

HOKUETSU KISHU PAPER CO.,LTD.

Hokuetsu Kishu Paper Co.,Ltd.
CSR Report
2010

Our company's history of over a hundred years is one of good and trustworthy relationships with all of our stakeholders; in other words, our customers, our shareholders, our suppliers, our employees and the regional community.

Moving forward, we will strive to be an even finer papermaking company and continue to respond to the needs of our stakeholders with sincerity.

Hokuetsu Kishu Paper Corporate Philosophy

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

We will work to further earn the trust of our customers, stockholders, trading partners and the local communities we operate in by upholding the law and pursuing transparent business activities.

We will provide attractive products and services to meet customer needs.

Through a relationship of mutual trust between labor and management, we will create a bright and vigorous corporate culture that nurtures creativity and a thirst for challenge.

Through commitment to environmental conscience management, we will strive for sustainable growth.

Created : April 1st, 2003

Revised : October 1st, 2009



Editing Policy

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

Period Covered

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

Companies Covered

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

Issued

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

Publisher

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Guidelines Used

GRI (Global Reporting Initiative), "Sustainability Reporting Guideline Edition 3 (G3)"
Ministry of the Environment, "Environmental Reporting Guidelines (2007 Edition)"

Website

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

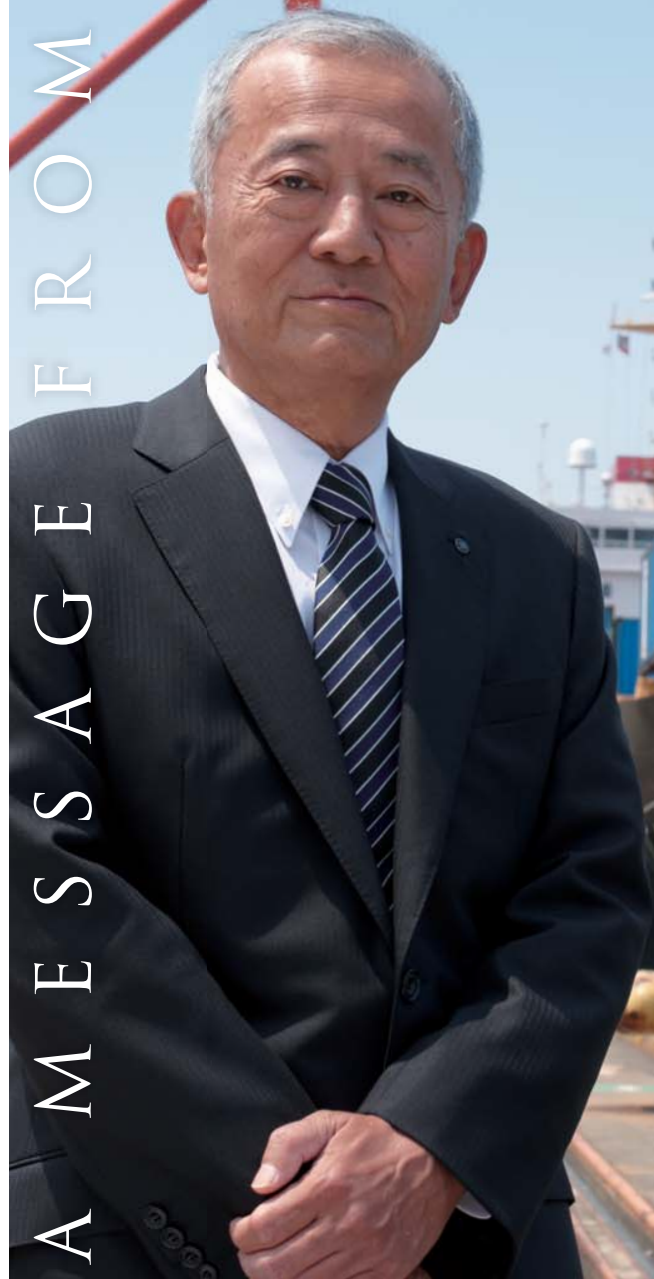
Meaning of the Cover Photo

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

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A MESSAGE FROM PRESIDENT



At Niigata East Port

How to Remain Worthy of Everyone's Expectations and Trust as a Company that Connects Man, Society and Nature

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

"In Order to Meet the Demands of as Many Customers as Possible"

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

"Reinforcement of International Cost Competitiveness"

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

"Improved Compliance Framework"

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

"Aiming to Foster Healthy Forests"

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

"Fulfilling our Corporate Obligation by Maintaining Employment"

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

岸本哲夫

Sekio Kishimoto
President and Chief Executive Officer
Hokuetsu Kishu Paper Co., Ltd.

Forestry Around the World (Forestations Operation in South Africa)

Hokuetsu Kishu Paper Co., Ltd. imports wood chips from the Republic of South Africa

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

Sustainable forest management operations are being carried out.

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

1. Map Creation

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



Mr. Zak who is in charge of cartography.

2. Estimating the sustainable production quantities and providing instruction and advice to company team members

For forestry over the long term, it is necessary to comprehend how much production (logging quantity) each forest or grove can support. To this end, the map data that comprehensively includes forestland area, tree types, etc., is merged with a vast amount of data obtained from the ICFR (Institute for Commercial Forestry Research) and the annually

possible production quantity is estimated. Based on the results, instruction and advice is given to our team members regarding the annual possible production quantity.



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

3. Instructing for Optimal Tree Types During Reforestation

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



What was once a savannah has transformed into forestland.

History of Forestation in South Africa

The Republic of South Africa has a long history of forestation. Industrial forestry started from the later half of the 19th century and in 1864 acacia forestation began. The bark of acacia contains the tannin that is needed for tanning, and thus the forestry industry grew in parallel with the growth of the livestock industry – by 1910 there were 60,000 ha of acacia forests. In 1875, forestation started to provide wood fuel for the steam locomotives on the railroad that was being extended inland. At around this time, there was also a gold rush in South Africa, leading to active pine forestation for use as mine pillars.



Local people peeling the bark of acacia trees

In the 1950s, the government promoted wood resources, encouraging forestation by the private sector. This initiative rapidly increased forestation, and by the year 1960 there was 981,640ha of land being used for forestation. Of this, 355,000ha were acacia forests. With the birth of the new government in 1994, a new forestry law was proclaimed with a heavy focus on the participation of the regional community, and the financial situation of local workers in the forestry industry improved. In recent years there has been an increase in eucalyptus planting for use as material for papermaking. In the past, acacia lumber, having been stripped of its bark

for tannin, was considered useless, but currently it is also being used for papermaking. Though historically South Africa was a nation poor in natural forests and wood resources, currently it has grown to become a nation rich in forestry resources. In South Africa today, there are 500,000ha of national forests consisting mostly of natural groves and 1,260,000ha of afforested land producing wood for processing through sustainable forest management. Together they produce 8,800,000m³ of coniferous trees and 11,200,000m³ of broadleaf trees.



A healthy eucalyptus tree and Mr. Matsuura, president of Freewheel*

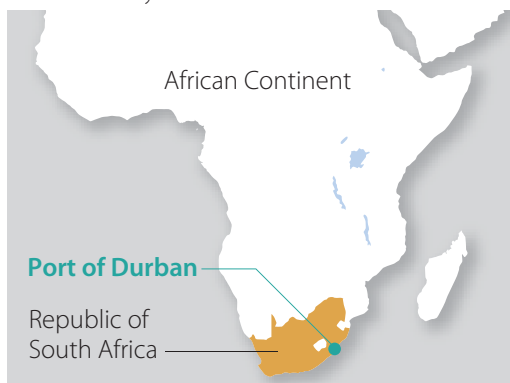
*A joint venture between our company, Mitsubishi Corp and NCT, 51% owned by our company



A eucalyptus grove ready for harvesting

Forestry Co-Operative NCT

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



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

The full degree of biodiversity found in South Africa is well represented here.



Beautiful strelitzia growing in the natural preserve regions



Impala, although rare, are seen in afforested areas on a daily basis

Biomass Energy

Making use of biomass energy, seeking a reduction in CO₂ emissions even further.

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

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

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

Hokuetsu Forest Ibaraki Office

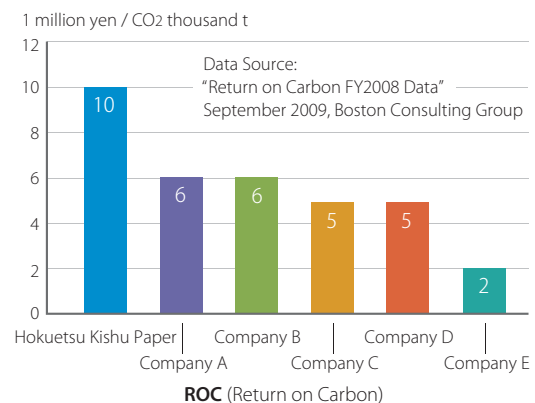
Construction wood refuse and decommissioned pallets have traditionally been burned, but these now are being transformed into wood fuel. The Kanto Mill (Katsuta) purchases wood fuel from wood fuel manufacturing companies in the southern part of the Tohoku region and the northern Kanto region. In order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



Loading Wood Chips at the Miyanosato Wood Fuel Manufacturing Factory

ROC (Return on Carbon)

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





The biomass generator boiler from the outside



Wood-fuel pulverized for fuel being carried to the boiler



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

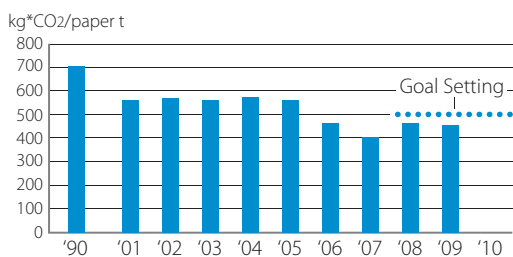


The central control room where the facility is monitored and controlled 24 hours, around the clock

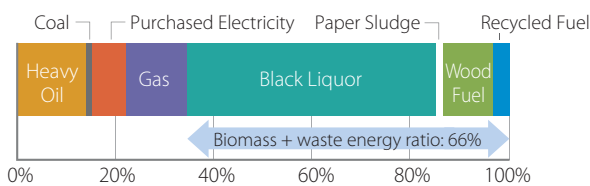


Photo of the generator facility.
From the left, the generator and the steam turbine

Balance with nature



Hokuetsu Kishu Paper's CO2 Emission Basic Unit Progression



Energy composition for FY2009

Hokuetsu Kishu Paper Group Total: Heat Quantity Ratio

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

Relationship with Suppliers

We have been developing a relationship of trust with our suppliers both domestic and overseas in order to procure raw materials.

Hokuetsu Kishu Paper "Basic policy for raw materials procurement"

At Hokuetsu Kishu Paper, in order to provide products that our customers can feel comfortable using, based on the principles spelled out in the Environmental Charter of Hokuetsu Kishu Paper,¹ we pursue raw material procurement practices that place importance on linkages with our business partners.

1. Environment First

- With the Environmental Charter of Hokuetsu Kishu Paper as a basis for raw material procurement, we will procure materials in a way that our customers can feel comfortable with.
- For wood materials, overseas procurement is limited to lumber from forestation projects. Furthermore, by increasing our overseas operations, we have increased the percentage of supply from our own corporate forest resources. For domestic procurement, we are promoting the secondary use of satoyama and nurturing as well as use of unused wood.
- We will procure our wood resource in a way that assures the protection of biodiversity² and the health and safety of the laborers.

2. Open and fair transactions

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

3. Legal compliance and disclosure of information

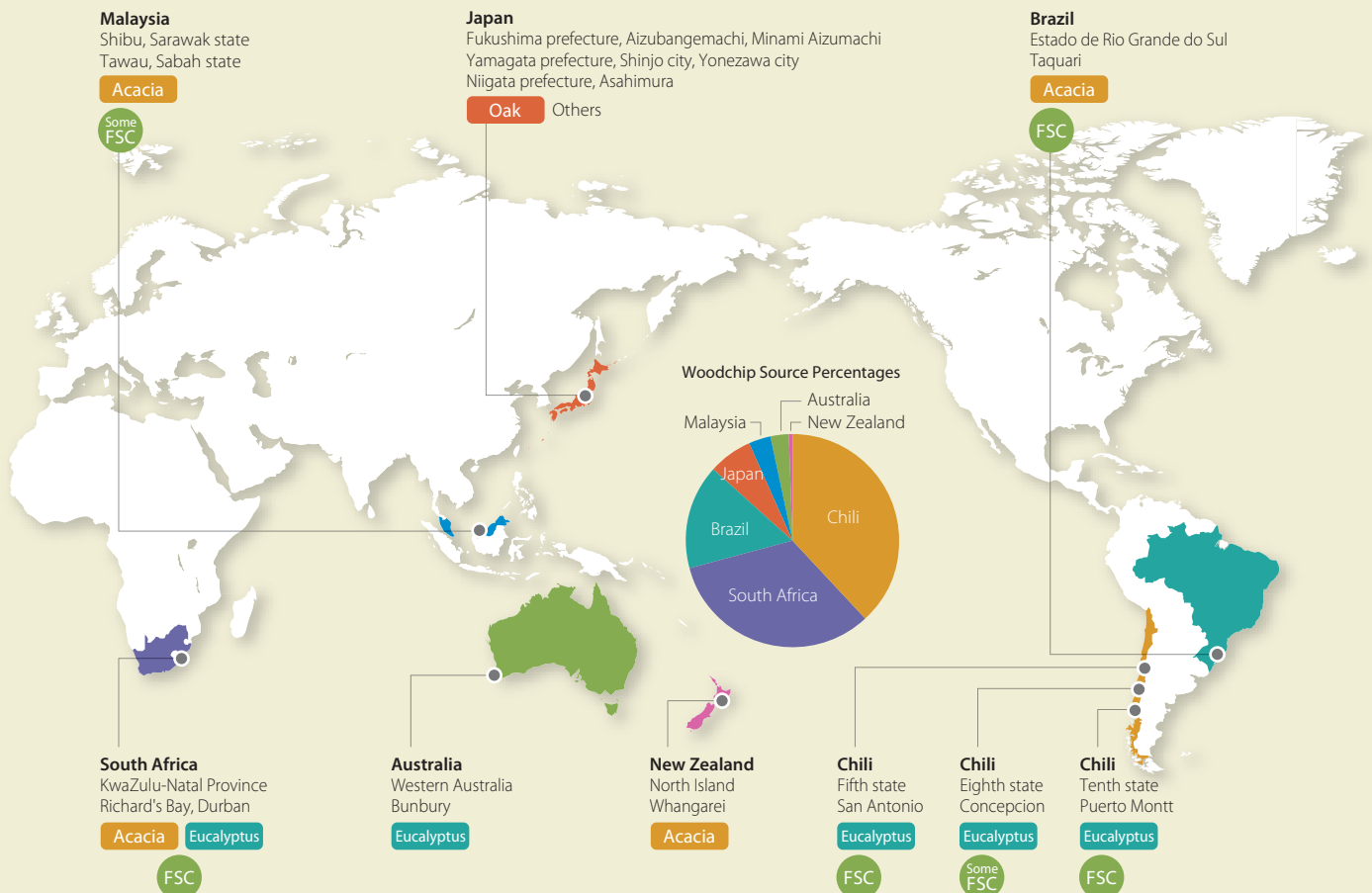
- We procure raw materials that are in compliance with relevant laws.
- We ensure that the raw wood materials from our overseas suppliers are from appropriately managed forestry resources through direct investment and transactions, and disclose information regarding our wood chip sources.

4. Reciprocal trust and prosperity

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

Note 1: The fundamental principle of the Environmental Charter established by Hokuetsu Kishu Paper is to make a social contribution toward the maintenance of an abundant global environment by working toward environmentally friendly business activities in order to achieve the high-standards expected of an excellent company and realize a society of sustainable development. To realize this, our fundamental policy includes 1) the protection and cultivation of forestry resources; 2) the reduction of environmental impacts from our business activities; and 3) the promotion of resources and energy efficiency. **Note 2:** Maintenance of biodiversity is the maintenance of a healthy environment in which diverse life forms may thrive. It is directly connected to the maintenance of soil and water resources.

Wood chip sources (used in FY 2009)



FSC (Forest Stewardship Council) :

An international forestry certification third party agency whose goal is to promote forest management that appropriately protects the forest environment, is profitable to the regional community, and is economically sustainable.

Overseas Suppliers

Reinforce supplier relationships based on direct transactions.

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

Overseas Woodchip Dealings Basic Policy

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

Investment in South African Forestation Companies

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

Domestic Suppliers

Hokuetsu Forest, promoting the sustainable harvesting of satoyama.

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

Cooperation with Occupation Trial Experiences

Forestry and wood processing is an important industry in the Okitama Region of Yamagata Prefecture. In Yonezawa City, found at the center of the Okitama Region, Hokuetsu Forest has its Yonezawa Factory where in cooperation with the local junior high school, 3 students get to experience the work of the chip factory every year. The students learn the process of woodchip processing, from the receiving of materials obtained in local forests to the creation of woodchips for papermaking use. By maintaining a close relationship with the local community, we hope to nurture the future generation of workers for the forestry and wood processing industry, which are so important for papermaking.



Relationship with Customers

Being considerate of the environment while stably supplying products that our customers can feel safe and comfortable using is our mission.

At Hokuetsu Kishu Paper, we believe that continuing to supply products of the quality that our customers require is an important social responsibility. By sincerely listening to our customers' voices on a daily basis, we pursue high quality products that can earn our customers' satisfaction. We have also been pursuing a quality control structure based on obtaining ISO9001 and ISO14001 certifications.

Our Quality Control Initiatives

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

Hokuetsu Kishu Paper New Product Development Management Regulations



Regarding the ISO Certification

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

ISO Certification Footsteps

Niigata Mill

Sep 2009 ISO14001 Certification acquired

Nagaoka Mill

Aug 1998 ISO9002 Certification acquired

Jun 2000 ISO14001 Certification acquired

Aug 2003 Transition from ISO9002 certification to ISO9001 certification

Kanto Mill

Oct 1998 Katsuta Mill acquired ISO9002

Apr 2000 Organizational structure of Ichikawa Mill and Katsuta Mill merged, renamed to Kanto Mill

Oct 2000 Ichikawa Engineering Dept acquires ISO14001

Apr 2001 Katsuta Engineering Dept acquires ISO14001

Jan 2003 Katsuta Engineering Dept transitions from ISO9002 certification to ISO9001 certification

Sep 2005 Increase the ISO9001 certification with a site expansion to the whole Kanto Mill, including the Ichikawa Engineering Dept

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

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

Wataru Bunasawa

Niigata Mill Quality Control Division



Relationship with the Community

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

1. Culture and Educational Activities

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

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



Tokyo Philharmonic Orchestra special concert in Nagaoka

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

Provided by the Nagaoka City Foundation for Art and Culture Promotion.



Accepting Practical Training Students (Central Research Laboratory)

From October 2009 till January 2010, 2 students from Nagaoka University of Technology came to the central research laboratory as practical training students. Practical training is a requisite course for seniors who are slated to go onto graduate school for their master’s degree. Students are sent not only to domestic companies, but also to companies and universities overseas.

Our central research laboratory has been accepting students for over 20 years.

2. Our Participation in Regional Events

Shinano River Cleaning Mission (Nagaoka Mill)

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



Regional Bon Odori (Dance) Festival (Niigata Mill)

At the Niigata Mill, every year a “Yagura” tower is set up in the parking lot and a Bon Odori Festival is held for the neighboring residents. In 2009, we invited elementary school kids from Niigata City Kita Ward Minamihama to perform the Kameda Jinku and Niigata Jinku drum songs on Japanese barrel drums. Fortunate weather meant that many neighboring residents attended, making it an animated festival with long lines at the booths for free prizes (paper), rubber ball scooping, yo-yo scooping, etc.



Providing Paper for a Charity Event (Niigata Mill)

On August 29, 2009, based on a request from TV Niigata, our company cooperated with a charity event on the program 24 hour television. This year, as before, Bandai City Street was dubbed "Message Street" and Niigata Mill's number eight machine product "μ Mat" was spread from sidewalk to sidewalk for a 100 meters, allowing citizens coming to the site to write messages. In the show "Can't wait till it starts, 24 hour television" which airs every year right up to the start of 24 hour television, charity events within Niigata Prefecture were introduced, and pre-taped clips of the number eight machine rolling the μ mat and scenes from the Message Street were aired.



Sponsor Contract with Niigata's Pro Team "Albirex"

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



3. Sports Promotion

Tokimeki Niigata Nation Sports Official Sponsor (Niigata Mill)

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



Corporate Summary

English Name

Hokuetsu Kishu Paper Co., Ltd.

Location

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

Established

April 27th, 1907

President and CEO

Sekio Kishimoto

Capital

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

Employees (consolidated count)

4,071 persons

(standalone count) 1,265 persons

(as of March 31st, 2010)

Offices

Tokyo Headquarters

Niigata Mill

Nagaoka Mill

Central Research Laboratory

Kanto Mill (Ichikawa)

Kanto Mill (Katsuta)

Osaka Branch

Nagoya Office

Fukuoka Office

Niigata Office

Summary of Operations

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



Niigata Mill



Nagaoka Mill



Kanto Mill (Ichikawa)



Kanto Mill (Katsuta)

Consolidated Subsidiaries

Pulp and Papermaking operations

Production and Sales of Pulp and Paper

Hokuetsukamiseisen Co., Ltd

Katsutakamiseisen Co., Ltd.

Techno-Hokuetsu, Ltd.

Kishu Paper Co., Ltd.

Kishu Shigyou Co., Ltd.

Kinan Sangyo Co., Ltd.

Kishu Kami Seisen Co., Ltd.

Paper products manufacturing operations

Production and sales of paper products

Hokuetsu Package Co., Ltd.

BF Co., Ltd.

Other Operations

Lumber Operations

Construction Operations

Machine Manufacturing / Sales / Maintenance

Import and Sales of Pulp and Other Materials

Real Estate

Logistics and Storage Operations

Recycled Paper Wholesales

Service

Others

Hokuetsu Engineering Co., Ltd.

Hokuetsu Trading Corporation

Hokuetsu Logistics Co., Ltd.

Hokuetsu Suiun Co., Ltd.

Keiyo Shigen Center Co., Ltd.

Hokuetsu Forest Co., Ltd.

Kishu Zorin Co., Ltd.

Kishu Kohatsu Co., Ltd.

Main Production Locations

Pulp and Papermaking operations

Hokuetsu Kishi Paper Co., Ltd

① Niigata Mill

② Nagaoka Mill

③ Kanto Mill (Ichikawa)

④ Kanto Mill (Katsuta)

Kishu Paper Co., Ltd.

⑤ Kishu Mill

⑥ Osaka Mill

Paper products manufacturing operations

Hokuetsu Package Co., Ltd.

⑦ Katsuta Mill

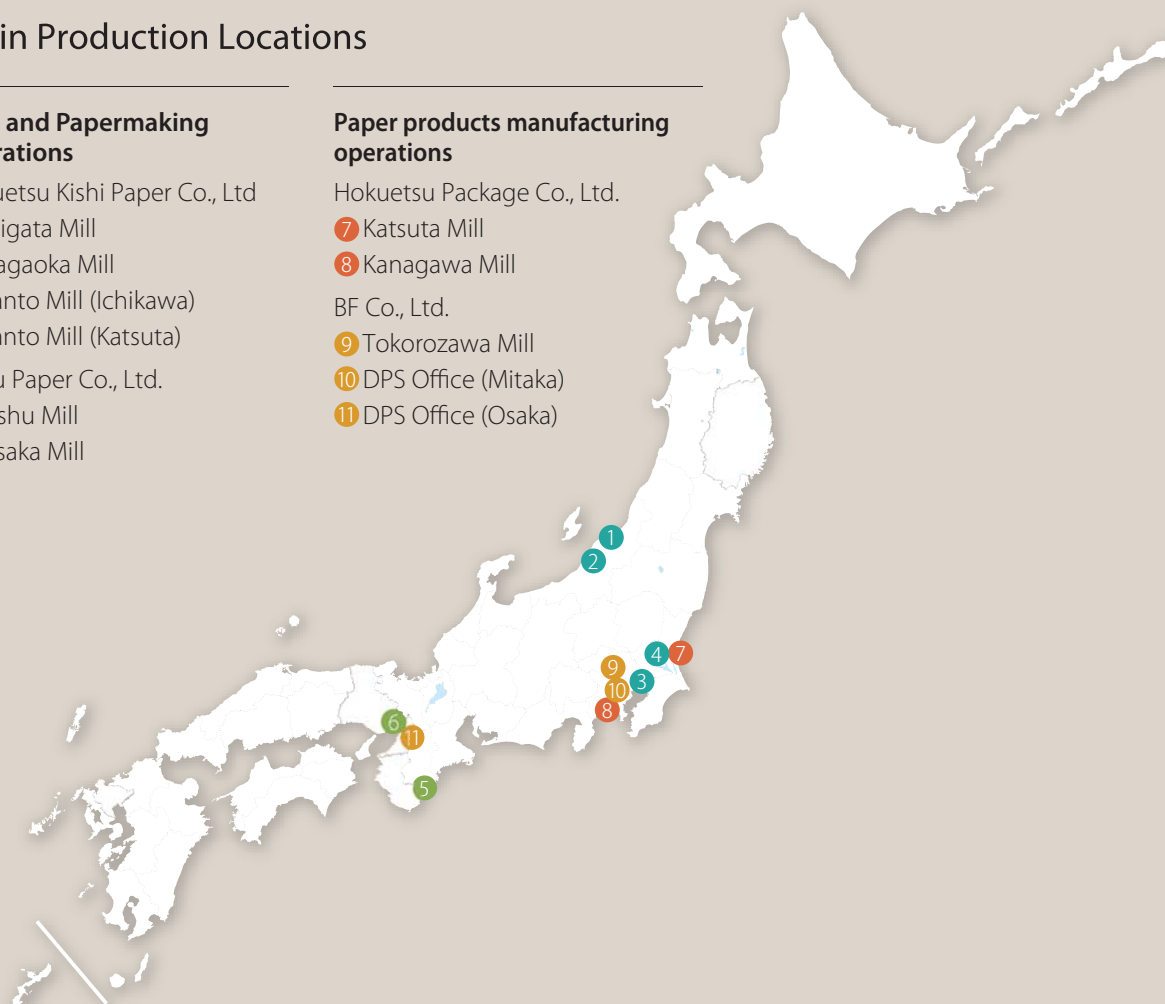
⑧ Kanagawa Mill

BF Co., Ltd.

⑨ Tokorozawa Mill

⑩ DPS Office (Mitaka)

⑪ DPS Office (Osaka)



Management Data

Consolidated Finances Highlights

(Unit: Million Yen)

	FY2010	FY2009	Increase and decrease	Increase and decrease rate
Sales Volume	193,951	182,814	11,137	6.1%
Operating Income	9,891	8,125	1,766	21.7%
Ordinary Profit	9,573	6,751	2,822	41.8%
Current Net Income	7,239	1,913	5,326	278.4%
Recurring Profit Margin	4.9%	3.7%	1.2%	-
Operating CF	36,944	10,000	26,944	269.4%
ROA	2.9%	2.2%	0.7%	-

Per Stock

(Unit: Yen)

Current Net Income	34.38	9.01	25.37	281.6%
Dividends	12.00	12.00	0	0.0%

End of Fiscal Year

(Unit: Million Yen)

Gross Assets	340,970	313,731	27,239	8.7%
Shareholders' Equity	139,219	135,876	3,343	2.5%

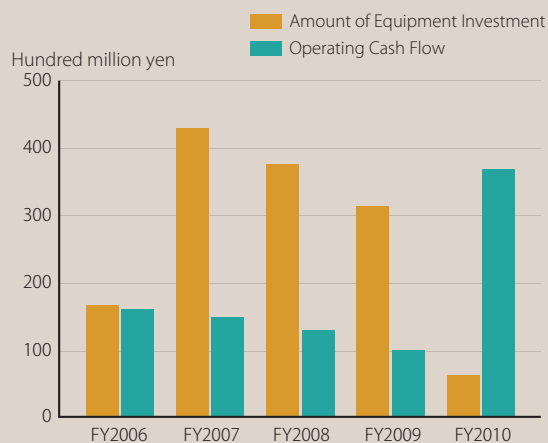
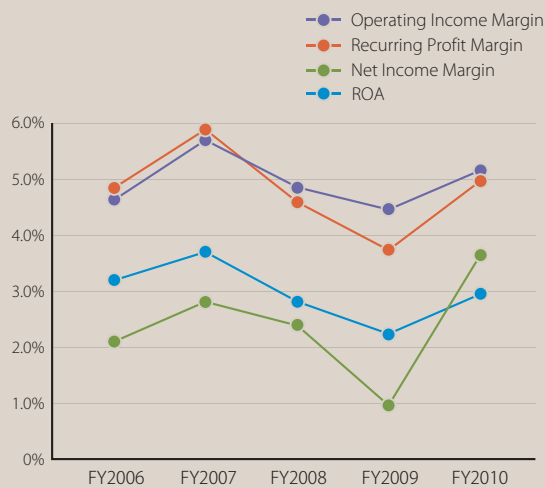
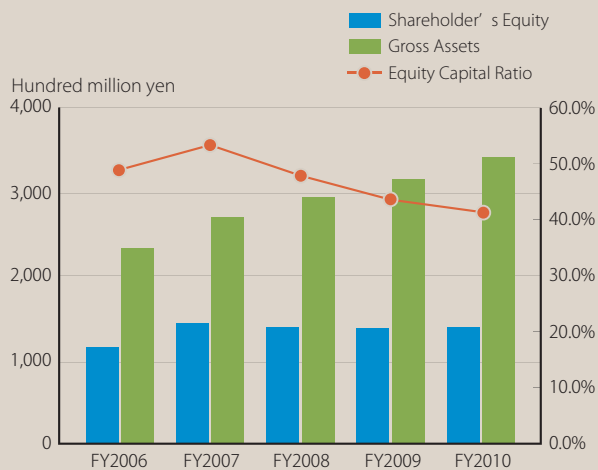
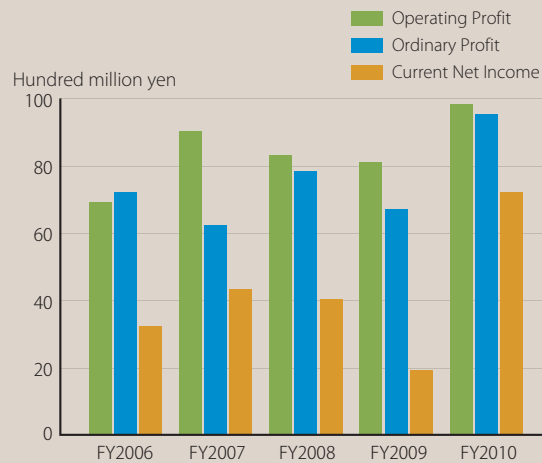
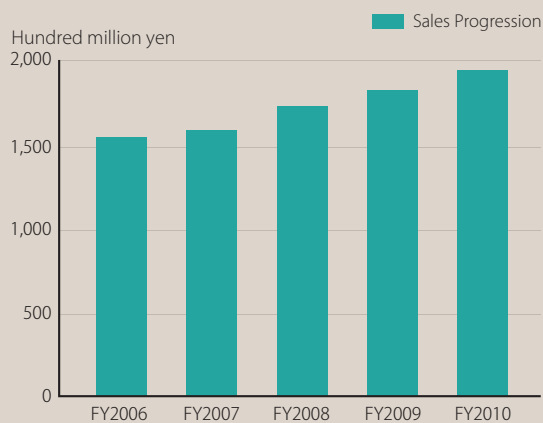
Operating CF: Cash flow due to operational activities
ROA: Ordinary Profit/Gross Assets (Return on Assets)

Due to the integration of management with Kishu Paper Group in October 2009, Hokuetsu Kishu Paper Group's sales volume increased by 6.1% compared to the previous year to become 193.9 billion yen.

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

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

Hokuetsu Kishu Paper Group will continue to improve management efficiencies and bolster corporate value.



Environmental Accounts

The total investment in environmental conservation-related activities in FY2009 was 488 million yen. This included the reinforcement of wastewater processing facilities, beginning with the Kanto Mill (Ichikawa), as well as overseas reforestation-related equipment investments. The cost of our activities was 5.977 billion yen. Various initiatives at each of the mills are being run to conserve the environment. These include public hazard prevention and waste reduction measures such as the prevention of atmosphere pollution, prevention of water contamination, and prevention of noise, vibrations and bad odors.

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

Environmental Conservation Cost

Category	Major activities and their results	Investment	Cost
1. Business area costs Environmental conservation costs to control environmental impacts which result from key business operations within the business area		488	4,914
Composition	① Pollution prevention cost		
	Air pollution	215	2,990
	Water pollution		
	Noise, vibration and odor		
	② Global environmental conservation cost	194	760
	Prevention of global warming		
	Energy conservation		
	Company-owned forest in Japan		
	Reforestation overseas		
	③ Resource circulation cost	78	1,164
	Efficient utilization of resources		
	Reduction, recycling, treatment, disposal, etc. of industrial wastes		
2. Upstream/downstream costs Environmental conservation costs to control environmental impacts which key business operations upstream and downstream		-	533
Composition	① Purchase of materials, etc. with less environmental impact (green purchase)		
	Cost (difference) for purchasing low-sulfur fuels, and others	-	18
	② Recycling and collection of containers and packaging		
	Cost for recycling wooden pallets, and others	-	515
3. Administration costs Environmental conservation costs stemming from administrative activities		-	202
Composition	① Environmental training of employees, etc.		
	Education on environmental conservation, cost for acquiring licenses	-	2
	② Building, implementation, and acquiring certification for an environmental management system		
	ISO14001-related costs	-	7
	③ Monitoring and measuring environmental impacts		
	Maintenance fees for measuring instruments, commission fees for analysis	-	60
	④ Running costs for an environmental conservation system, etc.		
	An in-plant system for environmental management	-	130
4. R&D costs Environmental conservation costs stemming from R&D activities		-	169
Composition	① R&D to develop products that contribute to environmental conservation		
		-	54
	② R&D and planning to curtail environmental impacts at the manufacturing stage, etc.		
		-	114
5. Social activity costs Environmental conservation costs stemming from social activities		-	78
Composition	① Planting of greenery, beautification, etc.		
	Greening of the factory sites, and others.	-	34
	② Support, etc. of environmental conservation activities by the local community		
	Community environmental fair, and others	-	2
	③ Support for environmental groups		
		-	30
	④ Disclosure of environmental information and related advertisements		
	Costs for compiling environmental reports	-	11
6. Environmental remediation costs Costs incurred for dealing with environmental degradation		-	79
Total		488	5,977

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

Examples of Environmental Conservation Benefits

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

Environmental Charter

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

Basic Philosophy

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

Basic Philosophy

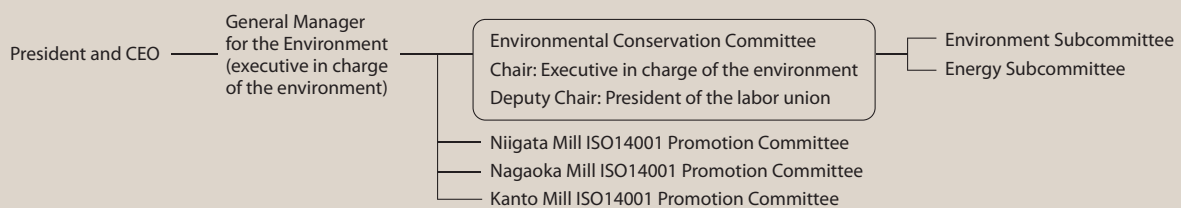
- Protection and nurturing of forest resources
- Mitigating environmental impacts resulting from business activities
- Promoting efficient use of resources and energy saving

Action guidelines

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

Structure for Promoting Environmental Management

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



FY2009 Emissions – Annual Footprint Data

Impact	Item	Figure	Unit
Water quality	Paper and paper-board production	1,326	1,000 tons
	Water use	54,230	1,000m ³
	BOD discharge	513	tons
Air quality	SS discharge	574	tons
	CO ₂ emission	604	1,000 tons
	SO _x emission	264	tons
	NO _x emission	2,051	tons
	Dust emission	125	tons
Waste quality	Final Disposal Total	20,365	dry-tons

Environmental Targets and Achievements

Impact	Item	Unit	FY2008 achievement	FY2009 achievement	FY2010 target
Preventing global warming	CO ₂ emission (CO ₂ equivalent)	kg/ton of product	452	458	494
Energy saving	Fossil fuel energy (petroleum equivalent)	ℓ/ton of product	196	198	210
Preventing air pollution	SO _x	kg/ton of product	0.24	0.20	0.50
	NO _x	kg/ton of product	1.45	1.54	1.43
	Dust	kg/ton of product	0.08	0.09	0.12
Preventing water pollution	Waste water BOD	kg/ton of product	0.43	0.39	0.47
Reducing water use	Volume of water used	m ³ /ton of product	42.2	40.7	37.1

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