joined the Company
 June 2021 Director of the Board
 Senior Executive Vice President (present position)

* Director of the Board also serving as an Executive Officer

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

Audit & Supervisory Board Members

Rie Uesaka

Full-time Audit & Supervisory Board Member

April 1986 Joined the Company
 June 2020 Full-time Audit & Supervisory Board Member of the Company (present position)

Naofumi Higuchi Independent

Outside Audit & Supervisory Board Member

June 2016 Outside Audit & Supervisory Board Member of the Company (present position)

Significant Concurrent Positions

Representative of Higuchi Certified Public Accountant Office
 Professor at Tohoku University Accounting School
 Outside Director and Audit and Supervisory Committee Member of Nippon Aqua Co., Ltd.
 Director of the Japanese Institute of Certified Public Accountants
 Auditor of JMA Consultants Inc.

Mitsutaka Honda

Outside Audit & Supervisory Board Member

June 2023 Outside Audit & Supervisory Board Member of the Company (present position)

Significant Concurrent Positions

Attorney of Marunouchi Law Office
 Director of EBIC Co., Ltd.

Miyuki Fukushima Independent

Outside Audit & Supervisory Board Member

June 2023 Outside Audit & Supervisory Board Member of the Company (present position)

Significant Concurrent Positions

Representing Partner of FLAIR Accounting Firm
 Representative Director and President of MID POINT Corporation
 Outside Director and Audit and Supervisory Committee Member of NIPPON DENSETSU KOGYO CO., LTD.

Executive Officers

President & CEO

Akihiko Watanabe

Senior Executive Vice Presidents

Chihiro Katsuta

CFO

Kazuhiro 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 Shirovani

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

Masaaki Sato

General Manager, International Business Division

Susumu Tanaami

General Manager, Chubu Branch

Hiroshi Kashima

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

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

Roundtable Discussion among the Outside Directors



In aiming to realize OVOL Vision 2030, it is essential for the group to set a concrete path for how it will collaborate with stakeholders, drive transformation, and achieve growth.

Role of an Outside Director

Takahashi It has been one year since I was appointed as an outside director of Japan Pulp & Paper. To briefly share my background, I have 40 years of experience as a banker. Specifically, I have worked in areas such as screening and sales, as well as human resources and internal control.

In my view, the role of an outside director is to monitor financial strategy, investment strategy, human capital management, internal controls, and other areas, and provide management oversight, thereby facilitating a company's ability to achieve sustainable growth and enhance its medium- to-long-term corporate value. By oversight, I do not mean acting from a superior position, but rather supporting management by closely offering advice not only on prudent risk management (risk hedging) but also on appropriate risk-taking. Instead of optimizing individual aspects of management strategy, I take an optimal overall approach while avoiding the limitations of internal conventions (routine practices). I also strive to contribute by drawing on my knowledge as a banker to provide input on the company's intended course from an objective position while remaining firmly aware of investor perspectives.

■ Sumiko Takeuchi Outside Director

Joined Tokyo Electric Power Company (TEPCO) in 1994. Since 2012, she has served as director and senior fellow at the International Environment and Economy Institute (present position). She holds a PhD in Engineering from the School of Engineering at the University of Tokyo. She also serves as a specially appointed professor at Tohoku University, co-representative of U3Innovations LLC, and outside director and Audit & Supervisory Committee member of NIPPON STEEL CORPORATION. She has been serving as an outside director of Japan Pulp & Paper since 2019.

■ Yoko Suzuki Outside Director

Registered as an attorney in 1998. She has held various positions, including outside Audit & Supervisory Board member of Seven & i Holdings Co., Ltd. She currently also serves as outside director and member of the Audit Committee of Bridgestone Corporation and as auditor of NATIONAL ARCHIVES OF JAPAN. She was appointed as an outside director of Japan Pulp & Paper in 2022.

■ Hiroshi Takahashi Outside Director

Joined Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited) in 1985. He has held various positions, including managing executive officer of Sumitomo Mitsui Trust Bank, Limited, representative director and vice president of Japan Trustee Services Bank, Ltd., and director and senior managing executive officer of Custody Bank of Japan, Ltd. He currently serves as an advisor at Custody Bank of Japan, Ltd. He was appointed as an outside director of Japan Pulp & Paper in 2023.

Suzuki As an attorney now in my 27th year, with over 21 years of experience as an outside officer for listed companies, I have been involved in compliance and governance, including the provision of legal services, for companies and organizations of various sizes in different industries. As an outside director of Japan Pulp & Paper, I feel that, in addition to compliance and governance, the group's Corporate Philosophy and the corporate culture of "trust" that has been built up over its long history are important. I intend to contribute to the development of frameworks for sustainable management, which will support the company's pursuit of sustainable growth and solutions to social issues.

Takeuchi After gaining experience mainly in the environmental division of an electric power company, I became independent and have since been involved in environmental and energy policy research and advisory services, serving in roles such as a member of several think tanks, as a visiting professor at a university, and as a government delegate. Given that the environment and energy fields are now central to the management of Japan Pulp & Paper, I see one of my roles as outside director as providing long-term perspectives on management, informed by international trends.

Current State of Corporate Governance

Takahashi With regard to management and corporate governance at Japan Pulp & Paper, what has left the strongest impression on me during the past year is the enthusiasm with which the management team tackles issues such as strategy and the extremely lively discussions that take place during Board meetings. I believe that the company's governance framework, particularly the balance between execution and oversight, is functioning well, contributing to robust governance. My impression is that internal controls and corporate governance are functioning adequately thanks mainly to the attitude of top management, and internal audits are thoroughly conducted via on-site inspections.

I believe one area that could potentially be improved is group governance, including for subsidiaries outside of Japan. Although the company is named Japan Pulp & Paper, half of the group consists of companies located outside Japan. The company has adopted a "glocal" approach, delegating some degree of control to local management. Moreover, the growth strategy relies heavily on non-Japan M&As, and the expectation is that it will continue to add several companies each year. An extremely important challenge is therefore how to strengthen group governance within this glocal framework. I believe that further enhancing group governance and generating additional synergies will tie directly into the group slogan, "Paper, and beyond."

Suzuki One characteristic of governance here, as recognized by Mr. Takahashi, is the meticulous information-sharing and strong cooperation between the Audit & Supervisory Board, the Internal Audit Department, and the Board of Directors. The Audit & Supervisory Board operates through cooperation between full-time and outside auditors, ensuring appropriate reporting to the Board of Directors. Furthermore, the Internal Audit Office visits group companies, and produces detailed reports for presentation to relevant people. I believe this defensive governance approach is functioning effectively within the group.

As the group is actively pursuing M&As to support sustainable growth, offensive governance is also crucial. In recent years, many companies have newly joined the group inside and outside of Japan across different timelines and various industries, including both wholesaling and manufacturing. With this in mind, I believe that focusing not only on defensive governance but also on offensive governance—particularly in terms of group governance—will strengthen overall organizational capabilities and support sustainable growth.

Takeuchi Although this is an observation that relates more to corporate culture than governance, I find Japan Pulp & Paper to be a forthright, honest, and sincere company. For example, when there is bad news, or even when something is identified before it becomes an issue, President Watanabe

always shares it at the start of Board meetings. I therefore feel the company takes a proactive stance to sharing not just good news but, more importantly, bad news.

However, given the company's long history, there are times when I sense a high degree of homogeneity. As an outside director representing stakeholders such as investors, I sometimes wonder if certain perspectives or approaches are taken for granted. It is important that internal standards do not conflict with social norms, and I believe it is the responsibility of outside directors to act as a bridge between the company and the outside world.

Operation of the Board of Directors' Meetings

Suzuki At Board meetings, substantive discussions are held in a free and open manner, without distinction between internal and external directors. These discussions focus on topics that support the sustainable growth of the group, such as OVOL Vision 2030, OVOL Medium-term Business Plan 2026, and various management challenges. For example,



Roundtable Discussion among the Outside Directors

during the formulation of the new medium-term business plan, we thoroughly reviewed the results of the previous plan, for which the quantitative targets were achieved, and spent time discussing everything from the background for the new plan to the process of setting goals using backcasting.

Takeuchi As Ms. Suzuki mentioned, the Board of Directors actively engages in discussions that contribute to improvements in corporate value, and my assessment is that the Board is fulfilling its role. In preparing OVOL Medium-term Business Plan 2026, detailed discussions that included analysis and confirmation of the management environment and other factors were held. In these discussions, President Watanabe stated that he “poured his soul” into the plan. I consider this a rare and exceptional statement that reflects his strong will as a manager. As such, the plan incorporates realistic goals designed for practical implementation, and I have high expectations for the execution of future strategies.

Takahashi During the formulation of OVOL Medium-term Business Plan 2026, progress updates were provided four to five times. From a backcasting perspective, the key point is to

consider what transformations are needed starting from the present moment and how to achieve growth in pursuit of the long-term vision, and subsequently articulate a concrete path to reach the envisioned destination. President Watanabe demonstrated significant leadership in establishing the necessary frameworks, and I believe this is reflected in the plan. As a result, I believe an excellent plan was developed.

In my view, two key areas of OVOL Medium-term Business Plan 2026 are the transformation of awareness regarding consolidated management and the strengthening of human resources. I will first address the transformation of awareness regarding consolidated management. This overlaps with what I mentioned earlier, namely, the further enhancement of group governance. Raising awareness of consolidated management among all group employees is essential for implementing the first of the three fundamental principles of the plan: “Expand communication within and outside the group to significantly increase the value provided by our functions, services, and other offerings.” The next important issue in the plan is the strengthening of human resources or, put differently, human capital investment. This involves exploring how to enhance the skills of group employees and increase the value of human capital. For example, we may consider sending employees from the head office to subsidiaries outside Japan or appointing them as executives of such companies. Conversely, bringing foreign management personnel to the head office is another option to consider. A rotation of talent, including personnel from other countries, is necessary. Such efforts will eventually lead to the development of management talent, and ultimately translate into a succession plan for executive roles.

However, as outside directors, we still lack a full understanding of the company’s personnel systems. For example, we are not yet familiar with the details of areas such as personnel structures and salary and bonus systems. Going forward, I believe it will be essential to hold discussions outside of Board meetings, focusing on specific themes to promote human capital management within the group.

Takeuchi On the topic of human capital, I believe the challenge lies in deciding whether to develop generalists or specialists. Both approaches have pros and cons, so I believe we need to consider human capital management policies within an overall strategic framework by, for example, exploring the state of human capital management within the entire Japan Pulp & Paper Group.

Takahashi With regard to the evaluation of the Board’s effectiveness, the company conducts an annual self-assessment that is completed by each director, and requests input from each auditor. Based on this information, the effectiveness of the Board of Directors is evaluated, and I believe this properly ensures its effectiveness.

However, it is also important to assess effectiveness objectively. For example, while the current effectiveness evaluation questionnaire is well-designed, if repeated every year, it may become a routine exercise. In addition, from a third-party perspective, there may be feedback on the operation of Board meetings such as “conclusions are reached before discussions are finished” or “there is limited time for free discussion.” Governance has no predetermined goal, so I regard third-party evaluations and other inputs as a potential topic for future consideration with the view that they can energize Board discussions. I see no need to begin this process immediately, and I believe we should first enhance effectiveness by ensuring that outside directors fulfil their role, which is to bring external perspectives.

Suzuki At present, the Board consists of seven members, three of whom are outside directors—namely, an experienced corporate manager, a specialist in the environmental and energy fields, and an attorney. We each have a different perspective and work to ensure that important decisions are not made solely based on the insights of inside directors. I believe this enables the Board to effectively fulfill its roles and responsibilities.

To further enhance the effectiveness of the Board, the company holds preliminary briefings, typically two days before



Board meetings. Since last year, we have switched to a format where the executive officer responsible for the agenda presents the materials directly and shares comprehensive and detailed information, including background information on policies and measures. These thorough preliminary briefings enable the Board to concentrate on critical matters that need to be directly addressed with the management team.

Takahashi The preliminary briefings have proven effective. In the past, time was sometimes set aside at Board meetings to explain the background of the agenda, but now, thanks to the detailed preliminary briefings, discussions during Board meetings have become more focused on the core issues. This saves time, allowing us to cover more topics. In this way, we aim to improve the efficiency of the Board.

Takeuchi I believe it is crucial to translate the discussions of the Board of Directors into action throughout the entire group, leading to self-driven change. We need to encourage a spontaneous internal movement where employees are motivated to change and drive transformation themselves. I hope that suggestions from outside directors, as third parties, can serve as a catalyst for positive influence on these internal changes.

Suzuki In addition, the diversity of the Board, which is a prerequisite for its effectiveness, is sufficiently ensured, as is evident from our skills matrix. There are no pressing issues regarding the current skill set of the Board of Directors, and I do not see the need for immediate changes. However, as the group continues to achieve sustainable growth, this will remain an issue that I believe should continue to be discussed.

Takeuchi On the skills front, my impression is that the composition of the Board is extremely well-balanced. The proportion of female directors is also notably high for a company with such a long history. Regarding the skills matrix, while many companies generally indicate the relevant areas,

Japan Pulp & Paper goes a step further by articulating how these skills are necessary for realizing the group's growth story. I believe it is important to not merely disclose a skills matrix, but also to spell out how it ties in with the company's objectives. This helps us better understand what is expected of us.

Toward the Realization of OVOL Vision 2030

Takeuchi Although this may be a somewhat general observation, it is fair to say that, from a sustainability perspective, the actions an individual company can take are quite limited. This is why it is becoming increasingly important to collaborate across the entire supply chain under a long-term vision. As a distribution company with a long history, the company is in a position to connect diverse stakeholders, and I believe our role in this is significant. Returning to this principle and collaborating with stakeholders to move toward a broader vision is essential, and I recognize that the group is extremely proactive in this regard. However, as a company with a corporate culture centered on forthrightness, honesty, and sincerity, I believe the key challenge will be how flexible and resilient it can be in responding to changes in the environment. In these rapidly changing times, I aim to serve as an outside director who functions as a representative of all stakeholders.

Suzuki I believe that the group operates in a sector where social value and economic value can coexist more easily. For example, the group contributes to the reduction of plastic usage by promoting paper alternatives and has recycling businesses for both paper and plastic. I hope that it continues to steadily communicate this value, as well as the strengths of its traditional networks and the collective power of its diverse group companies, to all stakeholders at every opportunity.

As an outside director, I want to reaffirm to stakeholders that I will continue to closely monitor the progress of OVOL Medium-term Business Plan 2026 as the group strives to



achieve its long-term vision. In addition, since the group is committed to sustainable management, I aim to monitor its effective implementation by obtaining information that is closely related to on-site operations. Last year, I had the opportunity to visit a logistics facility, and I plan to pay close attention to how well the targets of the plan align with on-site realities going forward.

Takahashi The group has roughly 180 years of history, and sustainable management will be key to ensuring it continues to exist and grow 100 or 200 years from now. The necessary foundation for this will be human capital management, and strengthening this area will lead to better sustainable management, creating a virtuous cycle that will further enhance human capital management. I hope to help in this process from a management oversight position. Furthermore, as Japan makes strides in becoming a nation that excels in asset management, calls for management that takes into account capital cost and stock prices will only grow further. I therefore hope to fulfill my function in management oversight in my own way from an investor's perspective.

Governance

Approach to Governance

The Japan Pulp & Paper Group recognizes that further 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 26, 2024)

Number of Directors	Number of Audit & Supervisory Board members	Number and ratio of independent officers	Number and ratio of female executives	Organizational structure	Number of meetings of the Board of Directors*	Number of meetings of the Audit & Supervisory Board*	Number of meetings of the Nomination and Compensation Advisory Committee*
7 (3 outside directors)	4 (3 outside Audit & Supervisory Board members)	5 (45%) (3 outside directors) (2 outside Audit & Supervisory Board members)	4 (36%) (2 outside directors) (1 full-time Audit & Supervisory Board member) (1 outside Audit & Supervisory Board member)	Company with an Audit & Supervisory Board	18	13	1

* Number of meetings in fiscal 2023

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,

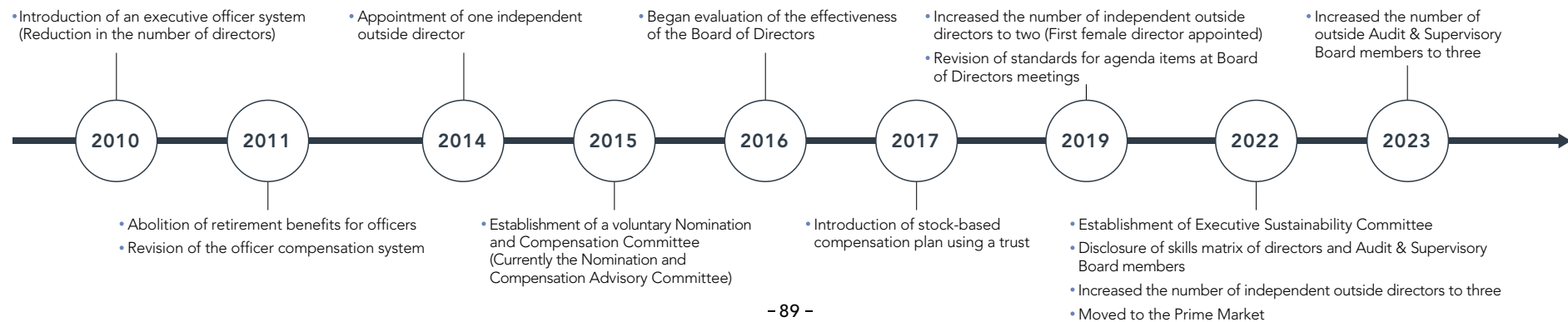
promoting fair and appropriate transactions and responsible procurement, and realizing coexistence and co-prosperity with stakeholders.

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.

Initiatives to Strengthen Governance

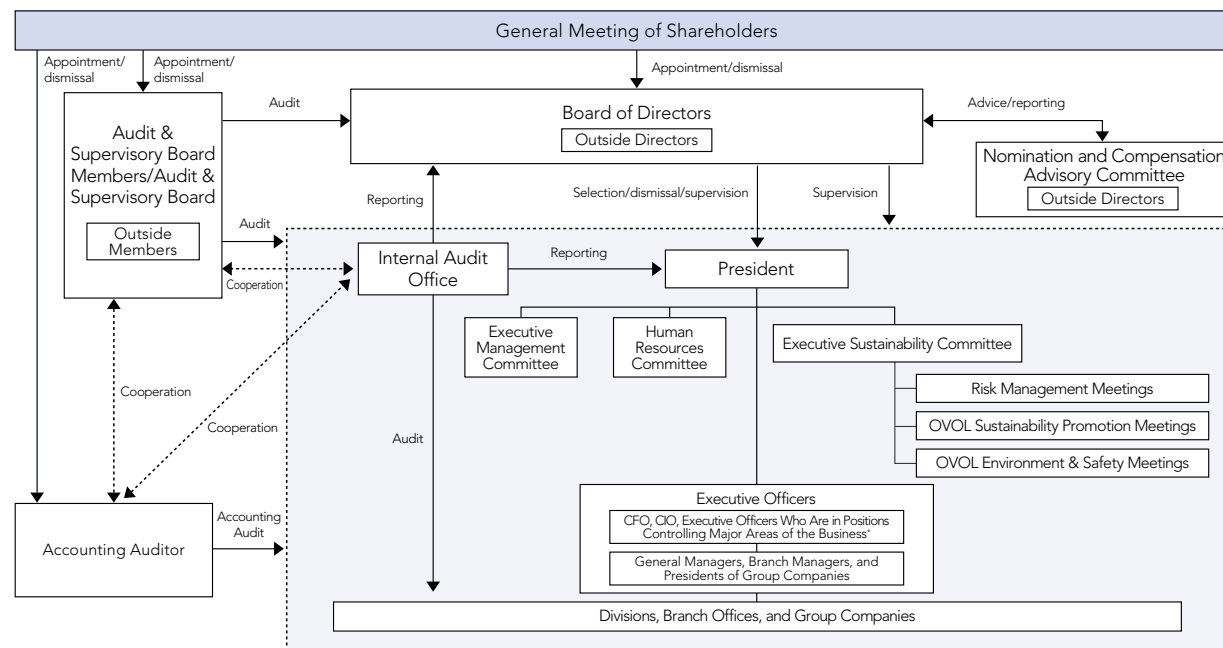


Overview of Corporate Governance Structure

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 or possess a high level of expertise. 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 transparency in 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.

Composition 7 directors, including 3 outside directors

Number of meetings held Held 18 times in fiscal 2023

Chairperson Representative director, President

Main agenda items for fiscal 2023

Distribution of dividends from retained earnings, transfer of real estate held by group companies, overseas M&A, formulation of the medium-term business plan, officer compensation (extension of the Board Benefit Trust (BBT) plan), acquisition of treasury shares, confirmation of appropriateness of cross-shareholdings, establishment of new regulations and improvement of related provisions regarding compliance with the Act on Prohibition of Private Monopolization and the Maintenance of Fair Trade, sustainability, and matters related to the effectiveness of the Board of Directors

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.

Composition 1 full-time Audit & Supervisory Board member and 3 outside Audit & Supervisory Board members

Number of meetings held Held 13 times in fiscal 2023

Governance

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.

Composition	Representative director, President (chairperson), 3 independent outside directors
Number of meetings held	Held 1 time in fiscal 2023
Main agenda items for fiscal 2023	<ul style="list-style-type: none"> • Proposal for election of director candidates • Proposal for election of candidates for Audit & Supervisory Board members • Deliberation on base monthly compensation for directors by position • Deliberation on base amount of bonuses by position and performance linked system • Deliberation on base amount of stock-based compensation by position

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.

Composition	Representative director, President (chairperson); full-time directors; CIO; executive officers who are in positions controlling major areas of the business;* (observer) full-time Audit & Supervisory Board member
Number of meetings held	Held 24 times in fiscal 2023

Executive Officers

The company has appointed a total of 27 executive officers, including four who are also directors as of June 26, 2024. 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 targets. Other executive officers focus on fulfilling their respective roles and improving results as general managers, branch managers, or presidents of group companies.

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.

Composition	Representative director, President (chairperson); the CFO (vice chairperson); CIO; executive officers who are in positions controlling major areas of the business;* branch general managers of the Kansai Branch and Chubu Branch
Number of meetings held	Held 12 times in fiscal 2023

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. Progress and action plans are reported regularly to the Board of Directors, and specific initiatives are entrusted to subordinate organizations, such as the Risk Management Meetings, the OVOL Sustainability Promotion Meetings, and the OVOL Environment & Safety Meetings.

Composition	Representative director, President (chairperson); full-time directors; CIO; executive officers who are in positions controlling major areas of the business;* (observer) full-time Audit & Supervisory Board member
Number of meetings held	Held 15 times in fiscal 2023

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

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 as defined in the rules 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, or other events, including environmental and occupational safety issues.

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) in management, adapt to changes in the business environment, maximize corporate value, 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 specialized knowledge of sustainability 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.

(As of June 26, 2024)

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	Sustainability
Akihiko Watanabe	Representative Director, President & CEO		○ Chairperson	8	●	●	●	●		●	●	
Chihiro Katsuta	Representative Director, Senior Executive Vice President			8	●	●	●			●	●	●
Kazuhiko Sakurai	Director, Senior Executive Vice President			7	●	●	●					●
Tetsuo Izawa	Director, Senior Executive Vice President			3	●	●	●					●
Sumiko Takeuchi	Director (outside)	○	○	5		●		●				●
Yoko Suzuki	Director (outside)	○	○	2						●	●	●
Hiroshi Takahashi	Director (outside)	○	○	1		●	●			●		●
Rie Uesaka	Audit & Supervisory Board Member (full-time)			4	●	●		●		●		
Naofumi Higuchi	Audit & Supervisory Board Member (outside)	○		8				●		●	●	
Mitsutaka Hondo	Audit & Supervisory Board Member (outside)			1							●	●
Miyuki Fukushima	Audit & Supervisory Board Member (outside)	○		1		●				●		

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

Governance

■ Reasons for Selection of Skills and Evaluation Criteria

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

Item	Reason for Selection	Evaluation Criteria
Industry insight	<ul style="list-style-type: none"> Necessary to have people who can make appropriate decisions and supervise important business operations as part of a leading paper distribution company 	<ul style="list-style-type: none"> Directors who are promoted to the position from within the company Experience in management at other companies in related industries Experience as a director of an industry association
Corporate management	<ul style="list-style-type: none"> Necessary to have people who can effectively develop sustainable growth strategies, and execute and supervise operations amid major changes in the business environment Necessary to have people who can utilize management experience at other companies as an outside officer 	<ul style="list-style-type: none"> Experience as a director of Japan Pulp & Paper or executive officer in a position controlling major areas of business Experience as a president of a subsidiary (Outside officers) Experience as a representative director, president or vice president, etc., at other companies Experience as an entrepreneur
Sales	<ul style="list-style-type: none"> Necessary to have people with extensive knowledge and experience in sales as our main business is wholesaling and distribution 	<ul style="list-style-type: none"> Experience in management of departments related to sales, marketing, and procurement
Global	<ul style="list-style-type: none"> Necessary to have people with extensive knowledge and experience in management outside of Japan and understanding of such business environments in order to achieve global growth and expand our Non-Japan Wholesaling segment 	<ul style="list-style-type: none"> Experience in management of departments related to business outside of Japan Experience as an officer of a subsidiary outside of Japan Experience as a member of an international organization Experience as a participant in international conferences
Finance and accounting	<ul style="list-style-type: none"> Necessary to have people with extensive knowledge and experience in the fields of finance and accounting in order to formulate a financial strategy for ensuring accurate financial reporting, build a sound financial base, promote M&A, and maintain stable dividends 	<ul style="list-style-type: none"> Management experience related to financial management, fund procurement, loans, and accounting Necessary to have people with relevant knowledge and experience, certified public accountants, tax accountants, etc.
Legal affairs and compliance	<ul style="list-style-type: none"> Necessary to have people with extensive 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 	<ul style="list-style-type: none"> Management experience related to risk management and compliance departments Experience as a member of a third-party committee Necessary to have people with relevant knowledge and experience, lawyers, etc.
Human resource management	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Experience as a chairperson of a human resource committee, or in the management of a human resource department
Sustainability	<ul style="list-style-type: none"> Necessary to have people with extensive 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 	<ul style="list-style-type: none"> Experience in management of a department related to sustainability, ESG, the SDGs, renewable energy, etc. Experience as a member of advisory bodies and various organizations on sustainability, ESG, and the SDGs Consultants, people with relevant knowledge and experience, and examiners

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. Candidates should also display outstanding character and insight. 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, 2024	
				Board of Directors	Audit & Supervisory Board
Outside Directors	Sumiko Takeuchi	○	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 supervise and provide advice on the overall management of the group, and to contribute to strengthening corporate governance from an objective, professional standpoint, using her advanced professional knowledge and abundant experience as stated above. Significant concurrent positions: Director and Senior Fellow of International Environment and Economy Institute; Co-representative of U3Innovations LLC; Specially Appointed Professor at Tohoku University; Outside Director of GRID INC.; Outside Director of NIPPON STEEL CORPORATION	17/18 (94.4%)	—
	Yoko Suzuki	○	Yoko Suzuki has not been involved in the management of a company other than as an outside director and Audit & Supervisory Board member, but possesses abundant knowledge and experience in corporate legal affairs, having served as an outside director and Audit & Supervisory Board member at several companies, and as a director and auditor at several corporations, in addition to her advanced professional knowledge as a lawyer. The company elected her as an outside director to supervise and provide advice on the overall management of the group, and to contribute to strengthening corporate governance from an objective, professional standpoint, using her advanced professional knowledge and abundant experience as stated above. Significant concurrent positions: 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.	18/18 (100%)	—
	Hiroshi Takahashi	○	Hiroshi Takahashi has a wealth of knowledge and experience in corporate management, having worked in a variety of operations 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 group, and to contribute to strengthening corporate governance from an objective and professional standpoint. Significant concurrent positions: None	14/14 (100%)	—
Outside Audit & Supervisory Board Members	Naofumi Higuchi	○	Naofumi Higuchi has experience in auditing many companies as a certified public accountant. He has a wealth of knowledge related to 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. He has also served as an outside Audit & Supervisory Board member of the company since 2016 and has sufficient knowledge of the group's business operations to fulfill his responsibilities, including providing recommendations and advice to the Board of Directors and business execution divisions based on his extensive experience, broad insight, and professional perspective. Significant concurrent positions: Professor at Tohoku University Accounting School; Representative of Higuchi Certified Public Accountant Office; Outside Director and Audit and Supervisory Committee Member of Nippon Aqua Co., Ltd.; Director of the Japanese Institute of Certified Public Accountants; Auditor of JMA Consultants Inc.	18/18 (100%)	13/13 (100%)
	Mitsutaka Hondo	—	Mitsutaka Hondo 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. Significant concurrent positions: Attorney of Marunouchi Law Office	14/14 (100%)	10/10 (100%)
	Miyuki Fukushima	○	After leaving her previous company, Miyuki Fukushima has since 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. Significant concurrent positions: Representing Partner of FLAIR Accounting Firm; Representative Director and President of MiD POINT Corporation; Outside Director and Audit and Supervisory Committee Member of NIPPON DENSETSU KOGYO CO., LTD.	14/14 (100%)	10/10 (100%)

Governance

Initiatives to Improve the Effectiveness of the Board of Directors

In fiscal 2023, a questionnaire survey on the effectiveness of all directors and Audit & Supervisory Board members was conducted, and was used as the basis of discussion by the Board of Directors. Based on the results, the number of outside officers has increased to six (55%), and there are now four female officers (36%) out of the total of 11 directors (including Audit & Supervisory Board members), further enhancing diversity. In addition, compared with the previous fiscal year, deliberations on topics such as group governance, internal control, risk management,

sustainability, and ESG were enhanced. Transparency in providing information to outside officers was also improved, and it was confirmed that lively discussions were taking place during meetings, ensuring the effectiveness of the Board of Directors is secured. On the other hand, skills in digital transformation (DX), manufacturing technologies, and quality/safety management were recognized as skills that will be necessary going forward. Moreover, areas such as group governance, internal control, risk management, sustainability, ESG, and evaluation of effectiveness of

investments, as well as management strategies related to DX and human capital were identified as themes to be further developed in discussions. Streamlining the agenda, simplifying reporting items, incorporating investor feedback into Board discussions, enhancing advance explanations, and reviewing methods for sharing materials were also recognized as issues to address. Taking this evaluation into account, we will make the necessary improvements and continue to secure and improve the effectiveness of the Board of Directors.

Fiscal 2022 Evaluation		Fiscal 2023 Evaluation	
Summary of Evaluation Results	The composition of the Board and operations were deemed appropriate, and open and lively discussions were held during Board meetings, ensuring the effectiveness of the Board of Directors.	Summary of Evaluation Results	The composition of the Board and content of discussions has been further enhanced, and transparency in providing information to outside officers has been maintained. Open and lively discussions continue to take place during meetings, ensuring the effectiveness of the Board of Directors.
Issues Identified (Themes for Further Development)	Management strategies, evaluation of effectiveness of investments, human capital initiatives, corporate governance including group governance, and internal control/risk management	Issues Identified (Themes for Further Development)	Streamlining the agenda, simplifying reporting items, incorporating investor feedback in Board discussions, enhancing advance explanations, and reviewing methods for sharing materials
Response to Issues	Necessary improvements will be implemented as appropriate, and we will continue to maintain and enhance the effectiveness of the Board of Directors.	Response to Issues	Necessary improvements will be implemented as needed, and we will continue to maintain and improve the effectiveness of the Board of Directors.

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 explanations 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. Moreover, 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 October 2023, training on business and human rights was held with external experts invited to conduct the session in person.

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.

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.

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

of each 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.

4 Compensation (Fiscal 2023)

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)	276	119	110	46	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	24	24	—	—	1
Outside officers	73	73	—	—	8

Note: As of the end of fiscal 2023, 7 directors (including 3 outside directors) and 4 Audit & Supervisory Board members (including 3 outside Audit & Supervisory Board members) are eligible.

Governance

Approach to 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 assessment of whether the earnings from transactions and dividends exceed cost of capital, as well as a qualitative assessment of the medium-to-long-term business relationship with the company in question. If a company's holdings are determined to be no longer necessary, they are sold to reduce our holdings.

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	As of March 31, 2024	Change from the Previous Year
Number of shares (of which, listed shares)	124 (58)	120 (56)	120 (56)	0
Amount recorded on the balance sheet (Millions of yen)	23,918	23,191	29,279	6,088
Percentage of consolidated net assets (%)	23.84	18.08	21.16	3.09 points

Message from the Full-Time Audit & Supervisory Board Member



Rie Uesaka

Audit & Supervisory Board Member
(full-time)

The role and responsibility of Audit & Supervisory Board members is to live up to the trust shareholders have placed in them by auditing and supervising the execution of directors' duties. In this way, we help establish a sound corporate governance system. As a full-time Audit & Supervisory Board member, I attend important meetings such as meetings of the Executive Management Committee and the Executive Sustainability Committee, gather information on various issues, and, when necessary, have discussions with executives of the group. The content of the discussions is shared not only with other Audit & Supervisory Board members but also with outside directors.

One area of focus is group governance. Japan Pulp & Paper has been actively pursuing M&As to expand its business. In recent years, the number of group companies (both in and outside of Japan) has increased, and we are promoting efforts to strengthen group company audits to ensure proper management oversight. For example, each year we visit group

companies in and outside of Japan to conduct interviews and observe whether or not governance is functioning appropriately. Through collaboration with the Internal Audit Office and auditing firms as well as at subsidiary auditor liaison meetings, we work to standardize auditing processes and checklists. We also hold study sessions on financial and operational audits and exchange information.

Japan Pulp & Paper's business model and strengths have been cultivated over its long history, but there is now growing momentum to transform these elements and take on new challenges. I can sense that the company is in the process of change. In the midst of these changes, I am committed to supporting the company's transformation based on the belief that it is the responsibility of an Audit & Supervisory Board member to help establish a system for achieving sound and sustainable growth, creating medium-to-long-term corporate value, and living up to the trust placed in us by society.

Compliance


Approach to Compliance

The group recognizes compliance as one of the most important aspects of promoting sustainable management and has identified it as a material issue. Furthermore, our Charter of Corporate Behavior and Code of Conduct for Executives and Employees mandate strict adherence to laws and regulations based on our Corporate Philosophy. In addition to legal compliance, the group also promotes adherence to the Charter of Corporate Behavior, various regulations, societal rules, customs, and other social norms through education provided to executives and employees. To ensure thorough implementation, we promote compliance within each organization through the OVOL Sustainability Promotion Meetings, under the direction of the Executive Sustainability Committee.


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

The Japan Pulp & Paper Group's Charter of Corporate Behavior is a guide for ensuring that all executives and employees recognize the values that have been cultivated over the years, and constantly embody them. It is also part of efforts to further promote sustainable management. The Code of Conduct for Executives and Employees defines the values and actions that should be pursued by executives and employees of the group in their daily business activities. 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.

Japan Pulp & Paper Group Charter of Corporate Behavior

 <https://www.kamipa.co.jp/eng/sustainability/management/charter/>

Japan Pulp & Paper Group Code of Conduct for Executives and Employees


 <https://www.kamipa.co.jp/eng/sustainability/management/code/>

Free, Fair, and Transparent Business Activities

The Japan Pulp & Paper Group 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 that may be deemed 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. Under the supervision of the Board of Directors, we are implementing an anti-bribery and anti-corruption program aimed at preventing bribery of public and government officials as well as inappropriate demands of business partners.

Japan Pulp & Paper Group Antimonopoly Law Compliance Policy

 <https://www.kamipa.co.jp/eng/sustainability/governance/antimonopoly-policy/>

On April 11, 2023, the Japan Fair Trade Commission conducted an on-site inspection on the suspicion of violation of the Antimonopoly Law in relation to a bid for recycled roll paper with the National Printing Bureau. On March 14, 2024, we received notification that the company was found to have been involved in the violation.

In connection with this matter, we petitioned the Japan Fair Trade Commission for the leniency program, voluntarily reported past violations, and fully cooperated with the commission's investigation. In the end, we did not receive a cease-and-desist order or a surcharge payment order. We take this matter seriously and have formulated measures to prevent a recurrence, some of which have already been implemented to ensure compliance with the Antimonopoly Law.

Going forward, we will continue to enhance compliance with the Antimonopoly Law and ensure adherence with all other aspects of compliance. We will steadily work to prevent a recurrence and implement the prevention measures formulated in response to this matter.

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.

Governance

Initiatives to Ensure Compliance

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

Compliance awareness activities	Target	Frequency of meetings in fiscal 2023	Number of participants and participation rate
Rank-based compliance training	New employees, new managers, and seconded employees of Japan Pulp & Paper	3 times	41 participants
Harassment prevention training	Non-managerial employees	1 time	616 participants
e-learning tests	Executives and employees of Japan Pulp & Paper and group companies in Japan	2 times	Average participation rate: 99.3%
Information on amendment to the Act on the Regulation of Chemical Substances	Japan Pulp & Paper managers	1 time	7 participants

■ 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. In addition, the Internal Audit Office regularly monitors the operational status of the whistleblower system as part of internal control.

In fiscal 2023, we received reports from whistleblowers regarding 30 different cases and a large number of the reports involved personal criticism of superiors or colleagues. Regarding the reports, we have appropriately set the scope of information sharing and, depending on the content, consult with legal counsel. We then respond earnestly to reports and work toward resolving any issues.

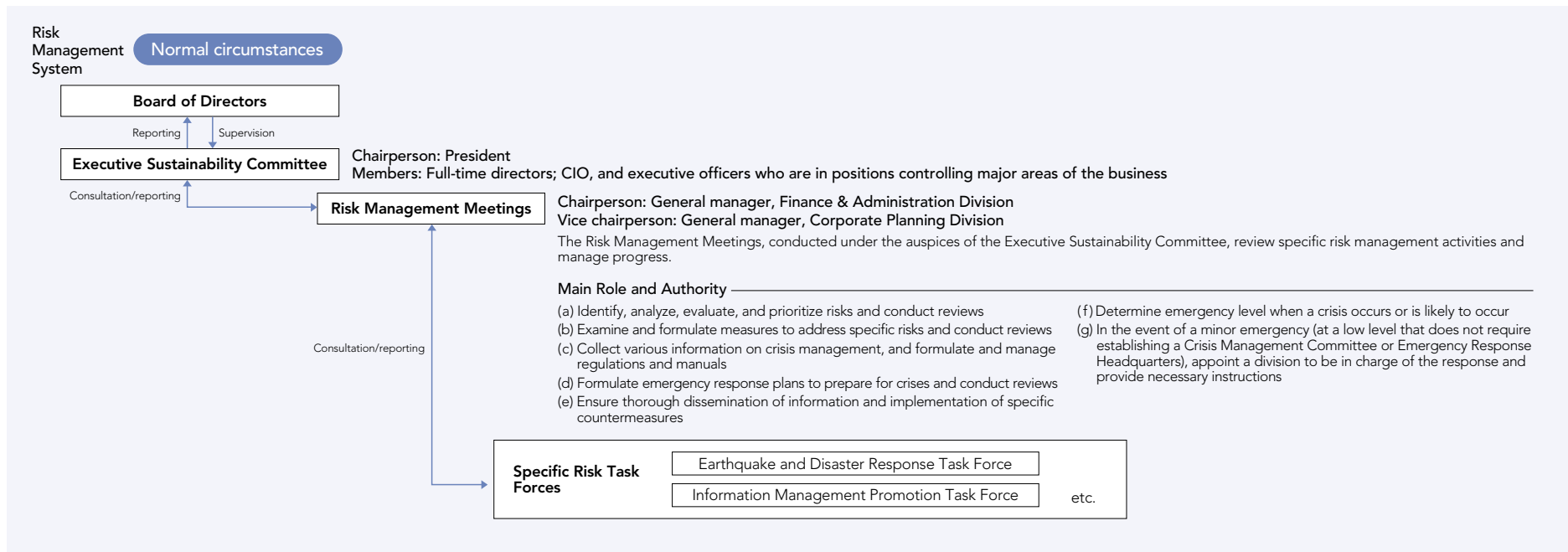
Risk Management

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 relationships of trust built with customers and business partners, as well as loss of social credibility. 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

Members of the Executive Sustainability Committee discuss and approve annual activity plans related to risk management and confirm the progress of these plans on a quarterly basis. The committee also reports to the Board of Directors, which supervises these activities. 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.



Governance

Business Risks

Risks that could significantly influence the decisions of investors regarding the group are as follows. Items marked with a ★ are those deemed to require particularly significant measures based on the results of risk assessments. For risks (and opportunities) related to climate change, refer to page 70 “Response to Climate Change.”

Risks			Segment impacted				
Classification	Subclassification	Details	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		●	●	●	●		
Risks of impairment of property, plant, and equipment	●	●	●	●	●		
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. ★	●	●	●	●	●
	Other risks	Risks of fluctuation in market value of investment securities held	●	●	●	●	●
		Risks related to IT and security	●	●	●	●	●
		Risks related to litigation	●	●	●	●	●
		Human resource and labor-related risks ★	●	●	●	●	●
		Risks related to human rights issues	●	●	●	●	●
Risks related to recoverability of deferred tax assets		●	●	●	●	●	

Addressing Issues That Require Group-wide Measures

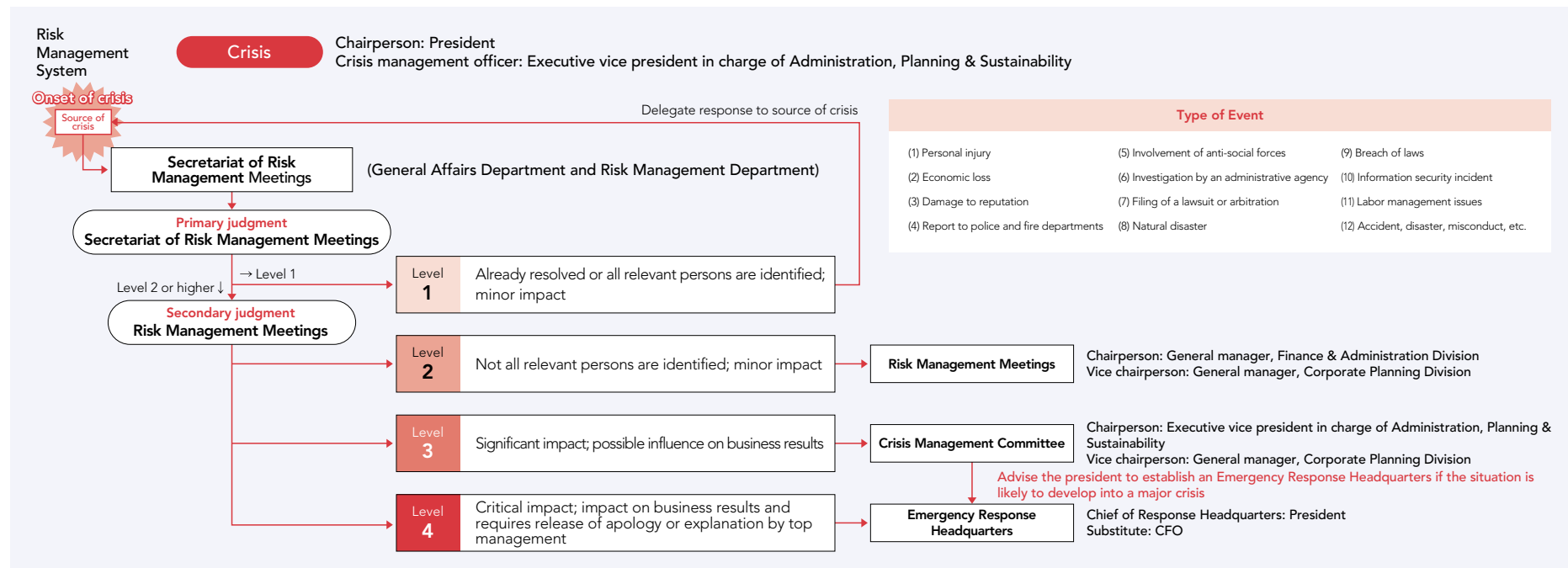
We conduct risk assessments with the aim of identifying risks that are important from both a group-wide and medium-to-long-term perspective and in terms of enhancing future risk countermeasures. In the risk assessments, we have established approximately 130 evaluation items to comprehensively identify various risks. We assess risk based on two axes (impact and likelihood of occurrence) and consider the level of measures in place at the time of the assessment in order to identify priority issues.

The secretariat of the Risk Management Meetings conducted a risk assessment of Japan Pulp & Paper and all group companies in and outside of Japan between the end of fiscal 2023 and the first half of fiscal 2024. An analysis of the responses indicated the need to review and strengthen measures for risks related to natural disasters as well as human resource and labor-related risks, which were recognized as a shared challenge for the group. In addition, although not included in the aforementioned list of business risks, we reconfirmed that measures to ensure the safety of executives and employees residing outside of Japan and to respond to accidents at facilities were insufficient.

Based on these results, the Executive Sustainability Committee will decide on a final list of significant risks and implement countermeasures throughout the group.

Crisis Response Structure

In the event that a risk with a significant negative impact on the group’s management or business materializes, a Crisis Management Committee, with ultimate responsibility held by the president and chaired by the executive vice president 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.



Governance

Messages from Outside Audit & Supervisory Board Members



Naofumi Higuchi

Outside Audit & Supervisory Board Member

Watching over the company's response to global management

Compared with eight years ago when I became an outside Audit & Supervisory Board member, the company's business has expanded, its strengths have grown, and the portfolio has significantly changed. I feel the company is transitioning to the next growth stage. This shift is reflected in the recently announced OVOL Medium-term Business Plan 2026, which clearly states the company's ambition to realize its long-term vision as

detailed in OVOL Vision 2030. The plan also sets out specific, ambitious frameworks and strategies, reflecting a significant change in the company's stance. I feel that its financial strategy, approach to shareholder returns, and capital policy are more market-conscious than ever before. Going forward, it will be essential to ensure that the growth strategy is fully understood by investors and stakeholders. I expect the company to expand its efforts to communicate its initiatives to the market and engage in IR activities and dialogue that earn a positive evaluation.

As the company continues to accelerate its business expansion, I believe it is necessary to establish an integrated management system that is in line with global business operations. Specifically, from the perspective of appropriate financial reporting and corporate governance, I believe it is time to consider unifying IT controls, financial reporting, and auditing functions at the global level. The company's financial reporting system and internal audit departments have always been maintained at an appropriate level as a prime market-listed company, and I hold that in high regard. The company needs to further enhance its management foundation by creating a system that enables efficient and accurate collection of financial and non-financial data from both group companies in and outside of Japan. I will continue to offer suggestions and oversee efforts in this area.



Mitsutaka Honda

Outside Audit & Supervisory Board Member

Strengthen global governance, while always keeping risk in mind

Since I took up the position of outside Audit & Supervisory Board member in 2023, I have been surprised by how extensive the company's activities are, and how it continues to grow despite a shrinking paper industry. The company is currently promoting OVOL Medium-term Business Plan 2026. In formulating this plan, I was conscious of the need to maintain an external perspective. On the other hand, I believe that the independent position

of an Audit & Supervisory Board member is meaningful in itself. Having an additional step in the management process enables better and more accurate monitoring.

The company's auditing system is well-established, but it is also a fact that there was an issue related to compliance with the Antimonopoly Law. The company took this matter very seriously and has reflected deeply on it. I believe that executives and employees of the group have a strong awareness and are committed to continuous improvement going forward. Another characteristic of the company is its system for making constant improvements through a process of information sharing with the Audit & Supervisory Board and discussions at Board of Directors meetings. A major challenge going forward will be strengthening global governance as the business continues to expand globally. I believe the group must always monitor risks and maintain a system for ensuring effective governance throughout the entire group. I will continue to conduct audits that support the company's growth in the right direction.



Miyuki Fukushima

Outside Audit & Supervisory Board Member

Enhance communication and strengthen group governance

Since assuming the role of outside Audit & Supervisory Board member in June last year, I have been able to gain an understanding of the company's revenue structure and financial position. Even before my appointment, I viewed the company as one that has steadily grown and been able to increase its corporate value. Upon reviewing the company as an outside Audit & Supervisory Board member, I gained a deeper

understanding of how well the company's management foundation is established. Regarding governance, the company has successfully balanced an open corporate culture with supervisory functions. This became evident in the process of formulating OVOL Medium-term Business Plan 2026, where the background, objectives, and specific policies were thoroughly explained and discussed by the Board of Directors and Audit & Supervisory Board.

If I had to point out an issue, it would be that the company needs to further enhance the disclosure and dissemination of non-financial information, such as initiatives related to sustainable management and human capital management. I hope it can establish a system for accurately communicating the group's initiatives to stakeholders, fostering good relationships, and co-creating new value. As the group continues to expand in line with business growth, some of its group companies are small and medium-sized so it must strengthen group governance in areas such as enhancing the level of governance and accounting procedures as well as global tax planning. The company has a strong management foundation, led by the president, capable executives, and the right people in the right positions. I will continue to make suggestions to ensure that governance is enhanced at all group companies, while further strengthening communication.

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 contribute to realizing 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"> PR activities including information made available via our website Response to inquiries submitted via our website <i>Integrated Report</i> Exhibitions, trade shows, and events Promotional and advertising activities
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"> Intranet Issuing of the group magazine (four times a year) Issuing of the <i>Compliance Letter</i> Issuing of the <i>OVOL Sustainability News</i> newsletter Issuing of the <i>OVOL Bridges Express</i> disclosure summary HR appraisal/self-evaluation system Employee engagement survey Dialogue sessions between management and employees Training and seminars Internal and external consultation desks "Something New" activities
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"> Communication through business activities Dissemination of information through our e-commerce sites Responses to inquiries via e-commerce sites Certification and registration for CSR procurement

Type of Stakeholder	Description of Communication	Main Communication Activities and Methods
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"> General Meeting of Shareholders Financial results briefings for analysts and institutional investors (twice a year) Meetings with analysts and institutional investors as necessary (held 27 times in fiscal 2023) Securities Report Financial Report Timely disclosures to Tokyo Stock Exchange Response to surveys by ESG rating agencies
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"> Organizing exchange events with local community residents at our business facilities Signing agreements with local governments on disaster prevention cooperation and support for disaster prevention and mitigation Social contribution and volunteer activities
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"> Collaboration with NPOs and NGOs through our business Sponsorship and participation in events, etc.
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"> Appropriate communication with relevant government authorities and local governments Activities through industry associations