Our company’s history of over a hundred years is one of good and trustworthy relationships with all of our stakeholders; in other words, our customers, our shareholders, our suppliers, our employees and the regional community. Moving forward, we will strive to be an even finer papermaking company and continue to respond to the needs of our stakeholders with sincerity.

Hokuetsu Kishu Paper Corporate Philosophy

To contribute to society as a superior paper company and earn the trust of our stakeholders.

We will work to further earn the trust of our customers, stockholders, trading partners and the local communities we operate in by upholding the law and pursuing transparent business activities. We will provide attractive products and services to meet customer needs. Through a relationship of mutual trust between labor and management, we will create a bright and vigorous corporate culture that nurtures creativity and a thirst for challenge. Through commitment to environmentally conscience management, we will strive for sustainable growth.

Created: April 1st, 2003
Revised: October 1st, 2009
Editing Policy

By appropriately presenting in this CSR report information on the activities that our corporate group takes to meet stakeholder expectations from the perspectives of the “Economy,” “Environment” and “Society,” we hope to earn the greater understanding of the public regarding the many initiatives our corporate group works on, to deepen communication with our shareholders, and to improve our corporate value as a papermaking company.

Period Covered

April 1st, 2009 – March 31st, 2010
(Some activities taking place after the subject period have also been included)

Companies Covered

Hokuetsu Kishu Paper Co., Ltd. and major consolidated subsidiaries

Issued

September 2010
(previous issue: September 2009; Issued annually)

Publisher

President & CEO Sekio Kishimoto

Contact

Hokuetsu Kishu Paper Co., Ltd.
General Affairs Division
3-2-2 Hongoku-cho, Nihonbashi, Chuo-ku, Tokyo
103-0021 Japan
Tel: +81-3-3245-4500
Fax: +81-3-3245-4511

Guidelines Used

GRI (Global Reporting Initiative), “Sustainability Reporting Guideline Edition 3 (G3)”

Website

www.hokuetsu-kishu.jp
Information regarding our corporate group, including the contents of this report, are posted on the Company’s website.

Meaning of the Cover Photo

In Anamizu Village on the Noto Peninsula are company-owned groves used for forestation operations. The grove holds many coniferous trees such as Japanese cedar, Japanese cypress, and Ate (aka Noto Hiba), and is diligently cared through branch trimming and tree thinning. The trees in this grove, tended by human hands, are brimming with fresh life force.

Table of Contents

Message from the President and CEO 5

Harmony with the Environment 6
Forestry Around the World (Forestations Operation in South Africa) 8

Harmony with the Society 10
Relationship with Suppliers 12
Relationship with Customers 14
Relationship with the Community 14

Corporate Data 16
Summary of Hokuetsu Kishu Paper Group 18
Management Data 20
Environmental Accounts 20
MESSAGE FROM PRESIDENT

At Niigata East Port
How to Remain Worthy of Everyone’s Expectations and Trust as a Company that Connects Man, Society and Nature

For over a hundred years, since the founding of our company, we have pursued corporate development while at the same time giving back to society. Our philosophy is expressed through the motto “Papemaking with a Soul,” which has always been a cornerstone of our business practices. Connecting man, society and nature through the medium of paper, we have pursued a management course focused heavily on CSR in order to remain worthy of everyone’s expectations and trust.

“In Order to Meet the Demands of as Many Customers as Possible”
Our corporate group, as of October 2009, has made Kishu Paper Co., Ltd an affiliate company through an exchange of shares. Through this move, we have created a structure that is more ready than ever to meet the needs of our customers as a distinct paper manufacturer corporate group whose core business is printing and publication paper, white paperboard and specialty papers. Further plans are in place to absorb Kishu Paper Co., Ltd in April 2011 in order to improve our management efficiency and corporate value. We will continue to respond sincerely to our customers’ expectations and trust and to walk forward into the future hand-in-hand with our customers.

“Reinforcement of International Cost Competitiveness”
In September 2008, with the purpose of developing and increasing our sales in the overseas market, our company put into production a new size number nine paper machine (N9) at our Niigata Mill. At the same time, as a means to promote regional economy and reduce logistics costs and CO2, we have commenced the strategic use of the Niigata East Port to facilitate increasing product export quantities. Through such initiatives as these, we have been working to reinforce our international cost competitiveness.

“Improved Compliance Framework”
Compliance is an absolute condition for corporate survival. At our corporate group, we have created a new compliance team as a support organization for the Chief Compliance Officer who reports directly to me. Our compliance framework has been further improved by these measures, and they will lead to improved internal control and quality control frameworks as well.

“Aiming to Foster Healthy Forests”
Our corporate group has been implementing a wide range of environmentally conscience management policies such as sustainable wood procurement, manufacturing processes with a small environmental footprint, and a shift to energy sources with low CO2 emissions. Particularly in regards to our corporate groves, we manage roughly 12,800 hectors of forest over several locations in Japan, and with the “effective utilization of thinning timber” and “operations conscience of biodiversity” as our basic tenets for operation, we will continue to strive for sound forestry operations.

“Fulfilling our Corporate Obligation by Maintaining Employment”
The domestic paper and pulp industry is still stuck in a recession. At our company too, in response to decreasing demand, we were forced to halt work at some of our production facilities last year. However, we have not implemented any employment-related measures such as personnel cutbacks. This is because we feel that maintaining the employment of personnel is an important responsibility of all corporations and because we strongly believe that we have the role of helping to maximize our employees’ potential and that our employees in turn help us to grow as a company.

Sekio Kishimoto
President and Chief Executive Officer
Hokuetsu Kishu Paper Co., Ltd.
Hokuetsu Kishu Paper Co., Ltd. imports wood chips from the Republic of South Africa

Our company imports wood chips from South Africa through a local forestry co-op called the NCT Group. The NCT Group implements a form of forestry based on scientific theory in order to protect and nurture the forest. Here we introduce the initiatives put in place by the NCT Group.

Sustainable forest management operations are being carried out.
The “NCT Mapping System” is used to manage and operate almost all of the afforested land of NCT, comprising 340,000 ha of forestland owned by over 2,000 NCT members. The NCT Forest Management Technology Service Department operates the “NCT Mapping System,” and there is a division that creates maps and a division that instructs and advises based on the yearly sustainable production quantity figures.

1. Map Creation
Maps are made from taking aerial photo data shot from NASA satellites, and adding forest borderlines and forestry history into it. The aerial photos are update every 5 years, and the forestry history data – which includes information on forestland area, tree types, and the number of years a particular area has been the subject of forestation – are updated annually.

2. Estimating the sustainable production quantities and providing instruction and advice to company team members
For forestry over the long term, it is necessary to comprehend how much production (logging quantity) each forest or grove can support. To this end, the map data that comprehensively includes forestland area, tree types, etc., is merged with a vast amount of data obtained from the ICFR (Institute for Commercial Forestry Research) and the annually possible production quantity is estimated. Based on the results, instruction and advice is given to our team members regarding the annual possible production quantity.

3. Instructing for Optimal Tree Types During Reforestation
Harvested areas are immediately reforested, and the area manager will instruct on what the optimal tree type for the protection and healthy nurturing of the forest is based on past research results, experience and knowledge.

Mr. Zak who is in charge of cartography.

The map data from Mr. Zak (area/tree type/tree age for each grove group) and the data from the ICFR (taking into consideration the 3 factors of tree type/regional precipitation, annually average temperature, and altitude – the research data shows the annual average growth in the past) are linked together. The photo is of Lauren who works on this task.

What was once a savannah has transformed into forestland.
Forestry Co-Operative NCT

Hokuetsu Kishu Paper imports high quality wood chips from a affiliate company of a local forestry co-operative (NCT) located in the Port of Durban in the Republic South Africa. Actually, all exports from this port are for Hokuetsu Kishu Paper. We also have set up a forestation operation joint venture with Mitsubishi Corp and NCT, and have prepared a tight cooperation structure with NCT to build a continuous supply chain from forestation to chip processing. NCT promotes conservation activities for animals and plants based on South African governments policies. It has been decided that in areas that are completely subject to forestation, NCT group will protect 10% as an ecosystem showcase area.

Since 2002, NCT has been providing funding for 8 years to support conservation activities of the Endangered Wildlife Trust. In natural preserve regions, zebras and impalas can be seen on a daily basis, and the strelitzia that is popular in Japan as a cut flower can be seen growing in the wild.

The full degree of biodiversity found in South Africa is well represented here.
Making use of biomass energy, seeking a reduction in CO₂ emissions even further.

In Ibaraki Prefecture, where the Kanto Mill (Katsuta) is located, there are many cutting edge research institutions for next generation energy research. At the Kanto Mill (Katsuta), a wood biomass boiler that uses wood fuel has been in operation since 2006, and papermaking using biomass energy has been going on.

The Mill’s electricity is being provided for through biomass boiler power generation.

At the Kanto Mill (Katsuta) a wood biomass power generator boiler using wood fuel has been installed. This biomass boiler is one of the largest of its kind in Japan and has been in operation since 2006. It produces 41 thousand kW. The factory’s power requirements at its peak times are roughly half of this. The rest is sold off. When biomass is burned, it produces CO₂ in the same way that fossil fuel such as oil and coal do, but plants, during their process of growth absorb CO₂ through photosynthesis. In other words, on a global scale the CO₂ balance has been maintained at plus minus zero. This is the concept of carbon neutrality, and it is an energy source that contributes to CO₂ reduction. The Kanto Mill (Katsuta) has been making paper using biomass energy.

Hokuetsu Forest Ibaraki Office

Construction wood refuse and decommissioned pallets have traditionally been burned, but these now are being transformed into wood fuel. The Kanto Mill (Katsuta) purchases wood fuel from wood fuel manufacturing companies in the southern part of the Tohoku region and the northern Kanto region. In order to assure a stable supply, one of our group companies, Hokuetsu Forest, has opened a wood fuel manufacturing and storage facility in Hitachiota City Myanosato Industrial Park located in Ibaraki prefecture. Construction wood refuse is turned into wood fuel by finely pulverizing the pieces into 5 to 10 centimeter bits, which improve combustion efficiency.

Loading Wood Chips at the Myanosato Wood Fuel Manufacturing Factory

ROC (Return on Carbon)

ROC is a new corporate evaluation index to score low-CO₂-high-profit companies. The ROC is the company’s annual operating income divided by the CO₂ emission quantity during that period, and the higher the value, the less CO₂ is required for the company to produce the same amount of profit. Hokuetsu Kishu Paper showed high values in the papermaking industry in the FY2008 data published by the Boston Consulting Group. We believe this to be a result of our equipment investment in cutting edge high efficiency facilities, active introduction of the biomass boiler and energy saving initiatives that our company has been pushing forward with.

Data Source: “Return on Carbon FY2008 Data” September 2009, Boston Consulting Group

1 million yen / CO₂ thousand t
The biomass generator boiler from the outside

Wood-fuel pulverized for fuel being carried to the boiler

The burning inside of the boiler. The combustion temperature is roughly 850˚C

The central control room where the facility is monitored and controlled 24 hours, around the clock

Our company has been consistently implementing front-line CO2 emission reduction measures. In 2008, to meet our stakeholders' expectations, we put into operation the new N9 machine, one of the largest in the world. With the start of operations of the new machine, an increased consumption in energy was foreseen, and in response we installed the number eight recovery boiler which runs on black liquor (resin that is created when fibers are removed from woodchips) to reduce CO2. Furthermore, as a corporate-wide initiative, the Kanto Mill (Katsuta) and the Niigata Mill have installed biomass boilers, and the Kanto Mill (Ichikawa) and Nagaoka Mill have converted to natural gas boilers. To this day we are pushing energy saving equipment and facilities and we have achieved our FY2009 CO2 basic unit goals.

Hokuetsu Kishu Paper’s CO2 Emission Basic Unit Progression

Energy composition for FY2009

Hokuetsu Kishu Paper Group Total: Heat Quantity Ratio
We have been developing a relationship of trust with our suppliers both domestic and overseas in order to procure raw materials.

**Relationship with Suppliers**

Hokketsu Kishu Paper “Basic policy for raw materials procurement”

At Hokketsu Kishu Paper, in order to provide products that our customers can feel comfortable using, based on the principles spelled out in the Environmental Charter of Hokketsu Kishu Paper, we pursue raw material procurement practices that place importance on linkages with our business partners.

1. **Environment First**
   - With the Environmental Charter of Hokketsu Kishu Paper as a basis for raw material procurement, we will procure materials in a way that our customers can feel comfortable with.
   - For wood materials, overseas procurement is limited to lumber from forestation projects. Furthermore, by increasing our overseas operations, we have increased the percentage of supply from our own corporate forest resources. For domestic procurement, we are promoting the secondary use of satoyama and nurturing as well as use of unused wood.
   - We will procure our wood resource in a way that assures the protection of biodiversity and the health and safety of the laborers.

2. **Open and fair transactions**
   - We open our doors to all suppliers and engage in fair and open transactions.

3. **Legal compliance and disclosure of information**
   - We procure raw materials that are in compliance with relevant laws.
   - We ensure that the raw wood materials from our overseas suppliers are from appropriately managed forestry resources through direct investment and transactions, and disclose information regarding our wood chip sources.

4. **Reciprocal trust and prosperity**
   - We build a history and trust with our business partners, develop a relationship of trust, and strive for the best procurement practices possible regarding the environment, safety, quality and cost under a spirit of co-existence and co-prosperity.

**Wood chip sources (used in FY 2009)**

- **Malaysia**
  - Sabah state: Tawau, Sabah state
  - Others: Acacia

- **Japan**
  - Fukushima prefecture: Aizubangemachi, Minami Aizuma
  - Yamagata prefecture: Shinjo city, Yonezawa city
  - Niigata prefecture: Asahimura
  - Others: Acacia

- **Brazil**
  - Estado de Rio Grande do Sul: Taquari
  - Others: Acacia

- **Australia**
  - Western Australia: Bunbury
  - Others: Eucalyptus

- **New Zealand**
  - North Island: Whangarei
  - Others: Acacia

- **Chile**
  - Fifth state: Concepcion
  - Others: Acacia

- **South Africa**
  - Kwazulu-Natal Province: Richard’s Bay, Durban
  - Others: Eucalyptus

Note 1: The fundamental principle of the Environmental Charter established by Hokketsu Kishu Paper is to make a social contribution toward the maintenance of an abundant global environment by working toward environmentally friendly business activities in order to achieve the high standards expected of an excellent company and realize a society of sustainable development. To realize this, our fundamental policy includes 1) the protection and cultivation of forestry resources; 2) the reduction of environmental impacts from our business activities; and 3) the promotion of resources and energy efficiency.

Note 2: Maintenance of biodiversity is the maintenance of a healthy environment in which diverse life forms may thrive. It is directly connected to the maintenance of soil and water resources.

FSC (Forest Stewardship Council) is an international forestry certification third party agency whose goal is to promote forest management that appropriately protects the forest environment, is profitable to the regional community, and is economically sustainable.
Reinforce supplier relationships based on direct transactions.

The woodchips that Hokuetsu Kishu Paper procures from overseas is mostly supplied by South Africa and Chili, though Australia and South East Asia are also sources.

Overseas Woodchip Dealings Basic Policy
Traditionally woodchips were imported through trading houses in Japan, but in recent years, we have been transitioning to dealing directly with suppliers without going through a trading house. In doing so, we share information with the overseas supplier directly, helping to cultivate an even closer trust relationship between the two parties. Currently over 40% of the woodchips procured overseas for the Hokuetsu Kishu Paper Group is done through direct dealing. For these types of direct deals, an increased level of language ability, logical structure and active response ability are required, matching well the basic policy of internationalization for the Hokuetsu Kishu Paper Group.

Investment in South African Forestation Companies
In September 2008, Freewheel was established as a joint venture with the local forestry co-op NCT and Mitsubishi Corp for the purpose of managing forestation land. As a president of this company a person was sent from Hokuetsu Kishu Paper to Pietermaritzburg in South Africa. This company harvests eucalyptus and acacia trees, sends them to Durban or Richards Bay in South Africa to be processed into chips, and then exports to Hokuetsu Kishu Paper. In this way, by investing directly into a local forestation company and having active communication with the local woodchip supplier, we have been reinforcing our relationship with overseas suppliers.

Hokuetsu Forest, promoting the sustainable harvesting of satoyama.

Domestically procured woodchips are supplied from our group company Hokuetsu Forest. Hokuetsu Forest owns 3 chip factories in Fukushima Prefecture and Yamagata Prefecture, and in addition to collecting the raw lumber and managing the shipments of woodchips, they perform onsite inspections and hand in logging applications to confirm the legality of the collected raw material and wood chips. Woodchips shipped from Hokuetsu Forest make use of Japanese Oak and painted maple trees that have already renewed themselves through sprouting. Forestation is managed through sprouting renewal so that the satoyama’s function remains sustainable.

Cooperation with Occupation Trial Experiences
Forestry and wood processing is an important industry in the Okitama Region of Yamagata Prefecture. In Yonezawa City, found at the center of the Okitama Region, Hokuetsu Forest has its Yonezawa Factory where in cooperation with the local junior high school, 3 students get to experience the work of the chip factory every year. The students learn the process of woodchip processing, from the receiving of materials obtained in local forests to the creation of woodchips for papermaking use. By maintaining a close relationship with the local community, we hope to nurture the future generation of workers for the forestry and wood processing industry, which are so important for papermaking.
At Hokuetsu Kishu Paper, we believe that continuing to supply products of the quality that our customers require is an important social responsibility. By sincerely listening to our customers’ voices on a daily basis, we pursue high quality products that can earn our customers’ satisfaction. We have also been pursuing a quality control structure based on obtaining ISO9001 and ISO14001 certifications.

Our Quality Control Initiatives

New Product Development Management Regulations to help answer customer requirements as swiftly as possible. In order to provide satisfactory quality when a customer requests a new product or needs an improvement in the quality of an existing product, we have defined development procedures to satisfy customer quality requirements and legal and regulatory requirements from the stage of prototype testing to sales and production. Based on these regulations and following the development flow shown below, we respond to customer requests with utmost speed.

Hokuetsu Kishu Paper New Product Development Management Regulations

- **Customers**
  - New Product Request
  - Request for Quality Improvement

- **Reseller / Whole Seller Printing Company**

- **Sales Department**
  - Confirm and deliberate over the quality request form
  - Create quality requirement form

- **Technology Development Department**
  - Confirm and deliberate over the quality requirement form

- **Quality Control Section**
  - Confirm the validity of factory deliberation content
  - Adjustments with relevant departments

- **Mill (QC Division/Section) Central Research Laboratory**
  - Deliberate over quality design and the manufacturing method
Regarding the ISO Certification

ISO stands for “International Organization for Standardization” and is a non-government organization founded in 1947 for the purpose of internationally integrating and adjusting industrial standards. ISO9001 and ISO14001 are specifications (requirements and standards) within the system defined by ISO and as international standards, act as globally common standards of measurement. ISO9001 is a quality control system standard and as such defines the mechanisms and procedures used to assure the quality of products and services provided to customers. ISO14001 is an environmental management system standard and shows the mechanisms and procedures needed to reduce as much as possible the environmental burden created through corporate activity and products. At Hokuetsu Kishu Paper, in order to be able to provide our corporate products to customers after having gained their trust regarding “quality assurance” and “minimized environmental burden,” we have been actively pursuing ISO9001 and ISO14001 certification at each of our mills.

ISO Certification Footsteps

Niigata Mill
Sep 2009  ISO14001 Certification acquired

Nagaoka Mill
Aug 1998  ISO9002 Certification acquired
Jun 2000  ISO14001 Certification acquired
Aug 2003  Transition from ISO9002 certification to ISO9001 certification

Kanto Mill
Oct 1998  Katsuta Mill acquired ISO9002
Apr 2000  Organizational structure of Ichikawa Mill and Katsuta Mill merged, renamed to Kanto Mill
Oct 2000  Ichikawa Engineering Dept acquires ISO14001
Apr 2001  Katsuta Engineering Dept acquires ISO14001
Jan 2003  Katsuta Engineering Dept transitions from ISO9002 certification to ISO9001 certification
Sep 2005  Increase the ISO9001 certification with a site expansion to the whole Kanto Mill, including the Ichikawa Engineering Dept

We strive for quality control that can be trusted by all of our customers.

Quality control at the Niigata Mill has been fostered over its long history. Together with our customers, we have developed a common understanding of the significance of paper as a material. Over the years, customer requests and demands have become increasingly strict and a more refined response structure has become necessary. Considering that ISO is the de facto global standard for quality control methods, it was decided that we would go for ISO9001 certification and I became part of the team heading that effort. System operations began in April, and currently we are in the midst of internal auditing, looking at questions such as how do we increase the quality assurance of our products? How can we include built in inhibitors to prevent reoccurrences of problems? How do we proceed so that work revolves around a PDCA (Plan, Do, Check, Action) cycle leading to sustained system improvement? With the goal of gaining the trust of all of our customers, we will work to provide advice through internal audits and checks of daily operations.

Wataru Bunasawa
Niigata Mill Quality Control Division
Relationship with the Community

Contribute to the regional community through culture, educational activities, and sports promotion.
This too is our important responsibility.

1. Culture and Educational Activities

**Junior High Mill Tour “Eco Expedition Team” (Kanto Mill)**

On August 12, 2009, as part of an educational program to research, summarize and present corporate and government environmental initiatives, Ichikawa Municipal 6th Junior High School’s “Eco Expedition Team” visited the Kanto Mill and toured the facilities. Many elementary and junior high school students visit this site every year to learn about urban recycling mill.

**Tokyo Philharmonic Orchestra special concert in Nagaoka**

On October 30, 2009, a Nagaoka Special Concert of the Tokyo Philharmonic Orchestra was held in the main hall at the Nagaoka Public Theater. Our company also cooperated on this as part of our cultural social contributions. Yousuke Funabashi, who was awarded an honorary title by the Peter Benoit Foundation, conducted, and Maki Mori, the soprano who has won multiple awards in competitions both domestic and overseas, performed. In between performances the two conversed in an animated way which used a mix of standard language and the local Nagaoka dialect.

2. Our Participation in Regional Events

**Shinano River Cleaning Mission (Nagaoka Mill)**

The now annual Shinano River Cleaning Mission was held on April 3, 2009, through cooperation from the mill, central research laboratory and group companies. Nagaoka Mill cannot operate without the Shinano River. We will continue this event to show our appreciation for it.

**Regional Bon Odori (Dance) Festival (Niigata Mill)**

At the Niigata Mill, every year a “Yagura” tower is set up in the parking lot and a Bon Odori Festival is held for the neighboring residents. In 2009, we invited elementary school kids from Niigata City Kita Ward Minamihama to perform the Kameda Jinku and Niigata Jinku drum songs on Japanese barrel drums. Fortunate weather meant that many neighboring residents attended, making it an animated festival with long lines at the booths for free prizes (paper), rubber ball scooping, yo-yo scooping, etc.
Providing Paper for a Charity Event (Niigata Mill)
On August 29, 2009, based on a request from TV Niigata, our company cooperated with a charity event on the program 24 hour television. This year, as before, Bandai City Street was dubbed “Message Street” and Niigata Mill’s number eight machine product “μ Mat” was spread from sidewalk to sidewalk for a 100 meters, allowing citizens coming to the site to write messages. In the show “Can’t wait till it starts, 24 hour television” which airs every year right up to the start of 24 hour television, charity events within Niigata Prefecture were introduced, and pre-taped clips of the number eight machine rolling the μ mat and scenes from the Message Street were aired.

Sponsor Contract with Niigata’s Pro Team “Albirex”
Albirex BB is a local Niigata pro basketball team. Hoketsu Kishu Paper will continue to sponsor this team in order to encourage region activities. On December 12, 2009, “Hoketsu Kishu Paper Thanks Day” was held during the match, and many supporters attended to make it a lively event. Furthermore, we have signed a sponsor contract with the J1 League pro soccer team “Albirex Niigata” as well. We will continue to contribute to the sports promotion of the local region.

3. Sports Promotion
Tokimeki Niigata Nation Sports Official Sponsor (Niigata Mill)
Under the slogan “Set your strength free into the sky,” the 64th National Citizens Sports Meet commemorating the 20-year anniversary of our Emperor’s accession to the throne opened on September 26, 2009, in Niigata. We participated as an official sponsor. Eleven days of tough competition took place around Niigata Prefecture and the meet ended on October 6. Later we received a message of thanks for collecting all the used disposable chopsticks during the meet and reusing them as material for paper at the Niigata Mill.
Summary of Hokuetsu Kishu Paper Group

Corporate Summary

English Name
Hokuetsu Kishu Paper Co., Ltd.

Location
3-2-2 Hongoku-cho, Nihonbashi, Chuo-ku, Tokyo 103-0021, Japan

Established
April 27th, 1907

President and CEO
Sekio Kishimoto

Capital
42 billion yen (as of March 31st, 2010)

Employees (consolidated count)
4,071 persons
(standalone count) 1,265 persons
(as of March 31st, 2010)

Offices
Tokyo Headquarters
Niigata Mill
Nagaoka Mill
Central Research Laboratory
Kanto Mill (Ichikawa)
Kanto Mill (Katsuta)
Osaka Branch
Nagoya Office
Fukuoka Office
Niigata Office

Summary of Operations

- Pulp and papermaking operations
- Paper and processed paper products manufacturing operations
- Other operations
Consolidated Subsidiaries

**Pulp and Papermaking operations**
Production and Sales of Pulp and Paper

- Hokuetsukamiseisen Co., Ltd
- Katsutakamiseisen Co., Ltd.
- Techno-Hokuetsu, Ltd.
- Kishu Paper Co., Ltd.
- Kishu Shigyou Co., Ltd.
- Kinan Sangyo Co., Ltd.
- Kishu Kami Seisen Co., Ltd.

**Paper products manufacturing operations**
Production and sales of paper products

- Hokuetsu Package Co., Ltd.
- BF Co., Ltd.

**Other Operations**

- Lumber Operations
- Construction Operations
- Machine Manufacturing / Sales / Maintenance
- Import and Sales of Pulp and Other Materials
- Real Estate
- Logistics and Storage Operations
- Recycled Paper Wholesales
- Service
- Others

- Hokuetsu Engineering Co., Ltd.
- Hokuetsu Trading Corporation
- Hokuetsu Logistics Co., Ltd.
- Hokuetsu Suiun Co., Ltd.
- Keiyo Shigen Center Co., Ltd.
- Hokuetsu Forest Co., Ltd.
- Kishu Zorin Co., Ltd.
- Kishu Kohatsu Co., Ltd.

**Main Production Locations**

**Pulp and Papermaking operations**
Hokuetsu Kishi Paper Co., Ltd
1. Niigata Mill
2. Nagaoka Mill
3. Kanto Mill (Ichikawa)
4. Kanto Mill (Katsuta)
Kishu Paper Co., Ltd.
5. Kishu Mill
6. Osaka Mill

**Paper products manufacturing operations**
Hokuetsu Package Co., Ltd.
7. Katsuta Mill
8. Kanagawa Mill
BF Co., Ltd.
9. Tokorozawa Mill
10. DPS Office (Mitaka)
11. DPS Office (Osaka)
Due to the integration of management with Kishu Paper Group in October 2009, Hokuetsu Kishu Paper Group’s sales volume increased by 6.1% compared to the previous year to become 193.9 billion yen.

In the profit/loss area as well, in addition to the integration of management, due to various cost reducing efforts such as improved production efficiency, ordinary profit increased 41.8% from the previous year to become 9.5 billion yen while the current net profit for the group was a record breaking 7.2 billion yen.

Due to management integration, our breadth of operations has increased. Likewise, our gross assets have increased 8.7% from the previous year to become 340.9 billion yen. However, our capital adequacy ratio, which is a index that shows the safety of a company’ s management, has not yet moved away from the 40% mark.

Hokuetsu Kishu Paper Group will continue to improve management efficiencies and bolster corporate value.
The total investment in environmental conservation-related activities in FY2009 was 488 million yen. This included the reinforcement of wastewater processing facilities, beginning with the Kanto Mill (Ichikawa), as well as overseas forestation-related equipment investments. The cost of our activities was 5,977 billion yen. Various initiatives at each of the mills are being run to conserve the environment. These include public hazard prevention and waste reduction measures such as the prevention of atmosphere pollution, prevention of water contamination, and prevention of noise, vibrations and bad odors.

### Environmental Conservation Cost

<table>
<thead>
<tr>
<th>Category</th>
<th>Major activities and their results</th>
<th>Investment</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Business area costs</strong></td>
<td>Environmental conservation costs to control environmental impacts which result from key business operations within the business area</td>
<td>488</td>
<td>4,914</td>
</tr>
<tr>
<td>Composition</td>
<td>Pollution prevention cost</td>
<td>215</td>
<td>2,990</td>
</tr>
<tr>
<td></td>
<td>Water pollution</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Noise, vibration and odor</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Global environmental conservation cost</td>
<td>194</td>
<td>760</td>
</tr>
<tr>
<td></td>
<td>Prevention of global warming</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Energy conservation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Company-owned forest in Japan</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reforestation overseas</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resource circulation cost</td>
<td>78</td>
<td>1,164</td>
</tr>
<tr>
<td></td>
<td>Efficient utilization of resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduction, recycling, treatment, disposal, etc. of industrial wastes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **2. Upstream/downstream costs** | Environmental conservation costs to control environmental impacts which key business operations upstream and downstream | -          | 533  |
| Composition | Purchase of materials, etc. with less environmental impact (green purchase) | Cost (difference) for purchasing low-sulfur fuels, and others | - | 18 |
| | Recycling and collection of containers and packaging | Cost for recycling wooden pallets, and others | - | 515 |

| **3. Administration costs** | Environmental conservation costs stemming from administrative activities | -          | 202  |
| Composition | Environmental training of employees, etc. | Education on environmental conservation, cost for acquiring licenses | - | 2 |
| | Building, implementation, and acquiring certification for an environmental management system | ISO14001-related costs | - | 7 |
| | Monitoring and measuring environmental impacts | Maintenance fees for measuring instruments, commission fees for analysis | - | 60 |
| | Running costs for an environmental conservation system, etc. | An in-plant system for environmental management | - | 130 |

| **4. R&D costs** | Environmental conservation costs stemming from R&D activities | -          | 169  |
| Composition | R&D to develop products that contribute to environmental conservation | - | 54 |
| | R&D and planning to curtail environmental impacts at the manufacturing stage, etc. | - | 114 |

| **5. Social activity costs** | Environmental conservation costs stemming from social activities | -          | 78   |
| Composition | Planting of greeneries, beautification, etc. | Greening of the factory sites, and others | - | 34 |
| | Support, etc. of environmental conservation activities by the local community | Community environmental fair, and others | - | 2 |
| | Support for environmental groups | - | 30 |
| | Disclosure of environmental information and related advertisements | Costs for compiling environmental reports | - | 11 |

| **6. Environmental remediation costs** | Costs incurred for dealing with environmental degradation | -          | 79   |

**Total** | 488 | 5,977 |

The scope of calculations: Hokuetsu Kishu Paper Co., Ltd.
Target period: April 1, 2009 – March 31, 2010
Monetary unit: million yen

### Examples of Environmental Conservation Benefits

<table>
<thead>
<tr>
<th>Classification by relationship with business activities</th>
<th>Examples of benefits</th>
<th>Performance (compared to FY2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental conservation benefit related to resources input into business activities</td>
<td>Energy-saving effect</td>
<td>¥233 million</td>
</tr>
<tr>
<td>Environmental conservation benefit related to waste or environmental impacts originating from business activities</td>
<td>SOx emission quantity reduction</td>
<td>0.24 → 0.20kg/ton of product</td>
</tr>
<tr>
<td>Environmental conservation benefit related to goods and services produced from business activities</td>
<td>Hokuetsu Kishu Paper’s fresh pulp is ECF bleached pulp made of materials obtained from forestation groves and satoyamamaterials</td>
<td></td>
</tr>
</tbody>
</table>

The total investment amount during the subject period was 3,539 million yen while R&D costs totaled 1,039 million yen.
Environmental Charter

Hokuetsu Kishu Paper Co., Ltd. declares its commitment to realizing the basic philosophy of the Charter as the pillar of its corporate activities through the unified efforts of labor and management.

Basic Philosophy

We seek environmentally-friendly corporate activities in order to realize a society capable of sustainable growth and to become a respectable member of the corporate community, and thereby contribute toward preserving a rich global environment.

Basic Philosophy

- Protection and nurturing of forest resources
- Mitigating environmental impacts resulting from business activities
- Promoting efficient use of resources and energy saving

Action guidelines

- Protection and nurturing of forest resources
- Improving environmentally-friendly production technology
- Promotion of energy saving
- Promotion of reusing and recycling old papers
- Reduction and effective use of waste materials
- Social contribution and in-house education
- Appropriate emergency responses

Structure for Promoting Environmental Management

Centering on the environmental conservation committee at the head office, the environmental conservation committee and the ISO promotion committee in each factory will take the lead in promoting company-wide conservation activities.

<table>
<thead>
<tr>
<th>Impact</th>
<th>Item</th>
<th>Figure</th>
<th>Unit</th>
<th>FY2009 Emissions – Annual Footprint Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water quality</td>
<td>Paper and paper-board production</td>
<td>1,326</td>
<td>1,000 tons</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Water use</td>
<td>54,230</td>
<td>1,000 m³</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BOD discharge</td>
<td>513</td>
<td>tons</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SS discharge</td>
<td>574</td>
<td>tons</td>
<td></td>
</tr>
<tr>
<td>Air quality</td>
<td>CO₂ emission</td>
<td>604</td>
<td>1,000 tons</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SO₂ emission</td>
<td>264</td>
<td>tons</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NO₃ emission</td>
<td>2,051</td>
<td>tons</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dust emission</td>
<td>125</td>
<td>tons</td>
<td></td>
</tr>
<tr>
<td>Waste quality</td>
<td>Final Disposal Total</td>
<td>20,365</td>
<td>dry-tons</td>
<td></td>
</tr>
</tbody>
</table>

Environmental Targets and Achievements

<table>
<thead>
<tr>
<th>Impact</th>
<th>Item</th>
<th>Unit</th>
<th>FY2008 achievement</th>
<th>FY2009 achievement</th>
<th>FY2010 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventing global warming</td>
<td>CO₂ emission (CO₂ equivalent)</td>
<td>kg/ton of product</td>
<td>452</td>
<td>458</td>
<td>494</td>
</tr>
<tr>
<td>Energy saving</td>
<td>Fossil fuel energy (petroleum equivalent)</td>
<td>kg/ton of product</td>
<td>196</td>
<td>198</td>
<td>210</td>
</tr>
<tr>
<td>Preventing air pollution</td>
<td>SO₃</td>
<td>kg/ton of product</td>
<td>0.24</td>
<td>0.20</td>
<td>0.50</td>
</tr>
<tr>
<td></td>
<td>NO₃</td>
<td>kg/ton of product</td>
<td>1.45</td>
<td>1.54</td>
<td>1.43</td>
</tr>
<tr>
<td></td>
<td>Dust</td>
<td>kg/ton of product</td>
<td>0.08</td>
<td>0.09</td>
<td>0.12</td>
</tr>
<tr>
<td>Preventing water pollution</td>
<td>Waste water BOD</td>
<td>kg/ton of product</td>
<td>0.43</td>
<td>0.39</td>
<td>0.47</td>
</tr>
<tr>
<td>Reducing water use</td>
<td>Volume of water used</td>
<td>m³/ton of product</td>
<td>42.2</td>
<td>40.7</td>
<td>37.1</td>
</tr>
</tbody>
</table>