



HOKUETSU KISHU PAPER CO., LTD.

3-2-2, Nihonbashihongoku-cho,
Chuo-ku, Tokyo 103-0021, Japan
Tel: +81-3-3245-4500
Fax: +81-3-3245-4511
www.hokuetsu-kishu.jp

ECO-PULP



エコパルプ

Product using
Elemental Chlorine-Free (ECF)
pulp

Cover and inside pages printed on Hokuetsu Kishu Paper's μ MatEX, 157g/m² and 128g/m², respectively.

CSR REPORT  2013

HOKUETSU KISHU PAPER CO., LTD.

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

The Hokuetsu Kishu Paper Group has contributed to society through its devotion to papermaking. It has succeeded for more than a century precisely because it enjoys strong relationships of trust with all its stakeholders, including customers, shareholders, business partners and local communities. Going forward, the Hokuetsu Kishu Paper Group will continue to grow guided by its devotion to papermaking.

We hope that reading the Hokuetsu Kishu Paper Co., Ltd., CSR Report 2013 will give you a better understanding of the Group's commitment to CSR.

About the Cover Photo (the company-owned Kanamaru Forest in Sekikawa Village, Niigata Prefecture)

The cover photo shows the company-owned Kanamaru Forest, located about 60 kilometers northeast in a straight line from the Niigata Mill, which is Hokuetsu Kishu Paper's leading mill. This company-owned forest began with the planting of cedars in the 1950s, and today it is properly managed mainly by local representatives of the Domestic Resources Department. Hokuetsu Kishu Paper strives to increase CO₂ absorption through periodic thinning using the Offset Credit (J-VER) Scheme, and the company-owned Kanamaru Forest's periodic thinning program was registered as a J-VER project in 2012. Ongoing proper management of the Kanamaru Forest in this way is contributing to the preservation of the natural environment, including biodiversity, while also nurturing pure, abundant water for the Arakawa River, which was certified as one of the 100 famous bodies of water of the Heisei era, as selected by Japan's Ministry of the Environment.

Corporate Data

English Name	Hokuetsu Kishu Paper Co., Ltd.
Location	3-2-2, Nihonbashihongoku-cho, Chuo-ku, Tokyo 103-0021, Japan
Established	April 27, 1907
President and CEO	Sekio Kishimoto
Capital	¥42,020,940,239 (As of March 31, 2013)
Number of Employees	4,124 (Consolidated) 1,557 (Non-consolidated) (As of March 31, 2013)
Offices and Mills	Tokyo Head Office, Niigata Mill, Kishu Mill, Kanto Mill (Ichikawa, 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.
- MC Hokuetsu Energy Service Co., Ltd.
- Xing Hui Investment Holdings Co., Ltd.
- Jiangmen Xinghui Paper Mill Co., Ltd.
- Hokuetsu Kami Seisen Co., Ltd.
- Katsuta Kami Seisen Co., Ltd.
- Kishu Kami Seisen Co., Ltd.
- Techno-Hokuetsu, Ltd.
- Kinan Sangyo 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.
- Hokuetsu Kyouritsu Co., Ltd.

President's Message 4

Feature 6

- Committed to Being a Paper Company That Grows Together with Society

- Reducing CO₂ Emissions 8
- Sustainable Forest Management System 10
- Relationship with Employees 12
- Relationship with the Local Community 13
- Relationship with Shareholders and Investors 14

Key Corporate Data 15

Hokuetsu Kishu Paper Group Network 18

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

FY2012: April 1, 2012–March 31, 2013

(As well as some activities from beyond this period)

Companies Covered

Hokuetsu Kishu Paper Group (major subsidiaries)

Issued

December 2013

Publisher

Sekio Kishimoto, President and CEO

Contact

Hokuetsu Kishu Paper Co., Ltd.

General Affairs Department

3-2-2, Nihonbashihongoku-cho, Chuo-ku,

Tokyo 103-0021, Japan

Tel: +81-3-3245-4500 Fax: +81-3-3245-4511

President's Message



岸本 哲夫

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

We will contribute to society through further growth and promotion of environmental management.

Toward Further Growth

The Japanese pulp and paper industry faces a difficult operating environment due to the soaring cost of raw materials and fuels resulting from yen depreciation, as well as structural oversupply due to shrinking demand following the economic downturn caused by the Lehman Brothers bankruptcy in 2008. Guided by this recognition, the Hokuetsu Kishu Paper Group established "Vision 2020," a long-term corporate vision aimed at further growth, and kicked off G-1st, a medium-term management plan in April 2011. Guided by these, the Group has been working to strengthen its business in Japan and aggressively pursuing global expansion as its management policy.

In Japan, we made Daio Paper Corporation into a Hokuetsu Kishu Paper Group affiliated company accounted for using the equity method, through the acquisition and transfer of stock in Daio Paper and its affiliated companies. Moreover, we signed a basic agreement on comprehensive technical cooperation with Daio Paper and are working to maximize the synergistic effects. We also implemented cost reduction measures, carried out quality improvement construction, implemented price corrections, and took other steps to strengthen our business in Japan.

We developed a paper export capability with a capacity of 400,000 tons per year and established an optimal production system. We are proceeding with the construction of a white paperboard production mill at Jiangmen Xinghui Paper Mill Co., Ltd., a subsidiary in China, and expect the mill—with an annual production capacity of 300,000 tons—to be completed in April 2014. We also acquired 100% ownership of France-based Financière Bernard Dumas S.A.S., which mainly manufactures and markets battery separators. We will now pursue new entry into this market in Japan and sales promotion in Europe through this company.

Promoting Environmental Management

The Hokuetsu Kishu Paper Group is working to promote environmental management as part of the G-1st medium-term management plan and has maintained a top level in the industry in terms of CO₂ emissions per product-ton. Moreover, in February 2014 a joint venture will start operating a gas turbine power co-generation system and heat recovery steam generator at the

Niigata Mill, reducing heavy oil consumption and CO₂ emissions, to push the reduction of the environmental impact even further ahead.

We are also participating actively in the solar power business as a measure to prevent global warming. Our Kanto Mill (Katsuta) and a subsidiary of Hokuetsu Forest Co., Ltd., will start operating photovoltaic facilities in succession in March 2014, producing a total of 2.5 MW.

Additionally, since we own many forests in and outside Japan, we participate in the Offset Credit (J-VER) Scheme created by Japan's Ministry of the Environment as an initiative to boost the absorption of CO₂ through forest management as well as the reduction of CO₂ emissions.

By continuing to practice this kind of proactive environmental management in the future and pursuing minimum impact based on our pride and responsibility as a papermaker supported by the irreplaceable blessings of nature, we will remain a company that is gentle on the global environment.

Our Corporate Philosophy* Is the Origin of Our Business

The Hokuetsu Kishu Paper Group has grown as a company and contributed to society through papermaking for more than 100 years since its establishment in 1907. The origin of this is to be found in the management philosophy of appreciation, co-existence and co-prosperity, diligent study, and continual improvement, which were part of the Company's credo established in 1925 and continue today in the current Corporate Philosophy.

Going forward, the Hokuetsu Kishu Paper Group will stay committed to steady adherence to its Corporate Philosophy based on the Company's credo, to pursuing further growth and environmental management, and to contributing to society, to remain a company that wins the trust of all its stakeholders—including customers, shareholders, business partners, and local communities—through highly transparent business practices.

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

* Corporate Philosophy: See page 2.

Feature



Committed to Being a Paper Company

Reflecting Japan's declining population due to a low birthrate the Japanese market has reached a period of maturity. The Hokuetsu Kishu Paper Group is undertaking the initiatives and achieve sustainable growth in this kind of business climate.

That Grows Together with Society

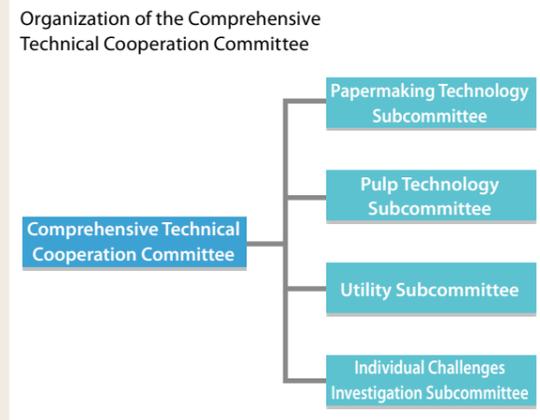
and factors such as the popularization of e-books, described below to meet all stakeholders' expectations with trust



Strengthening the Business Base in Japan

1 Pursuing Synergy with Daio Paper Corporation

In August 2012, we made Daio Paper Corporation into a Hokuetsu Kishu Paper affiliated company accounted for using the equity method, through the acquisition and transfer of stock in Daio Paper and its affiliated companies. In November, the two companies signed a basic agreement on comprehensive technical cooperation and are committed to achieving synergy principally involving cost improvements totaling approximately ¥5.4 billion between both companies (about ¥1.9 billion at Hokuetsu Kishu Paper and about ¥3.5 billion at Daio Paper) over the three years from FY2013 to FY2015. Moreover, in June 2013 we dispatched one of our executive officers to serve as an outside director at Daio Paper, further solidifying the partnership between the two companies. Going forward, we will provide across-the-board support and cooperation for Daio Paper's measures in an effort to reinforce its compliance and governance systems and maximize synergy.



2 Strengthening Exports and Establishing an Optimal Production System

To meet the demand from overseas users for sheet-fed offset paper, in April 2013 the Niigata Mill installed two sheeters, an automatic ream packaging machine, and an automatic bulk packaging machine. This will enable us to export 400,000 tons of paper per year, strengthening our export of paper. We will also increase the overall production efficiency of the Niigata Mill by running pulp production at full capacity and aggressively expanding the export of pulp.



Sheeting equipment

3 Establishment of a Distribution Base at the Port of Shingu

In March 2013, the Kishu Mill established a warehouse at the adjacent Port of Shingu and switched the transport of products to the Kanto region, which has the greatest demand for paper, from rail containers to marine transport. This will translate into lower distribution costs by strengthening the storage and transport of pulp, product storage capacity at the production site, and marine transport, thereby further improving cost-competitiveness. This series of actions will also contribute to energy savings associated with product transport.

Shingu Port Warehouse

Land	16,239 m ²
Product storage capacity	About 4,000 tons



Promoting a Global Strategy (Establishing Overseas Production Bases)

In line with the G-1st medium-term management plan announced in April 2011, the Hokuetsu Kishu Paper Group is carrying out business activities aimed at establishing a position as a truly global company that captures growth markets centered on the Pacific Rim. In the paper business, we will expand exports. In the white paperboard business, we will construct a mill in China. In the specialty paper business, we will acquire overseas manufacturers as subsidiaries. In these and other ways, we are determined to expand our business outside Japan.

1 White Paperboard Business (Jiangmen Xinghui Paper Mill Co., Ltd.: Guangdong, China)

In December 2012, our subsidiary Jiangmen Xinghui Paper Mill held a groundbreaking ceremony for a white paperboard mill. The piling, building construction, papermaking machine installation, and other construction work are proceeding smoothly, and we anticipate that the white paperboard production facility, with an annual capacity of 300,000 tons, will be completed in April 2014. We are committed to starting commercial operations as soon as possible with the technical prowess we have built up in production systems marked by high quality, high efficiency, and low environmental impact.



Jiangmen Xinghui Paper Mill Co., Ltd.

2 Specialty Paper Business (Financière Bernard Dumas S.A.S.: Dordogne, France)

In September 2012, we acquired 100% ownership in France-based Financière Bernard Dumas, becoming the second-largest specialty glass micro-fiber sheet manufacturer in the world. The company's products are battery separators and high-performance air filters for cleanrooms.

Going forward, our Nagaoka Mill, which produces high-performance air filters for cleanrooms, will conduct technical cooperation with Financière Bernard Dumas. This will enable us to enter the Japanese market for battery separators and promote sales expansion by the company in Europe of high-performance air filters for cleanrooms.



Financière Bernard Dumas S.A.S.

Reducing CO₂ Emissions

Enhancing the Reduction of the Environmental Impact and Creating Minimum-Impact Mills

Having undertaken a variety of measures to reduce CO₂ emissions, we will strive to further reduce our environmental impact by installing large-scale equipment, reconsidering processes, and implementing measures based on new perspectives.

Energy-Saving Initiatives

● Promoting Energy-Saving Activities

Under the supervision of the Environmental Conservation Committee, which was established to oversee environmental activities for the entire Group, an energy-saving subcommittee will be established at each mill to actively carry out energy-saving activities. Through FY2012, the Niigata Mill achieved 72% of its power consumption reduction target of 3,000 kW through an energy-saving project. The Niigata Mill has also shared information about its results and improvements with other mills, which are now striving to reduce energy consumption based on new perspectives.

Going forward, we will improve our energy-saving activities, including a plan for formulation of energy-saving analyses by third parties.

● New Natural Gas-Fired Co-Generation System

MC Hokuetsu Energy Service Co., Ltd.* has begun constructing a large-scale, high-efficiency natural gas-fired co-generation system on the grounds of the Niigata Mill, aiming for start-up in February 2014. The new 40-MW power generation facility will supply electricity and steam needed to run the Niigata Mill. This will halve the mill's use of heavy oil and enable 10% reduction in CO₂ emissions per ton of product compared to the overall performance in 2010.

In recognition of its advanced technology, energy-saving effects, and depth of policy significance in terms of cost-benefit performance, this project has been certified as part of the Energy Use Rationalization Business Support Program designated by the Ministry of Economy, Trade and Industry.

* MC Hokuetsu Energy Service Co., Ltd.: a joint venture company formed by Hokuetsu Kishu Paper and Mitsubishi Corporation

● Installing Photovoltaic Facilities on Mill Grounds

The Hokuetsu Kishu Paper Group makes effective use of the grounds at its mills by installing photovoltaic facilities. It is carrying out a project that sells all of the generated power based on the Agency for Natural Resources and Energy's Feed-in Tariff Scheme for Renewable Energy. The Kanto Mill (Katsuta) plans to install a 1.5-MW photovoltaic facility in March 2014, and the Ibaraki Mill of Hokuetsu Forest Co., Ltd., plans to install a 1-MW photovoltaic facility in April 2014. These facilities will contribute to the supply of electricity to their local communities.

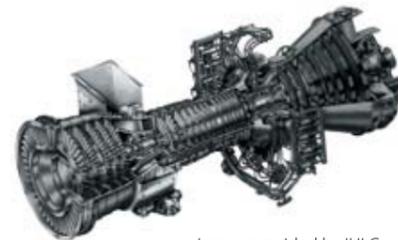


Image provided by IHI Corporation

Overview of the Niigata Mill's Co-Generation System

Equipment:	One gas turbine co-generation unit (40 MW) One high-temperature, high-pressure heat recovery boiler (approx. 70 t/h of steam)
Investment:	Approx. ¥8.0 billion
Start:	Anticipated for February 2014
Operation and management:	MC Hokuetsu Energy Service Co., Ltd.



The energy-saving project launched at the Niigata Mill in FY2011 achieved significant results. Then, from April to June 2012 we sought to stimulate energy-saving activities by introducing the project activities and key points at other mills. We also conducted on-site tours of other mills and engaged in constructive discussions that led to the discovery of new improvements to make at the Niigata Mill. This helped me grasp the importance of company-wide energy-saving activities that go beyond workplace frameworks.

Yosuke Nonaka, Steam Power Department, Niigata Mill



Hokuetsu Kishu Paper Wins the Japan Paper Association Special Prize in the Japan Paper Association Global Warming Countermeasures Awards

Hokuetsu Kishu Paper has received a Japan Paper Association Special Prize in the Japan Paper Association Global Warming Countermeasures Awards for FY2013.

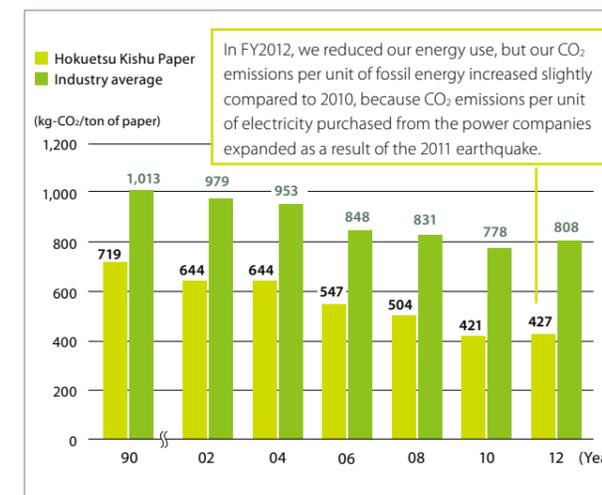
These awards commend companies in the paper industry that achieved a substantial reduction in their average CO₂ emissions, compared to the 1990 level, for the first commitment period under the Kyoto Protocol from 2008 to 2012, for which CO₂ emissions reduction targets were established. Within the awards, the Special Prize is given to companies that reduced

their CO₂ emissions despite a substantial rise in production volume. Hokuetsu Kishu Paper has received the prize as a result of its initiatives taken thus far, such as energy-saving activities, conversion to energies with a low environmental impact, and the adoption of high-efficiency production equipment.

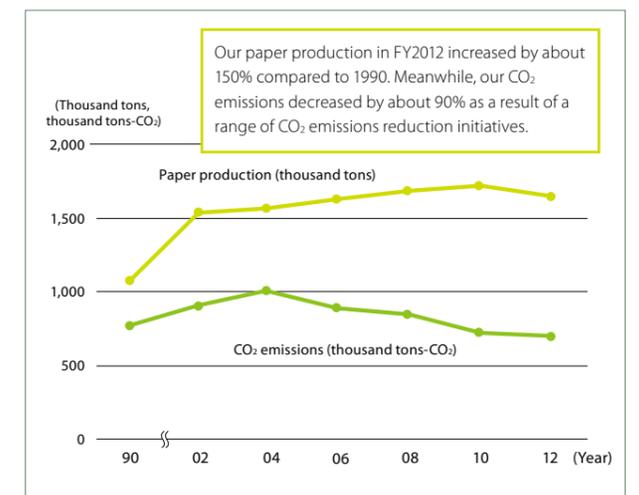
Taking this award as encouragement, we will strive to further reduce our CO₂ emissions under the Keidanren's (Japan Business Federation's) Commitment to a Low Carbon Society, which started in FY2013.

Status of Initiatives Aimed at Reducing Our Environmental Impact

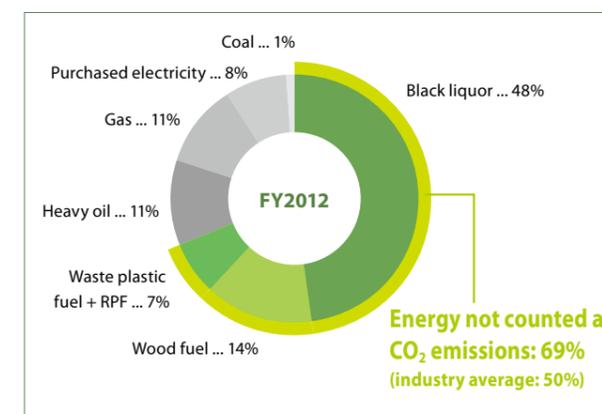
● CO₂ Emissions per Ton Product of Fossil Energy



● Paper Production and CO₂ Emissions from Fossil Energy

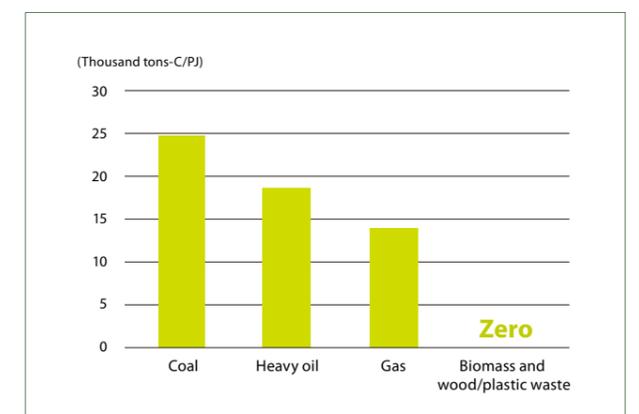


● Breakdown of Energy Sources



Black liquor, wood fuel, and waste plastic fuel + RPF (recycled biomass energy) are not counted as CO₂ emissions and account for 69% of our total energy use.

● Comparison of CO₂ Emissions per Unit of Heat Capacity for Different Fuels



Biomass and wood/plastic waste can be regarded as producing zero CO₂ emissions. Moreover, the CO₂ emissions of natural gas are about half those of coal.

Sustainable Forest Management System

Strictly Confirming the Legality of Wood Chips and Forest Sustainability

Based on its Basic Policy for Raw Materials Procurement, the Hokuetsu Kishu Paper Group strictly confirms the legality of wood chips that are the raw material for paper and fulfills its responsibility for forest sustainability as a duty of a company whose business enjoys the blessings of nature.

Only Legal Raw Materials Used

Of the wood chips that the Hokuetsu Kishu Paper Group uses as the main raw material for paper, 94% are produced from timber at overseas plantations and the remaining 6% from domestic *satoyama* areas. We pay meticulous care to all these wood chips to determine whether they are produced from trees grown in properly managed forests in terms of forest sustainability and biodiversity preservation and to ensure the legality of related transactions as a duty of a company that enjoys the blessings of nature.

The Group does not purchase wood chips that originate from the following five sources:

- ❶ Illegally harvested wood;
- ❷ Wood harvested in violation of traditional and civil rights;
- ❸ Wood harvested in forests where high conservation values are threatened by management activities;
- ❹ Wood harvested in forests being converted to plantations or non-forest use;
- ❺ Wood from forests in which genetically modified trees are planted.

Rigorous Checks Based on Official Audits and Original Standards

As a general rule, we use two types of wood chips: (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 for non-certified wood chips, we conduct annual surveys (including on-site investigations) to determine whether wood chips meet FSC® Controlled Wood standards and undergo FSC® audits and obtain approval before purchasing. We have also established our own traceability system*2 and periodically ascertain detailed information on wood producing regions. The Japan Paper Association, an industry organization, and third-party certification bodies check the confirmation of findings and procurement system to verify their accuracy.

Additionally, the Hokuetsu Kishu Paper Group has been disclosing information on wood chip procurement regions since 2003, ahead of the industry, in an effort to increase transparency based on its Basic Policy for Raw Materials Procurement.

*1 FSC® logo license number
FSC-C023503

*2 Traceability system
A method of tracking information related to production and distribution history

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 and promote the utilization of unused materials.
- We will promote the procurement of wood materials that takes 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 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.

Procurement of Wood Chips from Plantation around the World



Country	Tree type	Forest type		Means of checking information on producing regions			Overseas/Domestic wood chips	
		Planted forest	Secondary forest	Traceability	Declaration on legality of timber	Forest certification	Quantity (thousand BDT)	Percentage
Brazil	Acacia	●		●	●	FSC®	1,720	94%
Chile	Eucalyptus	●		●	●	FSC®		
South Africa	Acacia	●		●	●	FSC®		
	Eucalyptus	●		●	●	FSC®		
Australia	Eucalyptus	●		●	●	FSC®		
New Zealand	Acacia	●		●	●	CW*		
Vietnam	Acacia	●		●	●	FSC®, CW		
Japan	Oak, etc.		●	●	●	CW	120	6%
Total							1,840	

* Control Wood (CW) refers, in the case of Hokuetsu Kishu Paper, to chips made from wood managed based on the Corporate Appraisal Standard for Managed Wood of the FSC® and approved by the FSC®.



In 2012, we conducted wood legality surveys before purchasing non-certified wood chips from Vietnam. Broadly, the survey methods are wide-ranging and lengthy and include (1) on-site inspections and interviews with the wood lot owners (farmers, governments); (2) interviews at the government offices that give permission for logging and transport; (3) interviews of the logging and transport workers; (4) interviews at the chip mills; and (5) interviews with environmental organizations. Vietnam seems to resemble good, old-fashioned Japanese rural areas in terms of the tremendous importance that locals place on manners when speaking with one's seniors and in valuing communication. As this job involves a lot of cooperative work with local people, I also feel there is a need to grasp the regional characteristics and political situations in each country.



Manabu Mikamiyama, Overseas Resources Department

Relationship with Employees

We are committed to creating safe and secure workplaces where employees can work enthusiastically toward goals.

Hokuetsu Kishu Paper supports employees who are filled with the spirit of challenge, including through the provision of an overseas trainee program aimed at overseas expansion and opportunities to take the TOEIC® test, so that each individual can engage in day-to-day tasks with goals in mind. We also carry out a range of safety and health activities to ensure working environments where employees can work in safety and security.

Initiatives Aimed at Overseas Expansion

Hokuetsu Kishu Paper has been pursuing a growth strategy for becoming a global corporation in its three-year G-1st medium-term management plan, which is the first step in its Vision 2020, a long-term corporate vision established in April 2011.

Earlier, we had started an overseas trainee program in 2001 as a human resources development program to prepare for the enlargement of our business field through global expansion. Thus far, 16 employees have taken part in this program and subsequently been dispatched as expatriate personnel to places such as South Africa, China, and France, where they are

contributing on the front lines in our global strategy. The main training location is North America (the United States and Canada), but in 2012 we sent the first trainee to China as part of an effort to diversify training destinations and steadily push forward with the development of global human resources.

Additionally, we offer the TOEIC® test once a year to anyone in the company who wishes to take it, as an opportunity for persons wishing to join the trainee program as well as other employees to pursue self-development.

VOICE

I spent a year studying Chinese in the city of Guangzhou in southern China from February 2012 to February 2013.

During that year, I went to a language school attached to a university in the mornings and then took private lessons in the afternoons with the main goal of mastering Chinese. I was truly immersed in the language. At the end of the training, I helped with an accounting audit of a local corporation and was able to actually work in Chinese. By living there, I was able to feel the differences with Japanese society and culture, and I think it was a very productive year. From now, I would like to use this experience to engage in my work with a global perspective.



Osamu Utsunomiya, Business Administration Department

VOICE

I have been stationed in Pietermaritzburg, South Africa since January 2011. Here, I run Hokuetsu Kishu Paper's tree plantation business that we started in 2008 and manage the shipment of chips from here to the Company in Japan. The scope of my work covers a wide area, covering all of KwaZulu-Natal Province to southern Mpumalanga Province and the neighboring Kingdom of Swaziland. Since the vast land of Africa is my workplace, I joined a local running club, participate in marathons, and try to manage my health while working. Africa's nature and its friendly people have given me a lot of energy.



Yoshiharu Arai, Freewheel Trade and Invest 7 Pty Ltd. (South African tree plantation joint venture)

Relationship with the Local Community

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

We are committed to active engagement with local communities through interaction with community residents, mill tours, and social contribution activities. We have also started new social contribution activities such as accepting the in-service training of foreign students and providing aid to overseas educational institutions.

Community Exchange

◎ Walk around the Companies

The Niigata Mill participated in the Walk Around the Companies in Niigata City Higashi Ward, which was planned by the Niigata City Higashi Ward Office. The purposes of this event were to have a walking tour around Niigata Mill, maintain and build stamina, and deepen understanding of each company. Hokuetsu Kishu Paper cooperated starting from the planning stage. The day of the walk was a good opportunity to have participants gain a better understanding of the Niigata Mill.



◎ Coastal Cleanup and Naka River System Cleanup

The Kanto Mill (Katsuta) holds a Coastal Cleanup and Naka River System Cleanup on the same day every July. On the day of the event, we joined the cleanup with the community association and local companies.



International Exchange

◎ Donating Secondhand Clothing to a School for Disabled Children in South Africa

In February 2013, the Head Office, with the cooperation of the Niigata Mill and the Osaka Mill, sent secondhand shirts, pants, and other clothing on a wood chip ship sailing out of Niigata Higashi Port for donation to the West Park School in Durban, South Africa, where the Company owns a forest. About 200 students with disabilities study at the school, with many of them commuting from orphanages. The following May, we received a towel embroidered with "Thank you HKP," traditional Zulu bead bracelets, and a decorative pillow made by the students as a token of their appreciation. We intend to continue putting effort into this kind of international exchange as a part of our social contribution activities.



Relationship with Shareholders and Investors

We provide a full range of opportunities for communication to deepen our relationships of trust with shareholders and investors.

We strive to improve our corporate value as a truly global company that provides attractive products through sound and transparent corporate management based on our G-1st medium-term management plan.

Information Disclosure and Communication

Promotion of IR Activities

We conduct a range of IR activities to give shareholders and investors a better understanding of our corporate management and business activities. We also post various management-related data on our website in an effort to distribute information widely (www.hokuetsu-kishu.jp).

- Financial results briefings (twice a year)*
- Shareholders' reports (twice a year)*
- CSR report, annual report (once a year)
- Small meetings with securities analysts (four times a year)*

* In Japanese only

Shareholders' Meeting

In June 2013, we held our 175th annual shareholders' meeting, at which we reported on our business for FY2012 using images and narration. We also explained important management policies for the future and obtained the approval of shareholders regarding each resolution.

Matters Relating to the System for Timely Information Disclosure

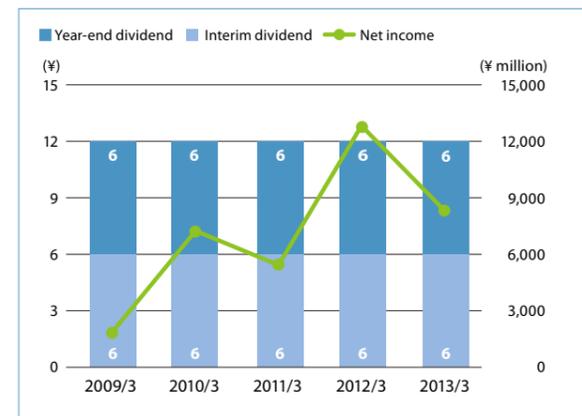
System for Fulfilling Timely Disclosure

Hokuetsu Kishu Paper has designated the officer in charge of the General Affairs Department as the person responsible for timely disclosure and also as the person responsible for the handling of information, as defined by Tokyo Stock Exchange, Inc. Based on regulations established by the Tokyo Stock Exchange, we promptly disclose important company information after going through internal procedures. We also rigorously manage unpublished company information, based on the Hokuetsu Kishu Paper Group Compliance Rules and the Hokuetsu Kishu Paper Group Insider Trading Control Rules to prevent insider trading.

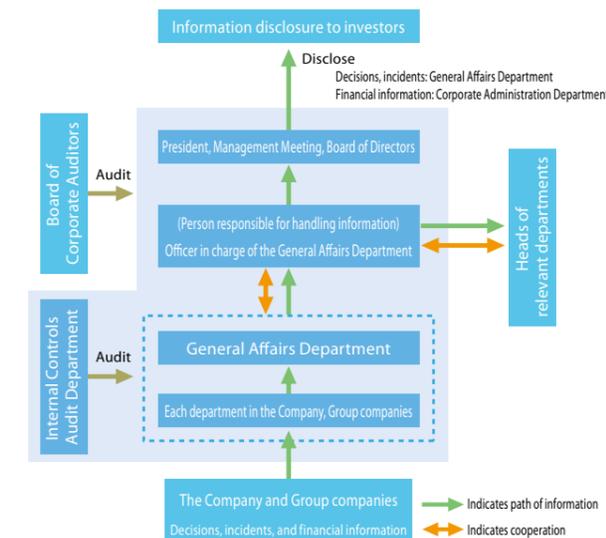
Stable Distribution of Profits

We see the continuation of the stable distribution of profit to shareholders as one of the Company's major responsibilities. Accordingly, we are striving to increase our corporate value by strengthening our domestic business base and reinforcing the growth strategies for our four main businesses, our environmental management, and our governance system, to provide a stable distribution of profits to shareholders.

Net Income and Dividends



Outline of the Internal System for Information Disclosure



Key Corporate Data

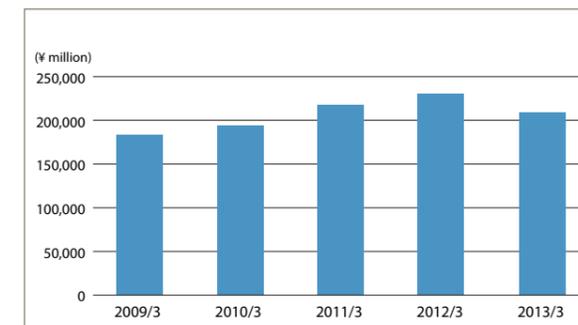
Management Data

Consolidated Financial Highlights

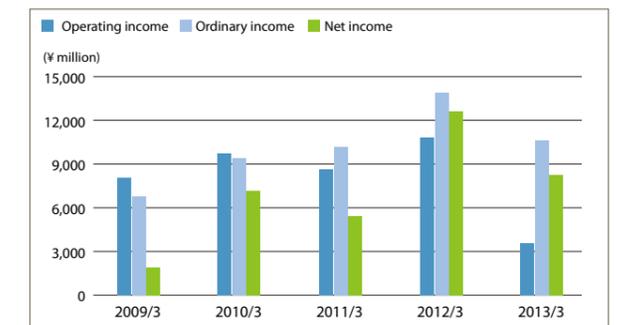
	2013/3	2012/3	Change	Percent Change
Net Sales (¥ million)	208,289	230,575	-22,286	-9.7%
Operating income	3,666	10,828	-7,161	-66.1%
Ordinary income*1	10,725	13,906	-3,181	-22.9%
Net income	8,379	12,796	-4,417	-34.5%
Ordinary income ratio	5.1%	6.0%	-0.9%	—
Operating cash flow*2	21,363	29,082	-7,719	-26.5%
ROA*3	3.2%	4.2%	-1.1%	—
Per Share (¥)				
Net income	41.1	62.7	-21.6	-34.4%
Dividends	12	12	—	0%
Fiscal Year-End (¥ million)				
Total assets	343,179	332,994	10,185	
Shareholders' equity	158,906	150,769	8,136	

*1 Ordinary income is an important management indicator at Hokuetsu Kishu Paper and a common item on financial statements in Japan. It is calculated by adding to or subtracting from operating income items such as interest and dividend income, equity in earnings of unconsolidated subsidiaries and associated companies, interest expenses and exchange gains or losses.
*2 Operating cash flow: Cash flow from operating activities
*3 ROA: Ordinary income/total assets

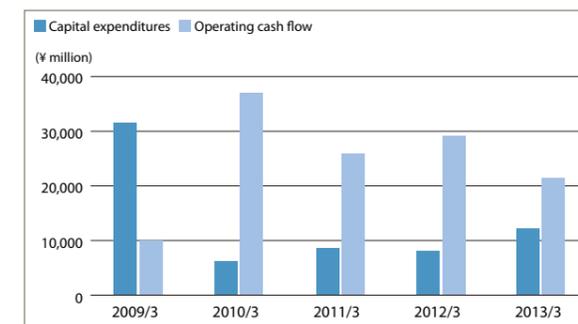
Net Sales



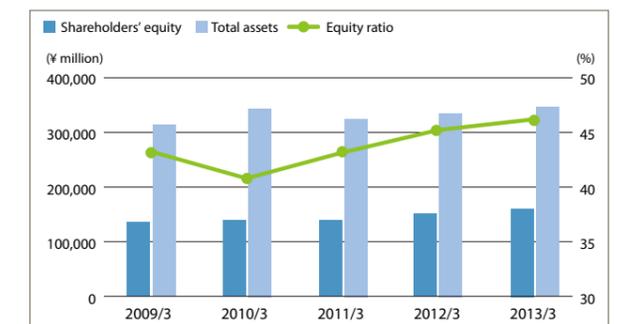
Profitability Indicators



Growth Indicators



Stability Indicators



Key Corporate Data

Environmental Accounts

Environmental Conservation Cost

Scope of calculations: Hokuetsu Kishu Paper Co., Ltd.
Target period: April 1, 2012–March 31, 2013
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		1,061	6,409
Composition ① Pollution prevention cost		458	3,423
a. Air pollution		36	569
b. Water pollution	Strengthen non-water treatment facilities	375	2,697
c. Noise, vibration and odor		47	156
② Global environmental conservation cost		328	983
a. Prevention of global warming		174	957
b. Energy conservation	Energy-saving equipment	149	(included in manufacturing cost)
c. Company-owned forest in Japan	Cost for nurturing company-owned forests	5	19
d. Reforestation overseas	Equipment investment related to tree planting overseas	—	6
③ Resource circulation cost		273	2,002
a. Efficient utilization of resources		273	(included in manufacturing cost)
b. Reduction, recycling, treatment, disposal, etc., of industrial waste		—	2,002
2. Upstream/downstream costs: Environmental conservation costs to control environmental impacts that result from key business operations upstream and downstream		—	569
Composition ① Purchase of materials, etc., with less environmental impact (green purchase)	Cost (difference) for purchasing low-sulfur fuels, and others	—	25
② Recycling and collection of containers and packaging	Cost of recycling wooden pallets, and others	—	544
3. Administrative costs: Environmental conservation costs stemming from administrative activities		—	244
Composition ① Environmental training of employees, etc.	Education on environmental conservation, cost for acquiring licenses	—	4
② Building, implementation, and acquiring certification for an environmental management system	ISO 14001-related costs	—	11
③ Monitoring and measuring environmental impacts	Maintenance fees for measuring instruments, commission fees for analysis	—	62
④ Running costs for an environmental conservation system, etc.	An in-plant system for environmental management	—	165
4. R&D costs: Environmental conservation costs stemming from R&D activities		—	162
Composition ① R&D to develop products that contribute to environmental conservation		—	33
② R&D and planning to curtail environmental impacts at the manufacturing stage, etc.		—	129
5. Social activity costs: Environmental conservation costs stemming from social activities		—	82
Composition ① Planting of greenery, beautification, etc.	Greening of the mill sites, and others	—	35
② Support, etc., of environmental conservation activities by the local community	Community environmental fair, and others	—	2
③ Support for environmental groups		—	34
④ Disclosure of environmental information and related advertisements	Costs for compiling CSR reports	—	10
6. Environmental remediation costs: Costs incurred from dealing with environmental degradation		—	104
Total		1,061	7,573

Item	Monetary value
Total investment during the target period	8,546
Total R&D cost during the target period	778

Note: Figures are rounded to the nearest million yen.

Examples of Environmental Conservation Benefits

Monetary unit (¥ million)

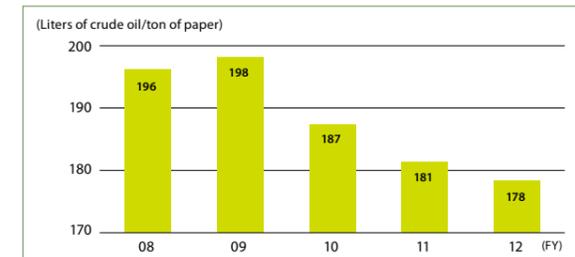
Classification by relationship with business activities	Examples of benefits	Performance
Environmental conservation benefit related to resources input into business activities	Energy-saving effect	290
Environmental conservation benefit related to goods and services produced from business activities	Hokuetsu Kishu Paper's fresh pulp is ECF bleached pulp made of wood from planted forest and mountain villages.	
Environmental preservation effects related to transportation and miscellaneous items	Promotion of modal shift produced a nearly 3% improvement year on year in fossil energy use related to transportation per unit produced.	

FY2012 Emissions: Annual Footprint Data

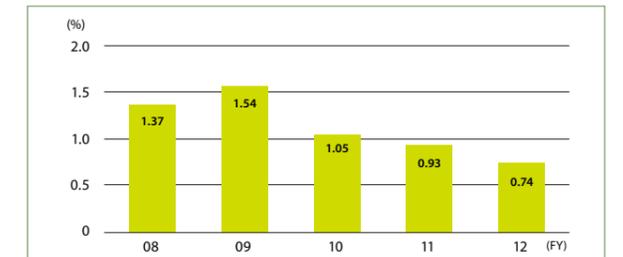
Impact	Item	Figure	Unit	Impact	Item	Unit	FY1996 achievement	FY2012 achievement	FY2013 target
	Paper and white paperboard production	1,648	1,000 tons	Preventing global warming	CO ₂ emission (CO ₂ equivalent)	kg/ton of paper	667	427	385
Water quality	Water use	92,877	1,000 m ³	Energy saving	Fossil fuel energy (petroleum equivalent)	L/ton of paper	292	178	162
	BOD discharge*	568	tons		Preventing air pollution	SO _x	kg/ton of paper	1.93	0.20
	COD discharge*	1,395	tons	NO _x		kg/ton of paper	1.26	1.49	1.45
	SS discharge	856	tons	Dust		kg/ton of paper	0.16	0.07	0.13
Air quality	CO ₂ emission	703	1,000 tons	Preventing water pollution	Wastewater BOD*	kg/ton of paper	0.80	0.40	0.41
	SO _x emission	324	tons		Wastewater COD*	kg/ton of paper	6.96	5.84	5.60
	NO _x emission	2,463	tons	Reducing industrial waste	Final disposal	Percentage relative to production	0.99	0.74	0.82
Dust emission	123	tons	Reducing water use		Volume of water used	m ³ /ton of paper	54.8	56.4	55.2
Waste quality	Final disposal	12,175		dry tons					
Chemical substances (PRTR)	Discharge	7.6	tons						
	Transferred	31.7	tons						

* Mills that discharge wastewater to rivers use BOD, while mills that discharge wastewater to the sea use COD to manage wastewater quality.

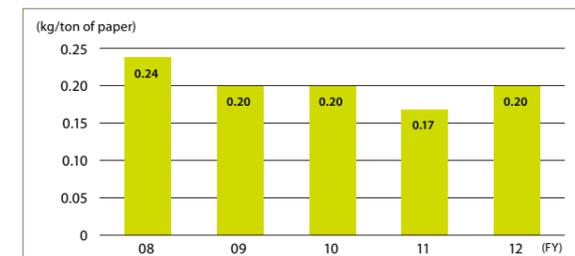
Fossil Energy Consumption per Product Ton (crude oil equivalent)



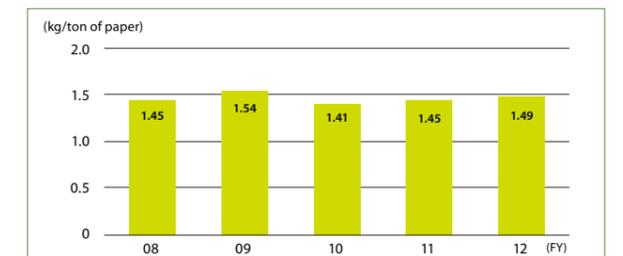
Industrial Waste Final Disposal Volume (percentage of production)



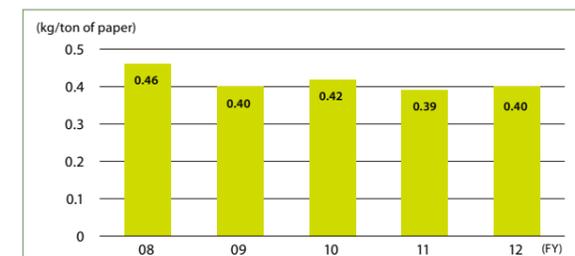
SO_x Emissions



NO_x Emission Level



Wastewater BOD



Hokuetsu Kishu Paper Group Network

Main Production Locations

Hokuetsu Kishu Paper Co., Ltd.

- A** Niigata Mill
- B** Kishu Mill
- C** Kanto Mill (Ichikawa)
- D** Kanto Mill (Katsuta)
- E** Nagaoka Mill
- F** Osaka Mill

Group Companies (Japan)

- a** Hokuetsu Package Co., Ltd.
Katsuta Mill
- b** The Toyo Fibre Co., Ltd.
Shizuoka Mill
- c** BF Co., Ltd.
Tokorozawa Mill

Group Companies (Overseas)

- d** Jiangmen Xinghui Paper Mill Co., Ltd.
Guangdong Province, China
- e** Shanghai Toh Tech Co., Ltd.
Shanghai, China
- f** Financière Bernard Dumas S.A.S.
Dordogne, France



f Financière Bernard Dumas S.A.S. (Dordogne, France)



A Niigata Mill (Niigata City, Niigata Prefecture)



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



C Kanto Mill (Ichikawa) (Ichikawa City, Chiba Prefecture)



D Kanto Mill (Katsuta) (Hitachinaka City, Ibaraki Prefecture)



E Nagaoka Mill (Nagaoka City, Niigata Prefecture)



F Osaka Mill (Suita City, Osaka Prefecture)



G Tokyo Head Office (Chuo-ku, Tokyo)



H Central Research Laboratory (Nagaoka City, Niigata Prefecture)



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



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



b The Toyo Fibre Co., Ltd. (Shizuoka Mill) (Numazu City, Shizuoka Prefecture)



c BF Co., Ltd. (Tokorozawa Mill) (Tokorozawa City, Saitama Prefecture)