

A *Message* from the President

The paper industry is a typical recycling-oriented industry that is able to reuse timber, the bounty of nature, as well as such used products as recycled resources. Giving consideration to the environment in all phases of operations—from raw materials procurement and production processes to the handling of finished products—the industry is able to realize efficient recycling oriented operations that place little burden on the environment. In other words, recycling-oriented operations represent the foundation of the paper industry.

Based on this perspective, Nippon Paper Industries Co., Ltd., formulated its Environmental Charter in 1993 and has vigorously progressed with environment-improvement activities. We would now like to provide a brief description of the environment-improvement activities that we are currently carrying out.

The successful implementation of environment-improvement activities depends largely on raising the environmental awareness of each individual employee. With this in mind, we have placed high priority on carrying out activities to obtain ISO 14001 certification at all mills and plants under our “second medium-term management plan,” a three-year management plan begun in 1998. We secured this certification at all mills and plants as of December 1999, one year ahead of schedule. At present, we are widening the scope of these activities to encompass all Group companies. Moreover, we expect to achieve the targets of our Zero Discharge Campaign as well as our goals for energy conservation and wastepaper reuse rates among all raw materials.

In addition, with the aim of carrying out balanced environment-improvement activities, we recently revised our Environmental Charter. We added “Disclose environment information” within the Basic Policies, are striving to carry out activities that meet the scrutiny of the public, and aiming to achieve the targets of our Zero Discharge Campaign—the total elimination of waste materials. The Basic Law for Establishing the Recycling-Based Society was formulated at a recent ordinary



session of the Japanese Diet and will encourage the effective reuse of resources, including by-products. Nippon Paper has moved in advance of the enactment of this law. To this end, we also plan to take the same type of proactive approach toward the PRTR Law for managing waste for specified chemical substances.

In March 2001, Nippon Paper established a joint holding company with Daishowa Paper Manufacturing Co., Ltd., and is aiming for further growth of its operations. By strengthening our corporate structure, we are fortifying our ability to carry out activities that protect the environment.

In an era in which activities that consider environmental protection are essential, we ask for your opinions and seek to incorporate these into our future environmental activities. We hope that this brochure gives you a better understanding of our environmental activities.

December 12, 2000

A handwritten signature in black ink that reads "M. Kobayashi". The signature is fluid and cursive.

Masao Kobayashi
President and CEO

Nippon Paper's Basic Policy Regarding Environmental Problems—Paper Is Ecological

Ecology

Paper plays a key role in culture as an essential medium for conveying information. To produce paper, the paper industry consumes large volumes of wood and energy. Wood is a recyclable resource that is also utilized in wastepaper, and conservation efforts are paramount in carrying out the large-scale harvesting of wood from limited land resources. Nippon Paper has steadily made successive achievements in such related areas as afforestation activities, biotechnology, and pulp yield improvement technologies.

On another front, Nippon Paper is also directing its efforts toward recycling. In 1999, Nippon Paper increased and strengthened its de-inked pulp (DIP) facilities, thereby sharply raising its usage rates for wastepaper to 27%. In 2001, we intend to raise this ratio to more than 31%. An increase in wastepaper consumption has been accompanied by a rise in paper sludge effluent, also making the reduction of waste materials a crucial issue. Nippon Paper has been progressing with its Zero Discharge Campaign aimed at totally eliminating waste materials, and, as of the end of this fiscal year, all mills and plants had achieved Zero Discharge.

Chloroform and benzene, which are by-products of the paper production process, have been designated as toxic air polluting substances and the entire industry is making efforts to reduce emissions of these substances. Nippon Paper is specifying the causes of the formation of these substances and is publicizing such information. These efforts have led to halting the use of chloride and hypochloride in the pulp bleaching process and the upgrading of incinerators. We are also progressing with efforts to respond to other designated toxic substances besides those designated under the

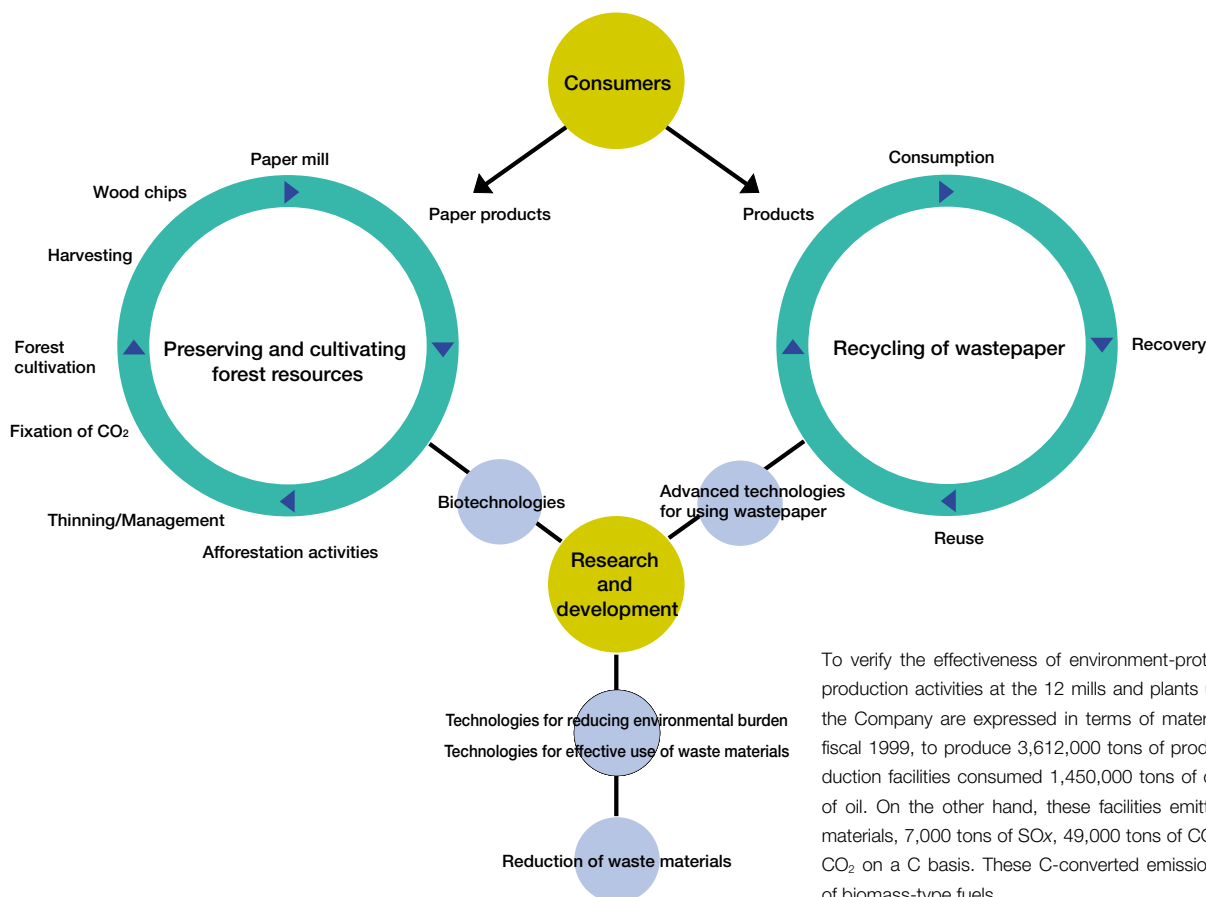


PRTR Law, and these efforts include using safe substitute products.

To ensure that paper is ecological, we are carrying out activities with consideration to making safe and efficient use of all materials related to our business activities.

Souji Ban

Senior Managing Director, Environmental Activities
General Manager, Technical & Engineering Division



To verify the effectiveness of environment-protection activities, trends in production activities at the 12 mills and plants under the direct control of the Company are expressed in terms of materials inflow and outflow. In fiscal 1999, to produce 3,612,000 tons of products, the Company's production facilities consumed 1,450,000 tons of coal and 529,000 kiloliters of oil. On the other hand, these facilities emitted 17,000 tons of waste materials, 7,000 tons of SO_x, 49,000 tons of COD, and 2,268,000 tons of CO₂ on a C basis. These C-converted emissions included 897,000 tons of biomass-type fuels.

Looking at trends over a five-year period, although production declined in fiscal 1998, total production during the period expanded 7%, or 236,000 tons. Although purchases of coal were down slightly, emissions of CO₂ increased 3%, reflecting rises in the volume of crude oil consumed and the use of coal types with less coal-ash content. On the other hand, Nippon Paper achieved various reductions, including a 5% reduction in water consumption during manufacturing processes, 17% in COD, 10% in SO_x, and 90% in the volume of landfill waste material.

●INFLOW AND OUTFLOW OF MATERIALS ACCOMPANYING PRODUCTION●

(Unit: 1,000 tons)

Classification		Category	Unit	FY93	FY94	FY95	FY96	FY97	FY98	FY99	
Inflow	Raw materials	Wood chips	1,000 tons	3,062	3,279	3,372	3,439	3,733	3,360	3,509	
		Logs	1,000 tons	202	195	188	183	167	153	135	
		Pulp (purchased KP, MP)	1,000 tons	208	277	259	196	194	138	189	
		Wastepaper (purchased DIP)	1,000 tons	522	556	579	600	600	674	791	
		Inorganic materials	1,000 tons	438	445	492	530	580	532	521	
	Water	Water used in production process	1,000 tons	—	394,991	399,284	389,191	381,159	372,461	375,884	
	Energy	Purchased electricity	1,000 MWh	449	400	304	484	497	552	498	
		Coal	1,000 tons	1,218	1,382	1,438	1,411	1,429	1,450	1,411	
		Various types of heavy crude oil	1,000 tons	503	462	486	481	484	456	529	
		Others	1,000 tons	33	38	39	37	37	38	39	
Produced materials	Product	Paper, pulp, composite products, others	1,000 tons	3,055	3,208	3,376	3,364	3,581	3,429	3,612	
Outflow	Waste materials	Soil	Solid	Landfill	1,000 tons	164	150	152	116	65	18
		Air	CO ₂	Portion created (fossil fuel)	1,000 tons	1,224	1,294	1,337	1,332	1,346	1,341
	(as C)		Recycled (biomass)	1,000 tons	805	851	867	890	949	850	897
	Water	SO _x	as SO ₂	1,000 tons	8	8	8	7	7	6	7
		COD	Total volume of COD and/or BOD	1,000 tons	58	57	59	56	53	52	49
	SS		1,000 tons	31	27	25	23	24	23	23	

In accordance with the type of transaction, figures for wood chips and raw logs are expressed in dry weight and pulp and wastepaper are expressed in weight containing equilibrant water amounts.

Environmental Charter—Aiming for Truly Recycling Oriented Management

Policy

During 1999, Nippon Paper achieved ISO 14001 certification at all mills and plants and expects to achieve its numerical targets, including those set in its Zero Discharge Campaign. In March 2000, the Company made a second revision to its Environmental Charter, which was formulated in 1993.

First, within the Basic Policies, we added “Disclose environment information.” This is in line with efforts to vigorously disclose the information necessary to receive opinions and feedback from the public as we strive to carry out well-balanced activities to improve the environment.

We also have significantly revised our Action Guidelines. To this end, we have set the target of zero discharge, the total elimination of waste for landfill; established new energy-saving targets; included utilizing such unused resources as RPF as well as targets for reusing wastepaper; and are responding to PRTR

standards through such measures as changing to elemental chlorine-free bleach.

Environmental Charter

■Basic Philosophy

Guided by the basic aim of carrying out sustainable corporate activities compatible with the environment, each employee of Nippon Paper will work energetically to maintain and preserve the global environment.

■Basic Policies

1. Protect and cultivate resources.
2. Make effective use of energy.
3. Improve and protect the Earth's environment.
4. Develop technologies with due consideration to the environment.
5. Disclose environmental information.



Hiraku Nihei

General Manager, Environment Department

■ Action Guidelines

1. Create and protect forest resources.

- (1) Progress with afforestation activities.
 - Progress with Tree Farm Concept afforestation activities overseas to create sustainable sources of hardwood tree chips.
 - Target: Afforested area—more than 100,000 hectares
 - Wood chips supplied annually from afforested area—more than one million dry tons
 - Fiscal year for achieving target: 2008
 - Achieve a more-than-70% ratio of afforested trees as a percentage of total hardwood tree imports by 2008.
- (2) Promote the effective use of such timber resources as timber waste and residual timber waste.
- (3) Cultivate timber resources through the development of advanced technologies.
- (4) Manage Company-owned forests with consideration to the natural environment.

2. Limit the environmental burden.

- (1) Strengthen the management of the handling of chemical substances designated by the PRTR Law and restrict emissions of such substances.
- (2) Establish self-imposed management numerical targets and work to reduce environmental burden.
- (3) Formulate and implement a self-imposed management plan to restrict emissions of toxic environmental pollutants.
- (4) Aggressively progress toward the use of ECF kraft pulp bleaching methods (a bleaching method not requiring the use of chloride).

3. Progress with energy conservation and effectively utilize unused energy.

As an energy-conservation target, Nippon Paper will strive for a 10% improvement in energy used per product by 2010 compared with fiscal 1990. (This includes an 18% increase in energy use through recycling and quality-related countermeasures).

- (1) Improve the energy efficiency of general machinery 3%.
- (2) Achieve an 11% improvement in energy efficiency by making large-scale investments, including for highly efficient recovery boilers.
- (3) Promote the effective utilization of RPF (utilizing previously unusable paper and waste plastic as a solid fuel) for wastewater sludge and others.

4. Expand the use of wastepaper.

- (1) Achieve a DIP mixture of 70% for newsprint.
- (2) Expand the use of wastepaper from fine paper as well as from magazines.

5. Reduce waste materials.

By minimizing the outflow of waste materials and promoting the effective reuse of such waste materials, Nippon Paper aims to reduce waste materials for landfill to less than 0.1% of the dry weight of the product by 2003, with the aim of eliminating all waste for landfill.

6. Recycle containers and packaging materials.

- (1) Support the conversion of liquid packaging into reusable resources while aggressively expanding the use of recycled products.
- (2) Simplify wrapping for packaging and aggressively promote a shift toward recyclable materials.

7. Make environmental considerations for product and process planning as well as research and development.

- (1) Consider ways to reduce the environmental burden in the development of new products.

- (2) Consider ways of reducing the environmental burden when upgrading facilities.
- (3) Progress with R&D for reducing environmental burden.

8. Purchase materials with consideration to the environmental impact of these materials.

- (1) Use materials that do not create toxic substances and make efforts to procure materials that can be effectively reused.
- (2) Promote a shift toward the use of shipping methods, containers, and packaging materials that place little burden on the environment.

9. Consider the environment when carrying out overseas activities.

While strictly adhering to environmental standards in overseas countries where the Company has operations, Nippon Paper will make further efforts to carry out appropriate environmental protection activities in accordance with the situation in local regions.

10. Aggressively transfer environmental protection related technologies to overseas countries.

From the perspective of building a recycling oriented society, vigorously promote the transfer of DIP manufacturing technologies and other technologies to overseas companies.

11. Aim to further upgrade our environment management systems based on the achievement of ISO 14001 certification.

12. Continue with public information disclosure and education activities.

- (1) Issue environmental reports on a regular basis and disclose the state of our environmental responses.
- (2) Continue with employee educational activities.
- (3) Participate in and provide support for environmental protection activities at the local level.

■ Implementation Structure

1. Appoint a board director in charge of environmental activities.

An officer (board director) in charge of environmental activities will be appointed and the Environment Department will be established to supervise environmental activities.

2. Establish an environment committee.

An environment committee will be established to engage in such activities as following the progress of compliance with Action Guidelines and evaluating results. When the need arises, special committees will be established to respond to particular environmental issues.

3. Conduct environmental audits.

Implement an environmental audit by the Environment Committee at least once per year and the director in charge of environmental activities will report at the meeting of directors. The audit plan will be formulated separately.

4. Date of implementation: April 5, 1993

First revision: June 25, 1996

Second revision: March 22, 2000

For the Action Policies, a review is being carried out in response to a change in conditions.