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.

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)

This photograph shows the company-owned forest located in Sekikawa Village in Niigata Prefecture, a major project for the Hokuetsu-Kishu Paper leading militia. This company-owned forest began with the planting of trees in the 1950s, and today it is properly managed mainly by local representatives of the Domestic Resources Department, Hokuetsu-Kishu Paper, (in accordance with the Forest Law and the Forestry Law, among others). The periodic thinning program was registered as a “Green Project” in 2003. The periodic thinning project has contributed 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 in the nation, as selected by the Japan Society of the Conservation.

Corporate Data

<table>
<thead>
<tr>
<th>English Name</th>
<th>Hokuetsu Kishu Paper Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>3-2-2, Nihonbashichou-cho, Chuo-ku, Tokyo 109-8021, Japan</td>
</tr>
<tr>
<td>Established</td>
<td>April 27, 1907</td>
</tr>
<tr>
<td>President and CEO</td>
<td>Sekio Kishimoto</td>
</tr>
<tr>
<td>Capital</td>
<td>¥42,020,940,239 (As of March 31, 2013)</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>4,124 (Consolidated) 1,557 (Non-consolidated) (As of March 31, 2013)</td>
</tr>
<tr>
<td>Offices and Mills</td>
<td>Tokyo Head Office, Niigata Mill, Kishu Mill, Kanto Mill (Ichikawa, Katsuta), Nagasaki Mill, Osaka Mill, Central Research Laboratory, Osaka Branch, Nagooya Office, Fukuoka Office, Niigata Office</td>
</tr>
</tbody>
</table>

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 Xinghua Paper Mill Co., Ltd.
  - Hokuetsu Kame Seisen Co., Ltd.
  - Katsuta Kame Seisen Co., Ltd.
  - Kishu Kame 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 (timer 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 Zorio Co., Ltd.
  - Hokuetsu Forest Co., Ltd.
  - Hokuetsu Logistics Co., Ltd.
  - Hokuetsu Suzum Co., Ltd.
  - Hokuetsu Engineering Co., Ltd.
  - Hokuetsu Trucking Corporation
  - Kishu Kohatru Co., Ltd.
  - Keiyko Shigen Center Co., Ltd.
  - Hokuetsu Ryoutetsu Co., Ltd.

Hokuetsu Kishu Paper Group Network

- Hokuetsu Kishu Paper Co., Ltd.
- General Affairs Department
- 3-2-2, Nihonbashichou-cho, Chuo-ku, Tokyo 109-8021, Japan
- Tel: +81-3-3245-4500 Fax: +81-3-3245-4511

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, Nihonbashichou-cho, Chuo-ku, Tokyo 109-8021, Japan
Tel: +81-3-3245-4500 Fax: +81-3-3245-4511
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 Nigata 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 (Katsuma) 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 irreparable 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.
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 described below to meet all stakeholders’ expectations with trust and achieve sustainable growth in this kind of business climate.

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 ¥4.4 billion between both companies (about ¥19 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.

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.

That Grows Together with Society

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.

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.
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 1,000 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.**

- **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 2013, 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.

- **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

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.

**Yusuke Notsu, Steam Power Department, Niigata Mill**

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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**
  
<table>
<thead>
<tr>
<th>Year</th>
<th>MC Hokuetsu Paper</th>
<th>Industry average</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>1,013</td>
<td>979</td>
</tr>
<tr>
<td>02</td>
<td>848</td>
<td>719</td>
</tr>
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<td>04</td>
<td>868</td>
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<tr>
<td>10</td>
<td>808</td>
<td>719</td>
</tr>
<tr>
<td>12</td>
<td>816</td>
<td>719</td>
</tr>
</tbody>
</table>

  In FY2012, we reduced our energy use, but our CO₂ emissions per unit of fossil energy increased slightly, compared to 2010, because CO₂ emissions per unit of electricity purchased from the power companies expanded as a result of the 2011 earthquake.

  [Image provided by IHI Corporation]

- **Paper Production and CO₂ Emissions from Fossil Energy**

  *Our paper production in FY2012 increased by about 150% compared to 1990. Meanwhile, our CO₂ emissions decreased by about 60% as a result of the range of CO₂-emissions reduction initiatives.*

  [Image provided by IHI Corporation]

- **Breakdown of Energy Sources**

<table>
<thead>
<tr>
<th>Year</th>
<th>Coal</th>
<th>Black liquor</th>
<th>Wood fuel</th>
<th>Gas</th>
<th>Purchased electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>06</td>
<td>1%</td>
<td>48%</td>
<td>14%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>12</td>
<td>1%</td>
<td>48%</td>
<td>14%</td>
<td>11%</td>
<td>8%</td>
</tr>
</tbody>
</table>

  [Image provided by IHI Corporation]
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:
1. Illegally harvested wood;
2. Wood harvested in violation of traditional and civil rights;
3. Wood harvested in forests where high conservation values are threatened by management activities;
4. Wood harvested in forests being converted to plantations or non-forest use;
5. 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** 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.

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 basic framework, 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 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 also ensure the appropriate transparency 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.

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, government), (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.

Marubu Mikamoto, Overseas Resources Department
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 those 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.

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.

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 natural beauty and its friendly people have given me a lot of energy.

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.

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 HRP”, 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.

International Exchange

Walk around the Companies

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.

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 HRP”, 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.

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Key Corporate Data

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.

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

System for Fulfiling Timely Information Disclosure
Hokuetsu Kishu Paper has designated the office 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.

Outline of the Internal System for Information Disclosure

Shareholders’ Meeting
In June 2013, we held our 179th 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

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.

Consolidated Financial Highlights

Management Data

<table>
<thead>
<tr>
<th></th>
<th>2013/3</th>
<th>2012/3</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>208,289</td>
<td>230,575</td>
<td>-22,286</td>
<td>-9.7%</td>
</tr>
<tr>
<td>Operating income</td>
<td>3,666</td>
<td>10,828</td>
<td>-7,162</td>
<td>-66.1%</td>
</tr>
<tr>
<td>Ordinary income*</td>
<td>10,725</td>
<td>13,096</td>
<td>-2,371</td>
<td>-18.2%</td>
</tr>
<tr>
<td>Net income</td>
<td>8,379</td>
<td>12,796</td>
<td>-4,417</td>
<td>-34.5%</td>
</tr>
<tr>
<td>Ordinary income ratio</td>
<td>11%</td>
<td>6.0%</td>
<td>-5.0%</td>
<td>—</td>
</tr>
<tr>
<td>Operating cash flow*2</td>
<td>21,363</td>
<td>29,082</td>
<td>-7,719</td>
<td>-26.5%</td>
</tr>
<tr>
<td>ROA*3</td>
<td>3.2%</td>
<td>4.2%</td>
<td>-1.1%</td>
<td>—</td>
</tr>
</tbody>
</table>

Per Share:

<table>
<thead>
<tr>
<th></th>
<th>2013/3</th>
<th>2012/3</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>41.1</td>
<td>62.7</td>
<td>-21.6</td>
<td>-34.4%</td>
</tr>
<tr>
<td>Dividends</td>
<td>12</td>
<td>12</td>
<td>—</td>
<td>0%</td>
</tr>
</tbody>
</table>

Fiscal Year-End (¥ million):

<table>
<thead>
<tr>
<th></th>
<th>2013/3</th>
<th>2012/3</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>343,179</td>
<td>332,094</td>
<td>10,085</td>
<td>3.0%</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>158,006</td>
<td>150,769</td>
<td>7,237</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

Profitability Indicators

<table>
<thead>
<tr>
<th></th>
<th>2013/3</th>
<th>2012/3</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>3,666</td>
<td>10,828</td>
<td>-7,162</td>
<td>-66.1%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>10,725</td>
<td>13,096</td>
<td>-2,371</td>
<td>-18.2%</td>
</tr>
<tr>
<td>Net income</td>
<td>8,379</td>
<td>12,796</td>
<td>-4,417</td>
<td>-34.5%</td>
</tr>
</tbody>
</table>

Growth Indicators

<table>
<thead>
<tr>
<th></th>
<th>2013/3</th>
<th>2012/3</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>3,000</td>
<td>6,000</td>
<td>3,000</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>50,000</td>
<td>50,000</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Stability Indicators

<table>
<thead>
<tr>
<th></th>
<th>2013/3</th>
<th>2012/3</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>
Environmental Conservation

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 | a. Air pollution | 1,061 | 6,409
Composition | b. Water pollution | 458 | 3,423
Composition | c. Noise, vibration and odor | 175 | 2,657
Composition | d. Global environmental conservation cost | 41 | 356
2. Upstream/downstream costs: Environmental conservation costs to control environmental impacts that result from key business operations upstream and downstream | | |
Composition | a. Prevention of global warming | 174 | 957
Composition | b. Energy conservation | 171 | 2,196
Composition | c. Renewable energy investment in Japan | 1 | 19
Composition | d. Reforestation overseas | 1 | 6
Composition | e. Resource circulation cost | 273 | 2,082
Composition | f. Efficient utilisation of resources | 273 | 2,082
3. Administrative costs: Environmental conservation costs stemming from administrative activities | | |
Composition | a. Environmental training of employees, etc. | 244
Composition | b. Building, implementation, and acquiring certification for an environmental management system | 4
Composition | c. Monitoring and measuring environmental impacts | 11
Composition | d. Running costs for an environmental conservation system, etc. | 165
4. R&D costs: Environmental conservation costs stemming from R&D activities | | |
Composition | a. R&D to develop products that contribute to environmental conservation | 182
Composition | b. R&D and planning to curtail environmental impacts at the manufacturing stage, etc. | 33
Composition | c. R&D and planning to curtail environmental impacts at the manufacturing stage, etc. | 120
5. Social activity costs: Environmental conservation costs stemming from social activities | | |
Composition | a. Planting of greenery, beautification, etc. | 82
Composition | b. Support, etc., of environmental conservation activities by the local community | 35
Composition | c. Support for environmental groups | 34
Composition | d. Disclosure of environmental information and related advertisements | 10
6. Environmental remediation costs: Costs incurred from dealing with environmental degradation | | |
Total | 1,061 | 7,573

Environmental remediation benefit related to goods and services produced from business activities
Examples of benefits

Impact | Item | Figure | Unit |
---|---|---|---|
Preventing global warming | CO2 emission | 1,000 tons |
Energy saving | fossil energy (petroleum equivalent) | 1,000 tons |
Preventing water pollution | Wastewater BOD | 1,000 tons |
Preventing water pollution | Wastewater COD | 1,000 tons |
Reducing industrial waste | Final disposal | 1,000 tons |
Reducing water use | Volume of water use | 1,000 tons |

Impact | Item | Figure | Unit |
---|---|---|---|
Fossil Energy Consumption per Product Ton (crude oil equivalent) | | |
Water quality | Water use (kg/ton of paper) | 6.96 | 5.84 | 5.60 |
| BOD discharge* (Liters of crude oil/ton of paper) | 292 | 178 | 162 |
| COD discharge* (kg/ton of paper) | 0.80 | 0.40 | 0.41 |
| SS discharge (Liters of crude oil/ton of paper) | 196 | 120 | 90 |
| NOx emission (kg/ton of paper) | 0.08 | 0.40 | 0.41 |
| SOx emission (kg/ton of paper) | 6.96 | 5.84 | 5.60 |
| CO2 emission (kg/ton of paper) | 667 | 427 | 385 |
| Dust emission (kg/ton of paper) | 0.17 | 0.07 | 0.13 |
| Final disposal (dry tons) | 12,175 | 8,207 | 6,490 |
| Discharge (transferred) (kg/ton of paper) | 31.7 | 20.0 | 18.1 |
| Discharge (transferred) (Liters of crude oil/ton of paper) | 200 | 120 | 100 |

Impact | Item | Figure | Unit |
---|---|---|---|
Industrial Waste Final Disposal Volume (percentage of production) | | |
SOx Emissions | SOx emission (kg/ton of paper) | 0.46 | 0.46 | 0.39 |
NOx Emission Level | NOx emission (kg/ton of paper) | 0.20 | 0.20 | 0.15 |
Wastewater BOD | Wastewater BOD (mg/ton of paper) | 0.5 | 0.5 | 0.5 |

SCOPE OF CALCULATIONS: Hokuetsu Kishu Paper Co., Ltd. | Target period: April 1, 2012–March 31, 2013 | Monitory area: the world

Examples of Environmental Conservation Benefits

Classification by relationship with business activities | Examples of benefits | Performance |
---|---|---|
Environmental conservation benefit related to goods and services produced from business activities | Energy-saving effect | 100 |
Environmental conservation benefit related to goods and services produced from business activities | Environmental preservation effect related to transportation and miscellaneous items | 50 |

Note: Figures are rounded to the nearest million yen.
Hokuetsu Kishu Paper Group Network

Main Production Locations

Hokuetsu Kishu Paper Co., Ltd.
- Niigata Mill
- Kishu Mill
- Kanto Mill (Ichikawa)
- Kanto Mill (Katsuta)
- Nagaoka Mill
- Osaka Mill

Hokuetsu Kishu Paper Co., Ltd. Group Companies (Japan)
- Hokuetsu Package Co., Ltd.
- Katsuta Mill
- The Toyo Fibre Co., Ltd.
- Shizuoka Mill
- BF Co., Ltd.
- Tokorozawa Mill

Hokuetsu Kishu Paper Co., Ltd. Group Companies (Overseas)
- Jiangmen Xinghui Paper Mill Co., Ltd.
  Guangdong Province, China
- Shanghai Toh Tech Co., Ltd.
  Shanghai, China
- Financière Bernard Dumas S.A.S.
  Dordogne, France

Group Companies (Japan)
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- Katsuta Mill
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  Shanghai, China
- Financière Bernard Dumas S.A.S.
  Dordogne, France

Hokuetsu Mill (Kiho Town, Minamimuro County, Mie Prefecture)
Kanto Mill (Ichikawa) (Ichikawa City, Chiba Prefecture)
Kanto Mill (Katsuta) (Hitachinaka City, Ibaraki Prefecture)
Hokuetsu Package Co., Ltd. (Katsuta Mill)
Nagaoka Mill (Nagaoka City, Niigata Prefecture)
Tokyo Head Office (Chuo-ku, Tokyo)
Central Research Laboratory (Nagaoka City, Niigata Prefecture)
Osaka Mill (Suita City, Osaka Prefecture)
Niigata Mill (Niigata City, Niigata Prefecture)
Kishu Mill (Kiho Town, Minamimuro County, Mie Prefecture)
Kanto Mill (Ichikawa) (Ichikawa City, Chiba Prefecture)
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