Product using Elemental Chlorine-Free (ECF) pulp
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 the 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
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-affected 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 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.

President’s Message

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

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.

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.

<table>
<thead>
<tr>
<th>Action to Counter Torrential Rain Caused by Severe Tropical Storm Talas</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Response to the Great East Japan Earthquake</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

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.

- 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 Nagata Prefecture
- Presented 10,000 coloring book sets to children in disaster-affected areas (jointly with Hewlett-Packard Japan and a nonprofit organization [NPO])
- Presented ¥10 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
- Donated ¥80 million worth of desks, chairs, computers, and other supplies to four elementary and junior high schools in Kamaishi, Iwate Prefecture
- Provided relief 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
- Presented ¥10 million in relief funds to Shingu, Wakayama Prefecture
- Provided relief supplies from the Company workplaces to nearby residents
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

![Status of CO₂ Emission Reductions](image)

- Increasing Efficiency of Papermaking Machines from the Environmental Perspective

- 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.
Strictly Confirming the Legality of Wood Chips and Forest Sustainability

Based on the basic philosophy of our Environmental Charter, Hokkutsu 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 IllegallyLogged Timber

The primary raw material for papermaking is wood chips. We, at Hokkutsu 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 Hokkutsu 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 recombining 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®) 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, Hokkutsu Kishu Paper Group confirms their legality through chip mills certified by the FSC® and through its own procurement system (traceability system) 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. Hokkutsu 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.

Wood chip procurement sources (used in FY2011)

<table>
<thead>
<tr>
<th>Country</th>
<th>Tree type</th>
<th>Forest type</th>
<th>Information on origin</th>
<th>Compliance with legality of timber</th>
<th>Procurement system</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Acacia</td>
<td>Planted forest</td>
<td>✓</td>
<td>✓</td>
<td>FSC®</td>
<td>100%</td>
</tr>
<tr>
<td>Chile</td>
<td>Eucalyptus</td>
<td>Planted forest</td>
<td>✓</td>
<td>✓</td>
<td>FSC®</td>
<td>100%</td>
</tr>
<tr>
<td>South Africa</td>
<td>Acacia</td>
<td>Planted forest</td>
<td>✓</td>
<td>✓</td>
<td>FSC®</td>
<td>100%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Acacia</td>
<td>Planted forest</td>
<td>✓</td>
<td>✓</td>
<td>CN®</td>
<td>94%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Acacia</td>
<td>Planted forest</td>
<td>✓</td>
<td>✓</td>
<td>CN®</td>
<td>94%</td>
</tr>
<tr>
<td>Japan</td>
<td>Oak, etc.</td>
<td>Planted forest</td>
<td>✓</td>
<td>✓</td>
<td>FSC®</td>
<td>94%</td>
</tr>
</tbody>
</table>

Procurement of wood chips from plantation around the world

Hokkutsu Kishu Paper "Basic Policy for Raw Materials Procurement"

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

1. Priority on environment
- With the Environmental Charter of Hokkutsu 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 forests. For domestic procurement, we will make use of and cultivate satoyama secondary forests and promote the utilization of unused material.
- We will promote the procurement of wood materials that take into consideration biodiversity conservation 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 will also report appropriately through direct or other forms of 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.

"Harmony with the Environment"
Hokutetsu Kishu Paper Group is undertaking a variety of initiatives with the aim of making paper that is friendly to the Earth.

### Topics

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

   Hokutetsu 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.

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.

3. **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.

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

   At present, MC Hokutetsu Energy Service Co., Ltd., a joint venture company formed by Hokutetsu 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 energy.

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### Environmental Charter

Hokutetsu 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

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*The assessment was implemented separately from an environmental impact assessment (EIA) that needed to be approved by the Chinese environmental authorities, as the environmental assessment was an offshoot of a feasibility study on the construction of a papermaking facility in China.*
We established a business structure to accelerate our medium-term management plan, G-1st, by increasing the efficiency of our four core businesses.

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.

Hokuetsu Kishu Paper Group has reorganized its operations into four core business divisions—Paper, White Paperboard, Speciality 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.

As a Familiar Partner of Customers Enhancing Two-Way Communication

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

Maximizing the Strengths of Production-Sales Unity

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

Hokuetsu Kishu Sales Co., Ltd.

President and CEO

Vice-President

Accounting Department

General Affairs Department

Information Systems Department

Operations Department

Wholesale Department

Publishing Division

Printing Division

Industrial Materials Division

Specialty Paper Division

Chemical Products Division

Sales

Sales Department 1

Sales Department 2

Operations Department

Management Department

Sales Department

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.

As the first step in our Vision 2020, which is aimed at developing a strong global company that can respond to any manner of changes in the business environment by 2020, we will aggressively pursue further expansion of our four core businesses with a view to becoming a truly global corporation that provides appealing, environmentally friendly products with superior quality and cost-effectiveness.

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.
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 Certification Footsteps**

<table>
<thead>
<tr>
<th>Mill</th>
<th>ISO 14001 certification acquired</th>
<th>ISO 9001 certification acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagaoka Mill</td>
<td>June 2000</td>
<td>Aug. 2003</td>
</tr>
<tr>
<td>Kanto Mill (Katsuta)</td>
<td>Apr. 2001</td>
<td></td>
</tr>
<tr>
<td>Osaka Mill</td>
<td>May 2001</td>
<td>—</td>
</tr>
</tbody>
</table>

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.

**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.

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

**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.

**Clearing Undergrowth in Hoketsu**

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.

**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.


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**Relationship with the Local Community**

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

Management Data

Consolidated Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2012/3</th>
<th>2011/3</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>230,575</td>
<td>217,013</td>
<td>13,561</td>
<td>6.2%</td>
</tr>
<tr>
<td>Operating income</td>
<td>10,828</td>
<td>8,785</td>
<td>2,043</td>
<td>23.8%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>13,905</td>
<td>10,282</td>
<td>3,623</td>
<td>35.2%</td>
</tr>
<tr>
<td>Net income</td>
<td>12,796</td>
<td>5,431</td>
<td>7,365</td>
<td>135.6%</td>
</tr>
<tr>
<td>Ordinary income ratio</td>
<td>6.0%</td>
<td>4.7%</td>
<td>1.3 percentage points</td>
<td></td>
</tr>
<tr>
<td>Operating cash flow*</td>
<td>29,082</td>
<td>25,059</td>
<td>4,023</td>
<td>16.4%</td>
</tr>
<tr>
<td>ROA††</td>
<td>4.2%</td>
<td>3.1%</td>
<td>1.1 percentage points</td>
<td></td>
</tr>
</tbody>
</table>

Per Share (¥)

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>12</td>
<td>12</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Fiscal Year-End (¥ million)

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>150,769</td>
<td>139,137</td>
<td>11,632</td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity*</td>
<td>150,769</td>
<td>139,137</td>
<td>11,632</td>
<td></td>
</tr>
</tbody>
</table>

* Operating cash flow: Cash flow from operating activities. †† Ordinary income/Net assets. † Shareholders' equity/Market capital.

Environmental Indicators (Environmental Accounts/Environmental Impact Data)

<table>
<thead>
<tr>
<th>Category</th>
<th>Monetary value</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D to develop products that contribute to environmental conservation</td>
<td></td>
</tr>
<tr>
<td>Global environmental conservation costs to control environmental impacts that result from key business operations upstream and downstream</td>
<td></td>
</tr>
<tr>
<td>Purchase of materials, etc., with less environmental impact</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
</tr>
<tr>
<td>Planting of greenery, beautification, etc. Greening of the mill sites, and others — 37</td>
<td></td>
</tr>
<tr>
<td>Environmental training of employees, etc. Education on environmental conservation, cost for training — 220</td>
<td></td>
</tr>
<tr>
<td>Administrative costs: Environmental conservation costs stemming from business activities</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
</tr>
<tr>
<td>Fiscal Year-End (¥ million)</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
</tr>
</tbody>
</table>

Environmental Conservation Cost

<table>
<thead>
<tr>
<th>Category</th>
<th>Monetary value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business area costs: Environmental conservation costs to control environmental impacts that result from key business operations within the business area</td>
<td></td>
</tr>
<tr>
<td>2. Upstream/downstream costs: Environmental conservation costs to control environmental impacts that result from key business operations upstream and downstream</td>
<td></td>
</tr>
<tr>
<td>3. Administrative costs: Environmental conservation costs stemming from business activities</td>
<td></td>
</tr>
<tr>
<td>4. R&amp;D costs: Environmental conservation costs stemming from R&amp;D activities</td>
<td></td>
</tr>
<tr>
<td>5. Social activity costs: Environmental conservation costs stemming from social activities</td>
<td></td>
</tr>
<tr>
<td>6. Environmental restoration costs: Costs incurred from dealing with environmental degradation</td>
<td></td>
</tr>
</tbody>
</table>

Examples of Environmental Conservation Benefits

Classification by relationship with business activities

<table>
<thead>
<tr>
<th>Examples of benefits</th>
<th>Monetary unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy-saving effect</td>
<td>407</td>
</tr>
</tbody>
</table>

Environmental conservation benefit related to fuels and services procured from business activities.

Emissions by product

<table>
<thead>
<tr>
<th>FY2011 Emissions: Annual Footprint Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
</tr>
<tr>
<td>CO2 emissions (petroleum equivalent)</td>
</tr>
<tr>
<td>NOx emissions</td>
</tr>
<tr>
<td>SOx emissions</td>
</tr>
<tr>
<td>dust emissions</td>
</tr>
<tr>
<td>CO2 emissions (petroleum equivalent)</td>
</tr>
<tr>
<td>NOx emissions</td>
</tr>
<tr>
<td>SOx emissions</td>
</tr>
<tr>
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</tr>
<tr>
<td>dust emissions</td>
</tr>
</tbody>
</table>

Fiscal Year-End (¥ million)
Hokuetsu Kishu Paper Group at a Glance

**Corporate Data**

- **English Name**: Hokuetsu Kishu Paper Co., Ltd.
- **Location**: 3-2-2, Hongokaku-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)
- **Employees**: 4,140 (Consolidated) 1,575 (Non-consolidated)

**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.
  - Ying Yu Investment Holdings Co., Ltd.
  - Jiangmen Xinghui Paper Mill Co., Ltd.
  - Hokuetsu Katsuta Seiren Co., Ltd.
  - Techno-Hokuetsu, Ltd.
  - Katsuta Kami Seisen Co., Ltd.
  - Hokuetsu Suiun Co., Ltd.
  - Hokuetsu Logistics Co., Ltd.
  - Shanghai Toh Tech Co., Ltd.
  - BF Co., Ltd.
  - Hokuetsu Package Co., Ltd.
  - Kinan Sangyo Co., Ltd.
  - Katsuta Kami Seisen Co., Ltd.
  - Techno-Hokuetsu, Ltd.
  - Hokuetsu Kishu Sales Co., Ltd.
  - Hokuetsu Kishu Trading Corporation
  - Katsuta 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)**
  - Keiyo Shigen Center Co., Ltd.
  - Hokuetsu Forest Co., Ltd.
  - Hokuetsu Logistics Co., Ltd.
  - Hokuetsu Saran Co., Ltd.
  - Hokuetsu Engineering Co., Ltd.
  - Hokuetsu Trading Corporation
  - Kishu Kokusai Co., Ltd.
  - Katsuta Shigen Center Co., Ltd.

**Affiliated Companies**

- **Hokuetsu Package Co., Ltd.**
  - A1 Katsuta Mill
  - A2 Karagawa Mill
  - BF Co., Ltd.
  - B1 Tokonozawa Mill
  - B2 DSP Office
  - The Toyo Fibre Co., Ltd.
  - C1 Numazu Mill
  - C2 Fuji Mill

**Main Production Locations**

- **Hokuetsu Kishu Paper Co., Ltd.**
  - Katsuta Mill
  - Kishu Mill
  - Kanto Mill (Shikikawa and Katsuta)
  - Nagasaki Mill
  - Osaka Mill

- **Jiangmen Xinghui Paper Mill Co., Ltd.**
  - Guangdong Province, China

- **Osaka Mill (Suita City, Osaka Prefecture)**
  - Located on the left bank of the mouth of the Summeda River, the Osaka Mill produces products such as high-quality paperboard, cardboard, and duplex board out of waste paper.

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

- **Kishu Mill (Kishu Town, Mitamoto 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.

- **Nagasaki Mill (Nagasaki City, Nagasaki Prefecture)**
  - The Nagasaki Mill operates specialty paper tailored to the requests of individual customers by interweaving elements such as materials, functions, ornaments, and textures.

- **Tokyo Head Office (Chuo-ku, Tokyo)**

- **Central Research Laboratory (Nagasaki City, Nagasaki Prefecture)***

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