



CSR REPORT  2012

HOKUETSU KISHU PAPER CO., LTD.

Contributing to Society through Devotion to Papermaking

In 2011, a number of natural disasters, including the Great East Japan Earthquake, raged around the world, significantly damaging the Japanese economy and raising a number of challenges that must be addressed, such as post-disaster reconstruction, development of disaster-prevention systems, and handling of environmental problems. The Hokuetsu Kishu Paper Co., Ltd., CSR Report 2012 describes from multiple perspectives what Hokuetsu Kishu Paper Group has done to address these challenges and what it needs to do going forward. We hope that it will give you a better understanding of the Group's commitment to CSR.

Hokuetsu Kishu Paper Corporate Philosophy

To contribute to society as a paper company

- 1 We will work to further earn credibility from our customers, stockholders, trading partners and the local communities through compliance-oriented and transparent business activities.
- 2 We will provide attractive products and services to meet customer needs.
- 3 We will create a bright and vigorous corporate culture that nurtures creativity and a thirst for challenge through a relationship of mutual trust between labor and management.
- 4 We will strive for sustainable growth through commitment to environmentally determined management.

Created: April 1, 2003
Revised: October 1, 2009

President's Message.....	4
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Feature

Hokuetsu Kishu Paper Group's Recovery Initiatives.....	6
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Harmony with the Environment

Papermaking and Energy.....	8
Papermaking = Proper Forest Management.....	10
Topics.....	12
Environmental Charter.....	13

Relationship with Society

Relationship with Customers.....	14
Quality Control.....	16
Relationship with Suppliers.....	17
Relationship with the Local Community.....	18

Key Corporate Data.....	20
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Hokuetsu Kishu Paper Group at a Glance.....	22
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Editorial Policy

This CSR report outlines the activities undertaken by the Group to meet the stakeholders' expectations from all perspectives including economy, environment, and society. By disclosing relevant information in a timely manner, we seek to solicit people's understanding of the Group's various activities, deepen communication with the stakeholders, and raise our corporate value through papermaking.

Website

www.hokuetsu-kishu.jp
Information regarding the Group, including the contents of this report, is available on the Company's website.

Period Covered

FY2011: April 1, 2011–March 31, 2012
(As well as some activities from beyond this period)

Companies Covered

Hokuetsu Kishu Paper Group (major subsidiaries)

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Publisher

Sekio Kishimoto, President and CEO

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About the Cover Photo

The cover photo shows the 1,146-hectare company-owned Takanose Forest, which has been certified by the Sustainable Green Ecosystem Council (SGEC). The forest (located in the town of Naka, Tokushima Prefecture) is owned and managed by Kishu Zorin Co., Ltd., a Hokuetsu Kishu Paper Group company. We are determined to contribute to environmental conservation and the creation of a recycling-oriented society with sustainable forest management, protecting and nurturing forests certified by the standard equivalent to international standards.



| President's Message |

We will continue contributing to the growth and development of society to bring about a bright and prosperous future.

Fulfilling Our Mission as a Paper Company and Corporation

In 2011, the Japanese and global economies suffered a heavy blow from a series of natural disasters including the Great East Japan Earthquake and flooding in Thailand, as well as the effects of historic yen appreciation and the European debt crisis. Even now, the future of the economy remains unclear.

Following the earthquake, Hokuetsu Kishu Paper Group reduced exports below its initial plan and provided alternative supplies to Japanese customers to fill the supply shortage on behalf of manufacturers damaged heavily by the earthquake. However, we have already returned the volume replaced by us at the time of shortage to those manufacturers who recovered from the heavy damage and henceforth we will expand our export volume as planned.

The Group provided a total of ¥120 million in addition to free relief supplies to assist reconstruction and recovery from the damage caused by the earthquake and torrential rain in

the Kii peninsula brought by Severe Tropical Storm Talas. The assistance included furniture and fixtures such as desks, chairs, and computers to support recovery of educational activities for children and students in disaster-afflicted areas and donated educational funds (scholarships) for earthquake orphans. I think that it was a year in which we were truly able to fulfill our social responsibility as a paper company through such efforts.

Corporations are expected to grow and develop together with society. Hokuetsu Kishu Paper considers its mission to society seriously and targets continuous growth and development as a paper company by providing useful products to all customers and society.

Aiming for Growth and Development with Society

In April 2011, Hokuetsu Kishu Paper Group kicked off "Vision 2020," a long-term corporate vision with the target year of

2020, and G-1st, the medium-term management plan lasting until March 2014. During the past year, we conducted a complete merger with Kishu Paper Co., Ltd., acquired 100% ownership of The Toyo Fibre Co., Ltd., and established Hokuetsu Kishu Sales Co., Ltd. Through these and other moves, we established and strengthened our business base in Japan to respond quickly to the ebb in domestic demand and changes in the market environment.

Meanwhile, we aggressively pursued a globalization-oriented growth strategy outside Japan, including establishing a white paperboard mill in Guangdong Province, China and making paper processing company Totaku Shanghai Electric Materials Co., Ltd., into a subsidiary.

As one of the Group's important basic policies, we have listed promotion of environmental management squarely in the G-1st plan. As one initiative, we have decided to install a new large-scale gas turbine co-generation system using natural gas with a heat recovery steam generator through a joint venture company formed by Hokuetsu Kishu Paper

and Mitsubishi Corporation. We will make every effort to keep our leading position in terms of CO₂ emissions per ton of product, and pursue management measures to remain a corporation to be friendly to the global environment.

We are determined that all employees of Hokuetsu Kishu Paper Group share the pride and responsibility of being members of a paper company benefited by the irreplaceable blessings of nature, and we will proactively contribute to the creation of a society in which sustainable growth is possible with the trust of all our stakeholders.

We highly appreciate our stakeholders' continuous support, guidance and encouragement.

岸本哲夫

Sekio Kishimoto
President and CEO
Hokuetsu Kishu Paper Co., Ltd.

Response to the Great East Japan Earthquake

On March 11, 2011, a magnitude 9.0 earthquake—the largest in Japan's recorded history—struck with an epicenter off the Sanriku coast of Miyagi Prefecture. Aftershocks continue to be felt today as well. And even now, one year later, people are living their lives under the influence of the disaster.

We, Hokuetsu Kishu Paper Group, continually consider what we can do for customers, community residents, and Japan's recovery, and have been taking action since immediately after the disaster occurred, continuing right up to the present.

Filling the Gap Temporarily between Supply Shortage and Domestic Demand

The short supply that occurred in Japan mainly in printing and information paper, resulting from damage other paper companies received from the disaster, caused a big problem. To fulfill its responsibility as a member of the industry, Hokuetsu Kishu Paper switched the destination of products at the Niigata Mill from the export to domestic market and implemented its role as an alternative supplier. This initiative was phased out in December 2011 following gradual return to normal production by other paper companies.

Helping Counter the Electricity Shortage

The Kanto Mill (Ichikawa and Katsuta) worked to ease the shortage of electricity in the Kanto region by supplying electricity produced at the mills to a power company. Upon request from Kansai Electric Power Co., Inc., to help respond to the serious shortage of electricity in the Kansai region, in March 2012, the Osaka Mill restarted a gas turbine for power generation that had been shut down, thereby helping to tackle the shortage of electricity.

Realizing Harmony with Local Communities

- Provided industrial water from the Kanto Mill (Katsuta) to a nearby residential neighborhood
- Donated ¥10 million in relief money to Ibaraki Prefecture
- Presented 20 changing/nursing rooms to Fukushima Prefecture
- Presented 10 changing/nursing rooms to Niigata Prefecture
- Presented 10,000 coloring-book sets to children in disaster-affected areas (jointly with Hewlett-Packard Japan and a nonprofit organization [NPO])
- Presented ¥80 million worth of desks, chairs, computers, and other supplies to four elementary and junior high schools in Kamaishi, Iwate Prefecture
- Provided educational funds to tsunami and earthquake orphans
 - Donated ¥10 million to the Iwate Learning Hope Fund in Iwate Prefecture
 - Donated ¥10 million to the Fukushima Children's Endowment in Fukushima Prefecture

Action to Counter Torrential Rain Caused by Severe Tropical Storm Talas

Severe Tropical Storm Talas passed over the Kii peninsula of Japan on September 3 and 4, 2011. Large but slow moving, the storm caused record rainfall in locations stretching from western to northern Japan and brought major damage to the town of Kiho, Mie Prefecture, where the Kishu Mill is located, and across the Kumano

River in the city of Shingu, Wakayama Prefecture. Although the Kishu Mill suffered flood damage, it was able to restart production quickly thanks to the support of other workplaces and the cooperation of maintenance providers.

Fulfilling Supply Responsibility

The Kishu Mill temporarily suspended production following the torrential rain brought by the tropical storm. Accordingly, the Niigata Mill conducted substitute production of wood-free paper and PPC paper to fulfill our responsibility to supply customers. Railroad networks were also damaged, and so we switched to transportation by truck as an alternative means of shipping products.

Helping Reopen the Waterworks Facility in Kiho

The waterworks pump for the town of Kiho is adjacent to the Kishu Mill's water intake facility (water pump). The heavy rain triggered a landslide on the mountain behind the facilities, clogging the water pumps with fallen trees and soil. Placing priority on recovery of the waterworks pump for the town, the Company arranged for a spare motor from the Niigata Mill, which enabled the supply of water to town residents to be restored quickly. Subsequently, the switchboard and control panel for the Kishu Mill's water intake facility were cleaned, soil that had flown into the intake was dug out, and operations restarted.

Realizing Harmony with Local Communities

- Donated ¥5 million in relief funds to Kiho, Mie Prefecture
- Donated ¥5 million to Shingu, Wakayama Prefecture
- Provided relief supplies from the Company workplaces to nearby residents



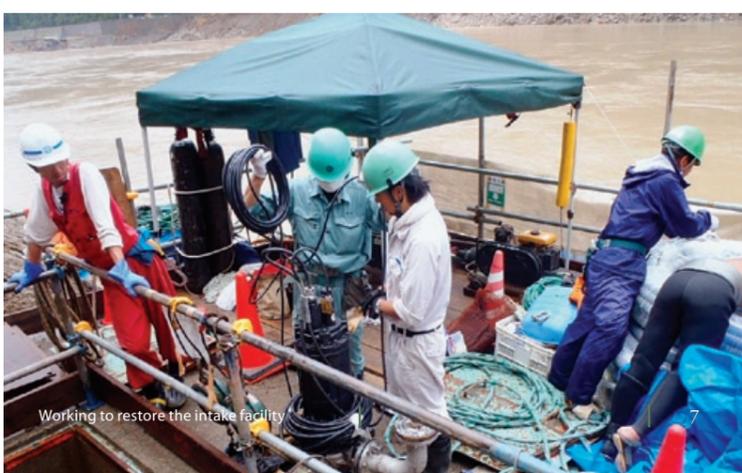
6 Third-grade class at Toni Elementary School in Kamaishi, Iwate Prefecture



No. 8 papermaking machine at the Niigata Mill substitutes for the shortfall of products caused by the earthquake.



Donating relief funds to Mayor Taoka of Shingu City



Working to restore the intake facility



Papermaking and Energy

We are enhancing the efficient utilization of energy by achieving an efficient production process and energy-saving activities.

Promoting Energy Savings with a Target of Establishing “Minimum Impact Mills”

We are aiming to further reduce our environmental impact on society through the effective utilization of clean energy and company-wide energy-saving activities.

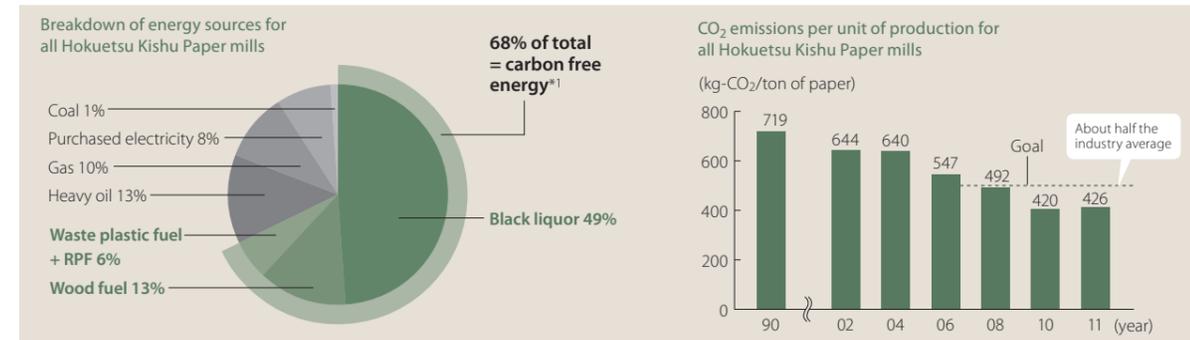
Pursuing Highly Efficient Production Lines

In 1986, Hokuetsu Kishu Paper installed the world’s first full-scale on-machine coater to manufacture lightweight coated paper, and in 1990 it installed the world’s first full-scale on-machine coater to produce coated paper. The conventional production method for coated paper used to be to coat the surface of

the paper with off-machine coaters after making the base paper using papermaking machines. Since the Company succeeded in installing on-machine coaters with energy-saving features and excellent production efficiency, this production method has become the global standard today.



Status of CO₂ Emission Reductions



*1 Biomass energy and recycled energy

Increasing Efficiency of Papermaking Machines from the Environmental Perspective

- 1 Wire Part** In this process, water is removed on a rotating plastic mesh from the raw material for paper that has been dispersed in the water. We recycle the removed water.
- 2 Press Part** In this process, the moisture content in paper that has come out of the wire part is reduced to about 50%. We process the water pressed out and recycle it.
- 3 Dryer Part** In this process, moist paper is dried using the heat of steam. The dryer is airtight, and we reduce energy loss making use of waste heat with a heat exchanger.
- 4 Coater Part** In this process, a coating is applied to the surface of the paper. Conventionally, it was common for the papermaking and coating application to be performed on different devices, but we improved energy and production efficiency by incorporating the two processes to run on the papermaking machine.

Company-Wide Promotion of Energy-Saving Activities

The Energy Subcommittee was established under the Environmental Conservation Committee to supervise and manage the company-wide promotion of energy-saving activities within Hokuetsu Kishu Paper. Following is an overview of some of the subcommittee’s activities.

Energy-Saving Project

Target: Reduce Electricity Consumption by 3,000 kW

FY2011: Review of Processes at Niigata Mill

Reexamination of papermaking route

We searched for points to improve in each process. For example, to hold down power consumption by pumps used to send water and chemicals throughout the mill, we reviewed the piping routes and identified locations that could be reduced.

Introduction of compact facilities

We also introduced the compact scale of facilities to meet actual usage and we reduced power consumption.



FY2012: Rollout to All Mills

Promotion of improvement of energy-saving project

Following the successful results at the Niigata Mill, we began rolling out a company-wide energy-saving project in FY2012. In addition to meetings at the mill level for brainstorming energy-saving ideas, the company-wide Energy Subcommittee has increased the frequency of meetings to discuss specific reduction targets for electricity and fuel. The employees who work full-time on the Niigata Mill’s improvement project have visited the five

other mills and shared various energy-saving issues with them. The Kishu Mill and Kanto Mill (Katsuta) launched their own improvement projects as well right away. As of July 2012, we have already achieved one-third of our planned power savings. We are choosing cleaner energies, building more cyclical systems, and making company-wide efforts to reduce CO₂.



Confirmation of Legal Logging of Wood Chips

Strictly Confirming the Legality of Wood Chips and Forest Sustainability



Based on the basic philosophy of our Environmental Charter*1, Hokuetsu Kishu Paper Group pays meticulous care to the procurement of wood chips from which our paper is produced.

● Imported Wood Chips Made from Timbers in Plantations Overseas and Domestic Wood Chips Logged from *Satoyama* Forests

Exclusion of Illegally Logged Timber

The primary raw material for papermaking is wood chips. We, at Hokuetsu Kishu Paper Group, only utilize wood chips from trees grown in properly managed forests in terms of legal afforestation, forest sustainability and biodiversity preservation. Of the wood chips used by Hokuetsu Kishu Paper, 94% are produced from overseas plantations and the remaining 6% from Japan's *satoyama* areas. All wood chips are rigorously assessed before purchasing to ensure that our customers are able to utilize our paper products with a sense of reassurance of no involvement in illegal

logging. Specifically, we do not purchase wood chips that originate from the following:

- (1) Illegally logged timber;
- (2) Timber logged in violation of traditional rights and civic rights;
- (3) Timber logged from forests whose high protection value is in danger;
- (4) Timber logged from natural stands being converted to plantations or non-forest purposes; and
- (5) Timber from forests whose raw materials are recombinant trees.

● Confirming Legality through External Audits

Wood chips are broadly classified into two types: (1) certified wood chips produced at chip mills certified

by the Forest Stewardship Council (FSC®*2) using timber logged from FSC®-certified forests, and (2) non-certified wood chips. Certified wood chips meet a variety of criteria, including legality (compliance with relevant laws and regulations), forest sustainability, and biodiversity preservation. As to non-certified wood chips, Hokuetsu Kishu Paper Group confirms their legality through chip mills certified by the FSC® and through its own procurement system (traceability system*3) before purchasing. The confirmation of findings and procurement system are checked by the Japan Paper Association, an industry organization, and specialized certification bodies to verify their accuracy. Hokuetsu Kishu Paper Group responsibly confirms the legality of all of its wood chips procured. This is our duty as an organization enjoying the blessings of nature as well as our mission for protecting and cultivating forests and trees.

Hokuetsu Kishu Paper "Basic Policy for Raw Materials Procurement"

Hokuetsu Kishu Paper pursues raw material procurement in which value is placed on partnerships with suppliers based on the basic philosophy of the Hokuetsu Kishu Paper Environmental Charter to provide products that customers can use with assurance.

1. Priority on environment

- With the Environmental Charter of Hokuetsu Kishu Paper as the basis for raw materials procurement, we will purchase raw materials that our customers can use with a sense of reassurance in terms of its legality.
- We will procure overseas wood resources that only originate from well-managed forests (plantation) in compliance with relevant laws and regulations. We will expand our overseas plantation programs and increase the use of wood resources harvested from our own forest resources. For domestic procurement, we will make use of and cultivate *satoyama* secondary forests*4 and promote the utilization of unused materials.
- We will promote the procurement of wood materials that takes into consideration biodiversity conservation*5 and worker health and safety.

2. Open and fair trade

- We will open our doors to all suppliers and engage in fair and open trade.

3. Legal compliance and disclosure of information

- We will procure raw materials that are in compliance with relevant laws.
- We will confirm that the wood materials purchased from our overseas suppliers were produced at appropriately managed forests. We also ensure the appropriateness through direct investment and trade transactions, and disclose information regarding our wood chip sources.

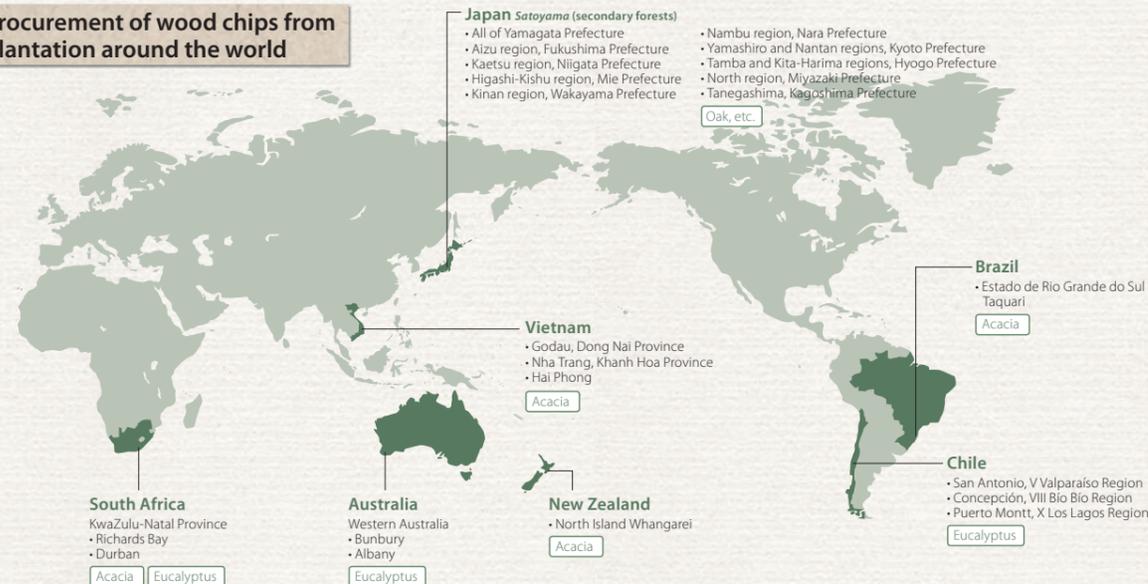
4. Mutual trust and prosperity

- We will build a history and trust with our business partners, and pursue best procurement practices in the environment, safety, quality, and cost dimensions under a spirit of co-existence and co-prosperity.

Wood chip procurement sources (used in FY2011)

Country	Tree type	Forest type		Information on origin			Percentage
		Planted forest	Secondary forest	Traceability	Declaration on legality of timber	Forest certification	
Brazil	Acacia	●		●	●	FSC®	94%
Chile	Eucalyptus	●		●	●	FSC®	
South Africa	Acacia	●		●	●	FSC®	
	Eucalyptus	●		●	●	FSC®	
Australia	Eucalyptus	●		●	●	FSC®	
New Zealand	Acacia	●		●	●	CW*6	
Vietnam	Acacia	●		●	●	FSC®	
Japan	Oak, etc.		●	●	●	CW	6%

Procurement of wood chips from plantation around the world



*1 The basic philosophy of the Environmental Charter established by Hokuetsu Kishu Paper is to make a social contribution to the conservation of an affluent global environment by conducting environmentally friendly business activities in order to live up to expectations as a company with a high reputation and to realize a society which attains sustainable development. To realize this, our basic policy includes (1) the protection and cultivation of forestry resources, (2) the reduction of environmental impacts in our business activities, (3) the promotion of efficient usage and saving of resources and energy.
 *2 FSC License Code: FSC-C023503
 *3 Traceability system refers to a method of tracking information related to production and distribution history.

*4 *Satoyama* refers to hills (forests) near dwellings that have been regenerated by humans for their livelihoods through methods of forest management, including coppicing. Secondary forests refer to forests that are newly cultivated through natural re-growth processes, including natural coppicing.
 *5 Biodiversity conservation refers to the protection of a healthy environment in which diverse life forms are able to thrive, and is connected to the preservation of soil and water resources.
 *6 Control Wood (CW) refers, in the case of Hokuetsu Kishu Paper, to chips made from wood managed based on FSC's Corporate Appraisal Standard for Managed Wood.



Topics

Hokuetsu Kishu Paper Group is undertaking a variety of initiatives with the aim of making paper that is friendly to the Earth.

Topic

1

Periodic Thinning in Company-Owned Forests in Iwate, Niigata, and Ishikawa Prefectures Was Qualified to Register as J-VER Projects

Hokuetsu Kishu Paper Group has been working at sequestration of CO₂ by forests using its company-owned forests. As part of this effort, the Company's periodic thinning programs in Iwate Prefecture in April 2011 and Niigata and Ishikawa prefectures in February 2012 were qualified to register as J-VER (Verified Emission Reduction) projects, in recognition of the appropriateness of their plans.



Topic

2

Trial Underway for Producing Pallets with the Wood Harvested from a Eucalyptus Plantation in South Africa

Traditionally, pallets sold by group subsidiary Kishu Zorin Co., Ltd., have been made from imported wood. Recently, a manager stationed in South Africa for the assignment of managing a plantation joint venture proposed using wood produced from FSC®-certified South African eucalyptus trees for domestic pallets. At present, a technician dispatched to South Africa is providing technical instruction and a trial including final users is being carried out.



Topic

3

Construction of a Gas Turbine Co-Generation System using Natural Gas Started at Niigata Mill

At present, MC Hokuetsu Energy Service Co., Ltd., a joint venture company formed by Hokuetsu Kishu Paper and Mitsubishi Corporation, is constructing a gas turbine co-generation system using natural gas on the grounds of the Niigata Mill, aiming for completion in January 2014. A biomass boiler fueled by black liquor produced in the pulp production process already supplies 70% of the mill's power consumption, and the Company intends to start a 40-MW co-generation power plant by installing a turbine fueled by natural gas and a boiler that will utilize heated steam recovered from the turbine. The introduced system will enable us to reduce usage of heavy oil by 50% and achieve further reductions in CO₂ emissions, which are among the best in the industry. In recognition of its advanced technology and high energy-saving effects, this project has been certified under the Ministry of Economy, Trade and Industry's program to support business operators that rationalize the use of energy.

Topic

4

Environmental Assessment of a White Paperboard Mill in Guangdong Province, China

In March 2012, Nippon Export and Investment Insurance (NEXI) conducted an on-site environmental assessment* of the white paperboard project, for which the Group is proceeding with construction plans in Guangdong Province, China, for the purpose of overseas investment insurance coverage. The project was approved by NEXI based on the results of the wide-ranging assessment, which included explanations to community residents, information disclosure, the status of air, water, waste, soil pollution, noise, ground subsidence, and odors, plans for worker employment, safety, effects on health, scenery, and ecosystems, and the relationship with protected areas and cultural heritage.



* This assessment was implemented separately from an environmental impact assessment (EIA) that needs pre-approval of the Chinese environmental authorities, and the environmental assessment was used to confirm whether this project pays proper consideration to the environment and society in China.



Environmental Charter

The entire Hokuetsu Kishu Paper Group carries out environmental conservation activities based on the Hokuetsu Kishu Paper Environmental Charter.

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 Policy

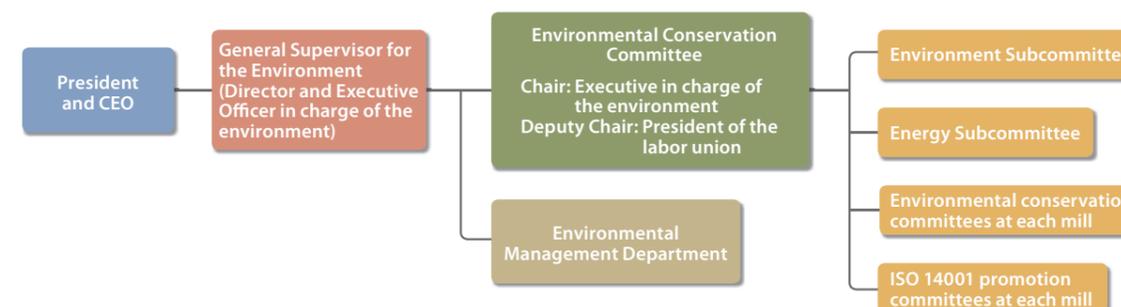
- Protection and nurturing of forest resources
- Minimizing environmental impacts resulting from business activities
- Promoting efficient use of resources and energy saving

Action Guidelines

- Protection and nurturing of forest resources
- Improving environmentally friendly production technology
- Promotion of energy saving
- Promotion of reuse and recycling of waste paper
- Reduction and effective use of waste materials
- Social contribution and in-house education for it from an environmental aspect
- Appropriate responses to emergencies

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 mill will take the lead in promoting company-wide conservation activities.





Relationship with Customers

With production and sales working together as one to improve our services, we pursue all of paper's potential to meet customer needs.

Deeper, Broader, and Quicker: Establishing a New Four-Business-Division System

We established a business structure to accelerate our medium-term management plan, G-1st, by increasing the efficiency of our four core businesses.

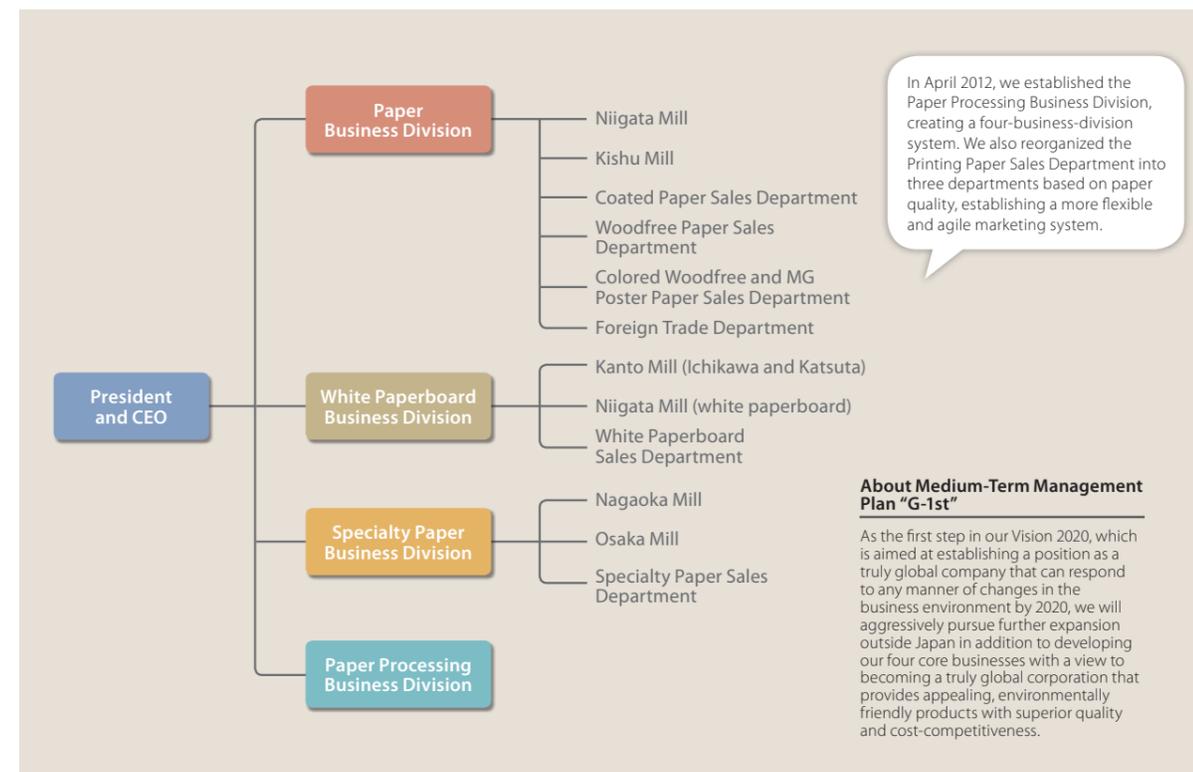
● Maximizing the Strengths of Production-Sales Unity

Hokuetsu Kishu Paper Group has reorganized its operations into four core business divisions—Paper, White Paperboard, Specialty Paper, and Paper Processing—to establish a growth strategy for a global corporation by building a flexible and strong corporate structure that can respond to any changes in the business environment.

Adopting a business division system has enabled mills and sales to work together to respond meticulously and speedily to all manner of customer needs.

Leveraging our strong sales network and a commitment to high quality and meticulous service handed down since the Company's establishment, our production and marketing teams are working together to enhance our sales network in Japan, promote exports to the Pacific Rim, and provide the world with appealing paper products that give satisfaction to more customers.

Four-Business-Division System



In April 2012, we established the Paper Processing Business Division, creating a four-business-division system. We also reorganized the Printing Paper Sales Department into three departments based on paper quality, establishing a more flexible and agile marketing system.

About Medium-Term Management Plan "G-1st"
As the first step in our Vision 2020, which is aimed at establishing a position as a truly global company that can respond to any manner of changes in the business environment by 2020, we will aggressively pursue further expansion outside Japan in addition to developing our four core businesses with a view to becoming a truly global corporation that provides appealing, environmentally friendly products with superior quality and cost-competitiveness.

As a Familiar Partner of Customers Enhancing Two-Way Communication

Meeting customer needs and conveying the appeal of paper—papermaking by Hokuetsu Kishu Paper Group always reflects our customer-oriented commitment.

● Responding Swiftly to the Voice of the Customer

In April 2011, Hokuetsu Kishu Paper Group established marketing subsidiary Hokuetsu Kishu Sales Co., Ltd. Thereafter it absorbed businesses from Marudai Shigyo Co., Ltd., Tamura-Paper Inc., Mitsuya-Kasei Co., Ltd., Kono Shoji Co., Ltd., Hokuetsu Trading Corporation, and Hokushin-Paper Corporation and developed a marketing system that meets all types of customer needs.

The organizational switch to a four-business-division system and the enhanced sales system of marketing subsidiary Hokuetsu Kishu Sales has shortened the distance between customers and the Group.

Going forward, we will continue to incorporate the voice of the customer into the production of products, and will aim to create appealing products overflowing with creativity to realize customer needs.

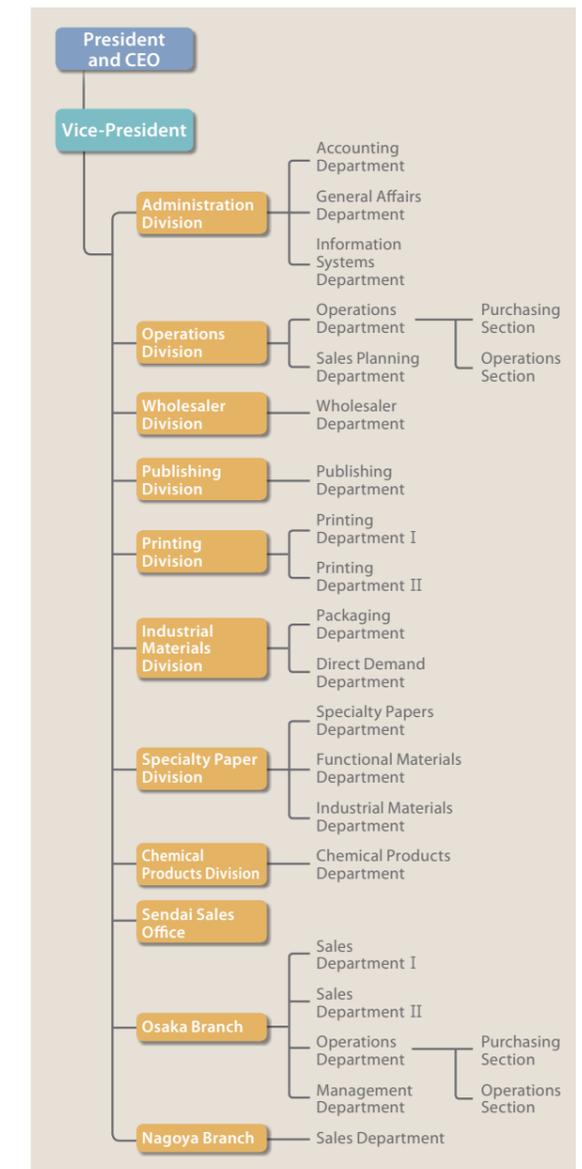
Aiming to Improve Trust with Customers

With the launch of Hokuetsu Kishu Sales Co., Ltd., the manufacturing and marketing departments cultivated thus far were integrated, developing an environment in which we can respond rapidly to customer needs. Specifically, we are able to quickly propose new products in development for projects entrusted to us by customers, which are then adopted. Furthermore, working in a unified production-sales system—from the start of printing to follow-up service after a product has been created—has enabled us to increase the trust of customers and affiliated companies alike.



Nobushiro Hanafusa
Publishing Department
Publishing Division
Hokuetsu Kishu Sales Co., Ltd.

Organization of Hokuetsu Kishu Sales



We conduct thorough quality audits in all processes of the product lifecycle.

Continuously providing a stable supply of products of the quality demanded by customers is an important mission and—we believe—our social responsibility.

● Considerations for Product Safety

We give consideration to product safety throughout a product's lifecycle (stages of development, production, sales, use, and disposal) and strive to provide clear explanations to customer inquiries using product

information sheets and other means. In this way, customers can use products provided by Hokuetsu Kishu Paper safely and with peace of mind.

● Regarding ISO Certification

Hokuetsu Kishu Paper Group carries out product quality assurance and environmental impact reduction efforts and proactively pursues the acquisition of International Organization for Standardization (ISO) series certifications to earn customer trust.

Currently, all of Hokuetsu Kishu Paper's mills have acquired ISO 14001 certification. The Niigata, Nagaoka, and Kanto mills had already acquired ISO 9001 certification, and the Kishu Mill acquired certification in September 2012.



ISO 9001 final inspection (Kishu Mill)

ISO Certification Footsteps

	ISO 14001 certification acquired	ISO 9001 certification acquired
Niigata Mill	Sep. 2000	Oct. 2010
Nagaoka Mill	June 2000	Aug. 2003
Kanto Mill (Ichikawa)	Oct. 2000	Sep. 2005 Certification acquired for the Kanto Mill as a whole
Kanto Mill (Katsuta)	Apr. 2001	
Kishu Mill	Mar. 2001	Sep. 2012
Osaka Mill	May 2001	—

We are working to strengthen our chemical substance management system and ensure stable procurement of raw materials.

We procure raw materials from around the world, including Japan, and are affected substantially by global conditions as a consequence. Nevertheless, we make every effort to ensure stable procurement.

● Establishing a Material Distribution System for Times of Large-Scale Disaster

In response to many cut-offs of the supply chain caused by the Great East Japan Earthquake of March 2011, we have established relationships of trust with a wider range of suppliers to maintain balance of cost and supply stability. Through this initiative, we found that supply sources for the main chemicals that we use are dispersed throughout Japan. We also conducted tests on imported products for some chemicals with supply sources concentrated on the Pacific coast and confirmed that we can make use of them. We have conducted procurement investigations for alternatives to special raw materials used in papermaking aids, which has enabled us to secure multiple sources.



Raw materials are delivered every day from different locations.

● Chemical Substance Management

To ensure that our products can be used safely by customers, we request raw materials suppliers to provide safety data sheets (SDS*) and other information for each raw material before it is used for the first time and only use materials whose safety information has been confirmed through preliminary reviews. Moreover, we regularly update our information on chemical substances, since additions are made to the lists of regulated substances through the strengthening of chemical substance controls in and outside Japan, and respond accordingly to always ensure safety.



We use chemicals whose safety has been confirmed from the stage of tabletop tests.

* As of June 1, 2012, the MSDS system has been revised and the name changed to the SDS system.



Relationship with the Local Community

We engage in communication activities as a company trusted by society.

We aim to maintain and improve relationships of trust through communication with local communities and activities of social contribution.

All of our workplaces carry out social contribution activities such as actively participating in and sponsoring community activities, educational and cultural activities, and volunteer activities, including holding mill tours for community residents, educational personnel, and students.

Social Contribution Activities

Supplying the Community with Water (Kanto Mill [Katsuta])

Following the Great East Japan Earthquake, the Kanto Mill (Katsuta) provided industrial water as domestic water for community residents to support the supply of water in the city of Hitachinaka, where there was a water outage. In March 2012, the mill received a letter of appreciation from the city for its support.



Supporting the "School of Forest and Wind" Project for Children's Growth and Sustainable Eco Life (Head Office)

Since October 20, 2011, we have provided a part of the Sodegawa company-owned forest in Iwate Prefecture for use as a base of activities by the "School of Forest and Wind," a project run by the Iwate Research Institute of Children's Environment. We are supporting an activity that contributes to the healthy growth of children, on whose shoulders the future rests, through the natural environment of a company-owned forest.



Community Exchange

Clearing Undergrowth in Hokuetsu Kishu Paper's "Hope Forest" (Kishu Mill)

In December 2011, the Kishu Mill engaged in weeding in the "Hope Forest" in Kumano, Mie Prefecture in cooperation with the Mie Prefecture's Corporate Forest Planning activities. This was the third time this activity was undertaken, and we will continue it in the future.



"Earth Guardian" Mill Tour (Niigata Mill)

In November 2011, as part of an event in the "Earth Guardian" Niigata Residents' Environmental Campaign, the Niigata Mill explained to visitors on a mill tour its initiatives to save industrial water.



Cultural and Educational Activities

Accepting Dual Education System Apprentices (Niigata Mill)

In February 2012, the Niigata Mill accepted two high school students as Dual Education System* apprentices. They gained a deeper understanding of real papermaking through work practice and lectures in the mill.



Paper Seminar at the Tokyo University of the Arts (Nagaoka Mill and Central Research Laboratory)

In November 2011, a paper seminar was held at the Department of Design in the Faculty of Fine Arts at the Tokyo University of the Arts. In a practical training session in fiber craft conducted by the Nagaoka Mill, a lively exchange of opinions was held with students in front of creative works.



* On-the-job training promoted in cooperation with the Ministry of Health, Labour and Welfare and the Ministry of Education, Culture, Sports, Science and Technology.

International Exchange

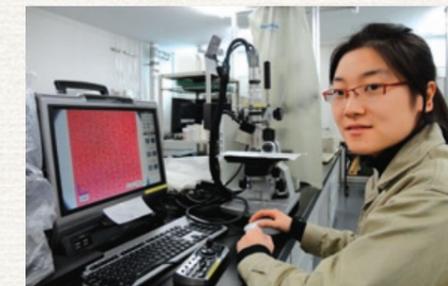
Eco-Friendly Drawing Paper Donated to a South African Elementary School (Head Office)

In January 2012, we donated eco-friendly drawing paper made from local plantation wood to an elementary school adjacent to a company-owned forest in South Africa.



Practical Training for an Exchange Student (Central Research Laboratory)

In November 2011, we accepted one student from China for practical training as part of an exchange program at Nagaoka University of Technology. During the three-month training period, the student underwent practical training on an actual development theme using equipment in the Central Research Laboratory.



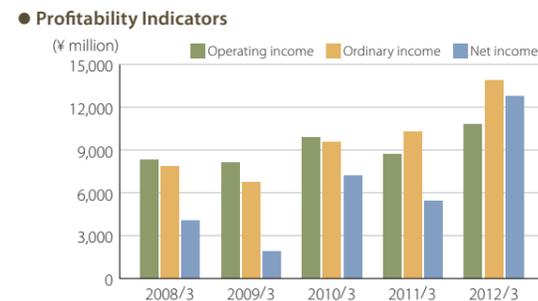
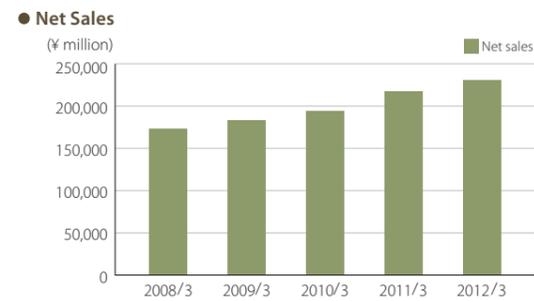
Key Corporate Data

Management Data

Consolidated Financial Highlights

	2012/3	2011/3	Change	Percent Change
Net Sales (¥ million)	230,575	217,013	13,561	6.2%
Operating income	10,828	8,743	2,085	23.8%
Ordinary income	13,906	10,282	3,623	35.2%
Net income	12,796	5,431	7,364	135.6%
Ordinary income ratio	6.0%	4.7%	1.3 percentage points	—
Operating cash flow*1	29,082	25,859	3,223	12.4%
ROA*2	4.2%	3.1%	1.1 percentage points	—
Per Share (¥)				
Net income	62.7	26.2	36.5	139.3%
Dividends	12	12	0	0.0%
Fiscal Year-End (¥ million)				
Total assets	332,994	322,254	10,740	
Shareholders' equity*3	150,769	139,137	11,632	

*1 Operating cash flow: Cash flow from operating activities *2 ROA: Ordinary income/total assets *3 Shareholders' equity: Net assets - Minority interests - Share subscription rights



Environmental Indicators (Environmental Accounts/Environmental Impact Data)

Environmental Conservation Cost

Scope of calculations: Hokuetsu Kishu Paper Co., Ltd.
Target period: April 1, 2011–March 31, 2012
Monetary unit: ¥ million

Category	Major activities and their results	Investment	Cost
1. Business area costs: Environmental conservation costs to control environmental impacts that result from key business operations within the business area			
Composition	① Pollution prevention cost	316	3,666
	a. Air pollution	25	515
	b. Water pollution	268	2,982
	c. Noise, vibration and odor	22	167
	② Global environmental conservation cost	614	189
	a. Prevention of global warming	118	161
	b. Energy conservation	441	(included in manufacturing cost)
	c. Company-owned forest in Japan	2	19
	d. Reforestation overseas	51	7
	③ Resource circulation cost	289	2,118
	a. Efficient utilization of resources	288	(included in manufacturing cost)
	b. Reduction, recycling, treatment, disposal, etc., of industrial waste	0	2,118
2. Upstream/downstream costs: Environmental conservation costs to control environmental impacts that result from key business operations upstream and downstream			
Composition	① Purchase of materials, etc., with less environmental impact (green purchase)	—	22
	② Recycling and collection of containers and packaging	—	570
3. Administrative costs: Environmental conservation costs stemming from administrative activities			
Composition	① Environmental training of employees, etc.	—	3
	② Building, implementation, and acquiring certification for an environmental management system	—	4
	③ Monitoring and measuring environmental impacts	—	58
	④ Running costs for an environmental conservation system, etc.	—	162
4. R&D costs: Environmental conservation costs stemming from R&D activities			
Composition	① R&D to develop products that contribute to environmental conservation	—	35
	② R&D and planning to curtail environmental impacts at the manufacturing stage, etc.	—	130
5. Social activity costs: Environmental conservation costs stemming from social activities			
Composition	① Planting of greenery, beautification, etc.	—	37
	② Support, etc., of environmental conservation activities by the local community	—	4
	③ Support for environmental groups	—	35
	④ Disclosure of environmental information and related advertisements	—	10
6. Environmental remediation costs: Costs incurred from dealing with environmental degradation			
		—	100
Total		1,220	7,150
Item			
		Monetary value	
Total investment during the target period		5,960	
Total R&D cost during the target period		844	

Note: Figures are rounded to the nearest million yen.

Examples of Environmental Conservation Benefits

Classification by relationship with business activities	Examples of benefits	Performance
Environmental conservation benefit related to resources input into business activities	Energy-saving effect	497
Environmental conservation benefit related to goods and services produced from business activities	Hokuetsu Kishu Paper's fresh pulp is ECF bleached pulp made of wood from planted forest and mountain villages	

FY2011 Emissions: Annual Footprint Data

Impact	Item	Figure	Unit	Impact	Item	Unit	FY1996 achievement	FY2011 achievement	FY2013 target		
Preventing global warming	Paper and white paperboard production	1,853	1,000 tons	Preventing global warming	CO ₂ emission (CO ₂ equivalent)	kg/ton of product	667	426	385		
	Water quality	Water use	96,457		1,000 m ³	Energy saving	Fossil fuel energy (petroleum equivalent)	ℓ/ton of product	292	181	162
		BOD discharge	630		tons		Preventing air pollution	SOx	kg/ton of product	1.93	0.17
Air quality	SS discharge	1,133	tons	Preventing water pollution	NOx	kg/ton of product		1.26	1.45	1.45	
	CO ₂ emission	790,478	1,000 tons		Reducing industrial waste	Dust	kg/ton of product	0.16	0.08	0.13	
	SOx emission	315	tons	Reducing water use		Waste water BOD*	kg/ton of product	0.80	0.34	0.42	
	NOx emission	2,703	tons		Waste quality	Final disposal	Percentage relative to production	0.99	0.93	0.82	
Dust emission	156	tons	Final disposal total	17,143		dry tons	54.8	51.7	38.0		

* The BOD figure does not include the Kishu Mill (due to discharge into the sea).

Hokuetsu Kishu Paper Group at a Glance

Corporate Data

English Name : Hokuetsu Kishu Paper Co., Ltd.
Location : 3-2-2, Hongoku-cho, Nihonbashi, Chuo-ku, Tokyo 103-0021, Japan
Established : April 27, 1907
President and CEO : Sekio Kishimoto
Capital : ¥42,020,940,239 (As of March 31, 2012)
Number of Employees : 4,140 (Consolidated) 1,575 (Non-consolidated)
 (As of March 31, 2012)
Offices and Mills : Tokyo Head Office, Niigata Mill, Kishu Mill, Kanto Mill (Ichikawa and Katsuta), Nagaoka Mill, Osaka Mill, Central Research Laboratory, Osaka Branch, Nagoya Office, Fukuoka Office, Niigata Office

Business Overview

- Pulp and paper manufacturing business
- Paper products manufacturing business
- Other business

Consolidated Subsidiaries

- **Pulp and paper manufacturing business (Production and sale of pulp and paper)**
 - Hokuetsu Kishu Sales Co., Ltd.
 - The Toyo Fibre Co., Ltd.
 - Xing Hui Investment Holdings Co., Ltd.
 - Jiangmen Xinghui Paper Mill Co., Ltd.
 - Hokuetsu Kami Seisen Co., Ltd.
 - Techno-Hokuetsu, Ltd.
 - Katsuta Kami Seisen Co., Ltd.
 - Kinan Sangyo Co., Ltd.
 - Kishu Kami Seisen Co., Ltd.
- **Paper products manufacturing business (Production and sale of paper products)**
 - Hokuetsu Package Co., Ltd.
 - BF Co., Ltd.
 - Shanghai Toh Tech Co., Ltd.
- **Other business (timber business, construction business, manufacturing, sale, maintenance and repair of machines, purchase and sale of real estate, transportation and storage business, recycled paper wholesale business, services business, other business)**
 - Kishu Zorin Co., Ltd.
 - Hokuetsu Forest Co., Ltd.
 - Hokuetsu Logistics Co., Ltd.
 - Hokuetsu Suiun Co., Ltd.
 - Hokuetsu Engineering Co., Ltd.
 - Hokuetsu Trading Corporation
 - Kishu Kohatsu Co., Ltd.
 - Keiyo Shigen Center Co., Ltd.

Main Production Locations

Hokuetsu Kishu Paper Co., Ltd.

- Niigata Mill
- Kishu Mill
- Kanto Mill (Ichikawa and Katsuta)
- Nagaoka Mill
- Osaka Mill

Affiliated Companies

Hokuetsu Package Co., Ltd.

- A1 Katsuta Mill
- A2 Kanagawa Mill

BF Co., Ltd.

- B1 Tokorozawa Mill
- B2 DSP Office

The Toyo Fibre Co., Ltd.

- C1 Numazu Mill
- C2 Fuji Mill

Shanghai Toh Tech Co., Ltd.
 (Shanghai, China)

Jiangmen Xinghui Paper Mill Co., Ltd.
 (Guangdong Province, China)

Osaka Mill (Suita City, Osaka Prefecture)

Within the category of communication paper, the Osaka Mill has developed products specifically for special coated products. It provides a stable supply of products that customers can use with peace of mind.



Tokyo Head Office (Chuo-ku, Tokyo)

Nagaoka Mill (Nagaoka City, Niigata Prefecture)

The Nagaoka Mill creates specialty papers tailored to the requests of individual customers by interweaving elements such as materials, functions, ornaments, and textures.



Kishu Mill (Kiho Town, Minamimuro County, Mie Prefecture)

Located on the left bank of the mouth of the Kumano River, which has its headwaters in the Kii Mountain Range (designated a World Heritage Site), the Kishu Mill provides a variety of products including colored wood-free paper.



Niigata Mill (Niigata City, Niigata Prefecture)

The Niigata Mill meets customer needs with the highest performance in terms of quality, cost, and environmental friendliness through integrated production from wood chips to paper.



Kanto Mill

Located in an urban area near the Tokyo metropolitan area, which is a treasury of waste paper resources, the Kanto Mill produces products such as high-quality paperboard, cardboard, and duplex board out of waste paper.



Ichikawa Factory (Ichikawa City, Chiba Prefecture)



Katsuta Factory (Hitachinaka City, Ibaraki Prefecture)



Central Research Laboratory (Nagaoka City, Niigata Prefecture)



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