

HOKUETSU KISHU PAPER CO., LTD.




Hokuetsu Kishu Paper Co., Ltd.
CSR Report
2011

Our Mission for the Reconstruction of Japan

The Great East Japan Earthquake which struck Japan on March 11, 2011 caused unprecedented damage. It also presented us the numerous challenging issues of restoring the Japanese economy, securing energy, ensuring employment, environmental preservation, and rebuilding the preventive system against natural disasters and unknown risks in a wide variety of areas.

The Hokuetsu Kishu Paper Co., Ltd. CSR Report 2011 explains our efforts on these pressing and important issues, and the themes in which we should continuously engage in order to promote Japan' s reconstruction and achieve the harmonization of nature and a society in the aspects of management (new management plan), environment (forestation and reduction of CO2 emissions), and social perspectives (e.g., stable product supply and social contribution). It is appreciated that this report will help every reader and customer understand further the CSR activities to which Hokuetsu Kishu Paper Co., Ltd., is dedicated.





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Top message

Management Plan

Balance with Nature

Balance with Society

Corporate Data

We head for the goal of achieving further development
while adapting timely and appropriately
to various changes of circumstances in society.



岸本 哲夫

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

The Impact of the Great East Japan Earthquake and Our Initiatives

We wish to express our heartfelt sympathy to all people who suffered huge damage due to the Great East Japan Earthquake.

No human injuries were experienced due to the earthquake fortunately in Hokuetsu Kishu Paper Group. Operations were temporarily suspended due to the damage incurred by some of our ancillary facilities and product inventories, but we were able to resume production in the end of March.

In the wake of the earthquake that caused a temporary shortage of paper supply in Japan, the Group made utmost efforts to procure materials, secure transportation routes, and enable all machines to produce at maximum capacity to be able to fulfill our responsibility to our customers.

Meanwhile, in response to the shortage of electricity supply in the Kanto District caused by serious damage to power plants, the Kanto Mill (Ichikawa) and Kanto Mill (Katsuta) have continued to supply electricity to the electric power company and other entities through a self electric power generation system. At the same time, the company formed a project team to bolster the initiatives for cutting our electricity consumption by even greater amounts.

Regarding assistance for the people and areas affected by the earthquake, we have donated ¥10 million and 30 changing and nursing rooms during the month of March. Furthermore, we have decided to contribute an additional ¥100 million for the educational activities for the children and students in the affected areas.

Long-Term Corporate Vision and Mid-Term Management Plan

The Group has announced a long-term corporate vision with goals we aim to achieve by year 2020 called Vision 2020. As the first step to its realization, a three-year mid-term management plan called G-1st, was initiated in April 2011. In order to further promote a growth strategy for becoming a truly global company, G-1st encourages the development of overseas business in our four core areas. Specifically, the objectives are: in the paper business, to further expand exports; in the white paperboard business, to construct a white paperboard production mill through a joint venture in Guangdong Province, China; and in the specialty paper and paper processing businesses, to increase and enhance overseas production.

In addition, we will embark on a set of proactive environmental measures to further reduce the CO₂ emissions per ton of product that is already one of the industry's best. This will further minimize the environmental impact and enable us to supply products which are both environmentally-friendly as well as superior in quality.

By steadily achieving our management plan, whose basic policy contains the keywords "Green," "Global," "Grow up," and "Glowing," we will continue to meet the expectations and earn the trust of a lot more stakeholders and contribute to the sound growth of society.

Long-Term Corporate Vision and Mid-Term Management Plan

Promoting the Corporate Vision and Management Plan with eyes kept on the importance of environment conservation, we strive to ensure sustainable development of the Group as a whole and increase the Group's corporate value.

Hokuetsu Kishu Paper Group has established a long-term Corporate Vision which sets goals we aim to achieve by year 2020 called "Vision 2020." In order to achieve this vision, the mid-term management plan, G-1st, has been initiated, which covers the period from April 2011 to March 2014.

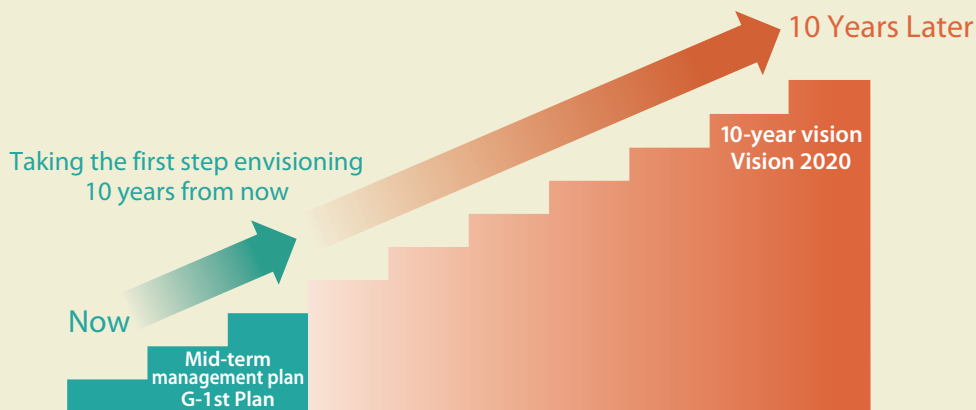
Long-Term Corporate Vision "Vision 2020"

[Basic Policy]

We will commit to promoting environmentally conscious management practices and become a company trusted by all stakeholders. Furthermore, by offering attractive products and services, we will strive to achieve sustainable growth with the aim of making continued contributions to the society.

Amid anticipated decreases in domestic demand in the long-term, our role is to supply attractive products which are outstanding in quality as well as cost competitive not only in Japan but also in the overseas market, particularly the Pacific Rim.

Through these corporate activities, we aim to establish ourselves as a true global company adaptable to an array of changes in the business environment by 2020.



Mid-Term Management Plan G-1st

[Basic Policy]

Amid anticipation of a continuous shrinking domestic market, we will strive to achieve sustainable growth under any business environment by fostering a vibrant corporate culture throughout the Group and ensuring environmentally conscious management practices.

To achieve the above, as the first step of Vision 2020, we will proactively expand the overseas businesses of our four core business areas to become a truly global company that provides environmentally friendly and attractive products with superior quality and competitive cost.



For Further Enhancing Our Corporate Value

Proactive investment strategy

In order to enable us to realize higher capital efficiency and implement flexible capital policy tailored to the changes in the management environment, we acquired four million of treasury stock between November and December 2010.

In April 2011, we established subsidiary company Hokuetsu Kishu Sales Co., Ltd. for the purpose of promoting the sales activity of our products. The paper and pulp product sales business of our agents, Marudai Shigyo Co., Ltd. and Tamura-Paper Inc., will be merged with Hokuetsu Kishu Sales Co., Ltd. in October 2011. By consolidating these businesses, we will be able to strengthen the foundation of and expand our sales business and provide services of greater quality to our customers.

Furthermore, with the aim of further expanding the global reach of the Group, we have decided to establish a joint venture with Hop Cheong Paper Company Limited (Hong Kong), with which we have had longstanding good relations as the export sales destination of our products, and Mitsubishi Corporation.

Through this joint venture, a holding company owned by the three parties was established in Hong Kong (Xing Hui Investment Holdings Company Limited), and through this joint venture company, a production and sales company for white paperboard (Jiangmen Xinghui Paper Mill Co., Ltd.) was established in Guangdong Province in China. Our goal in the Chinese market, where continued stable growth is anticipated, is to ultimately increase our white paperboard production capacity to 600,000 tons per year to establish a new revenue base and to grow to become a true global company.



Overview of Joint Venture

Name : **Xing Hui Investment Holdings Company Limited**
 Location : Hong Kong
 Capital : US\$ 50 million
 Shareholders : 60% Hokuetsu Kishu Paper Co., Ltd.
 30% Hop Cheong Paper Company Limited
 10% Mitsubishi Corporation
 Primary activity: Management of production and sales subsidiaries

100% subsidiary

Overview of Production and Sales Subsidiary

Name : **Jiangmen Xinghui Paper Mill Co., Ltd.**
 Location : Guangdong Province, China
 Shareholder : 100% Xing Hui Investment Holdings Company Limited
 Primary activity: Production and sale of white paperboard (primarily coated white lined board)
 Production capacity: 600,000 tons of white paperboard per year

Confirmation of Legal Logging of Wood Chips

With our strict measures, we confirm the origin of wood chips used as the raw material for pulp & paper making, from the perspective of legal logging, forest sustainability and careful attention on the preservation of biodiversity, etc.

Based on the basic philosophy of our Environmental Charter*1, Hokuetsu Kishu Paper Group pays meticulous care to the procurement of wood chips from which our paper is produced. We believe this is our duty and our mission as a paper manufacturer that benefits from the blessings of forests and trees.

Imported Wood chips made from timbers in plantations overseas and Domestic woodchips logged from *Satoyama* forests Exclusion of Illegally Logged Timber

The primary raw material for paper making is wood chips. We, at Hokuetsu Kishu Paper Group, only utilize wood chips from trees grown in properly managed forests in terms of legal afforestation, forest sustainability and biodiversity preservation. Of the wood chips used by Hokuetsu Kishu Paper, 93% are produced from overseas plantations and the remaining 7% from Japan's *satoyama* areas. All wood chips are rigorously assessed before purchasing to ensure that our customers are able to utilize our paper products with a sense of reassurance of no involvement in illegal logging. Specifically, we do not purchase wood chips which originate from the following:

- (1) Illegally logged timber;
- (2) Timber logged in violation of traditional rights and civic rights;
- (3) Timber logged from forests whose high protection value is in danger due to forest management activities;
- (4) Timber logged from forests being converted to plantations or forests for non-forested purposes; and
- (5) Timber from forests planted with recombinant trees.

Responsible Confirmation of Legality through Rigorous External Audits

Wood chips are broadly classified into two types: 1) Certified wood chips produced at chip mills using timbers grown and harvested at plantations certified by external organizations such as the Forest Stewardship Council (FSC); and 2) Non-certified wood chips.

Certified wood chips meet a variety of criteria, including legality (compliance with relevant laws & regulations), forest sustainability, and biodiversity preservation. For non-certified wood chips, Hokuetsu Kishu Paper Group confirms their legality and other factors through its own procurement system (traceability system*2). The confirmation findings and procurement system are checked by the Japan Paper Association, an industry organization, and specialized certification bodies to verify their accuracy.

Hokuetsu Kishu Paper Group responsibly confirms the legality of all of its wood chips procured. This is our duty as an organization enjoying the blessings of nature as well as our mission for protecting and cultivating forests and trees.

Hokuetsu Kishu Paper "Basic Policy for Raw Materials Procurement"

1. Environment First

- 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 only overseas wood resources which originate from well-managed forests in compliance with relevant laws and regulations. Furthermore, 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*3 and worker health and safety.

**Satoyama* refers to hills (forests) near human dwellings which have been regenerated by humans for their livelihoods through methods of forest management, including coppicing.

*Secondary forests refer to forests which are newly cultivated through natural re-growth processes, including natural coppicing.

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.

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

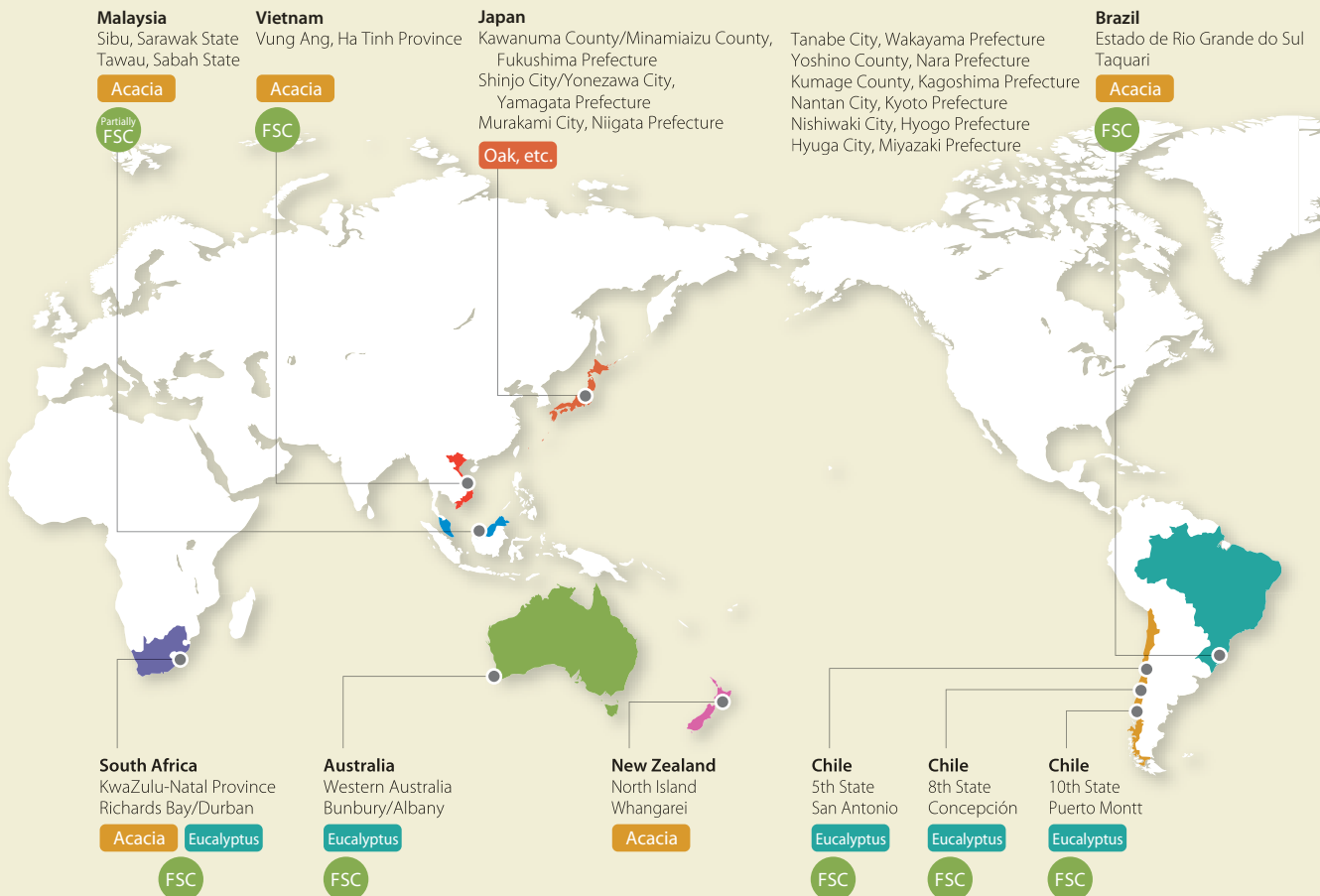
*2 Traceability system refers to a method of tracking information related to production and distribution history.

*3 Biodiversity conservation refers to the protection of a healthy environment in which diverse life forms are able to thrive, and is connected to the preservation of soil and water resources.

Wood Chip Procurement Sources (used in FY2010)

Country	Origin (Chip Mill Location)	Tree Type	Forest Type		Information on Origin			Percentage
			Planted Forest	Secondary Woodland	Traceability	Declaration on Legality of Timber	Forest Certification	
Brazil	Rio Grande do Sul, Taquari	Acacia	●		●	●	FSC	93%
Chile	5th State, San Antonio	Eucalyptus	●		●	●	FSC	
	8th State, Concepción		●		●	●	FSC	
	10th State, Puerto Montt		●		●	●	FSC	
South Africa	KwaZulu-Natal Province Richards Bay/Durban	Acacia	●		●	●	FSC	
		Eucalyptus	●		●	●		
Australia	Western Australia, Bunbury/Albany	Eucalyptus	●		●	●	FSC	
New Zealand	North Island, Whangarei	Acacia	●		●	●		
Malaysia	Sibu, Sarawak State; Tawau, Sabah State	Acacia	●		●	●	Partially FSC	
Vietnam	Vung Ang, Ha Tinh Province	Acacia	●		●	●	FSC	
Japan	Kawanuma County/ Minamiaizu County, Fukushima Prefecture Shinjo City/ Yonezawa City, Yamagata Prefecture Murakami City, Niigata Prefecture Tanabe City, Wakayama Prefecture Yoshino County, Nara Prefecture Kumage County, Kagoshima Prefecture Nantan City, Kyoto Prefecture Nishiwaki City, Hyogo Prefecture Hyuga City, Miyazaki Prefecture	Oak, etc.		●	●	●		7%

Planted wood is collected from around the world in the form of wood chips to make paper



FSC (Forest Stewardship Council):
FSC is an international forestry certification third party agency whose goal is to promote forest management that appropriately protects the forest environment, is beneficial to the regional community and is economically sustainable.

Energy / Energy-Saving Activities

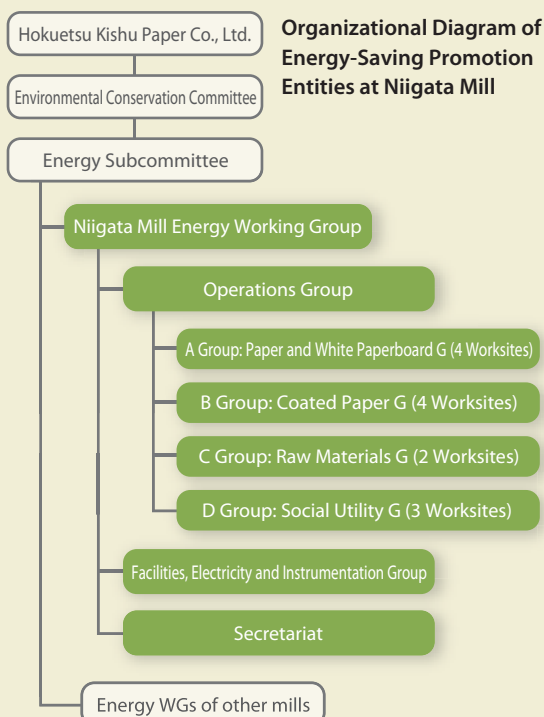
Carefully identifying small items for reform, energy-saving activities are carried out based on numerous proposals and experiences.

Reduction of electricity usage is now the top priority among corporate energy-saving activities. Hokuetsu Kishu Paper Group has traditionally promoted electricity conservation activities by the entire company. The Niigata Mill has successfully reduced its electricity usage by 4,117kW in FY2010. An energy-saving project is also under way to further reduce electricity usage by 3,000kW.

The Energy Working Group Comprised of the Operations Group; the Facilities, Electricity and Instrumentation Group; and the Secretariat

Hokuetsu Kishu Paper Group has engaged in proactive energy-saving activities for a long time. The Energy Subcommittee was established under the Environmental Conservation Committee to supervise the energy and relevant matters of the entire company. The Energy Subcommittee identifies targets and determines management policies, and promotes and manages activities across the organization. The Energy Working Groups set up at each mill manage energy use and implement concrete energy-saving measures.

The Energy Working Group of the Niigata Mill is comprised of the Operations Group, Facilities, Electricity and Instrumentation Group, and the Secretariat. The Operations Group is in charge of identifying and examining energy-saving projects and estimating energy-saving figures. Once a vision is decided, the Facilities, Electricity and Instrumentation Group prepares specific project designs and places orders. The Operations Group then creates a written confirmation of energy-saving expectations. The Secretariat studies and confirms the effectiveness of the written confirmation, and a budget is allocated for the projects approved. The energy-saving impact is confirmed upon the completion of the construction work.



4,117kW Reduction Target Successfully Achieved Through Large-Scale Paper Machine Energy-Saving Project

The Niigata Mill has operated the world's largest paper machine, the N9 all-online machine, since September 2008. Minimizing the electricity consumption of the mill's four large-scale paper machines, including the N9, was a major challenge for the Niigata Mill. Thus, separately from the Energy Working Group, a large-scale paper machine energy-saving project supported by 13 members, including full-time members, was launched in October 2009 for the implementation of energy-saving initiatives.

Energy-saving projects were identified for all paper machines, and 50 feasible measures were compiled. They included the introduction of energy-saving DDR plate (10-20% reduction in electricity consumption), adjusting the pump speed (45% reduction), and the disjunction of the soft calendar (527.9kW reduction). As a result of the comprehensive implementation of these measures, the 4,117kW reduction target was achieved in March 2011.



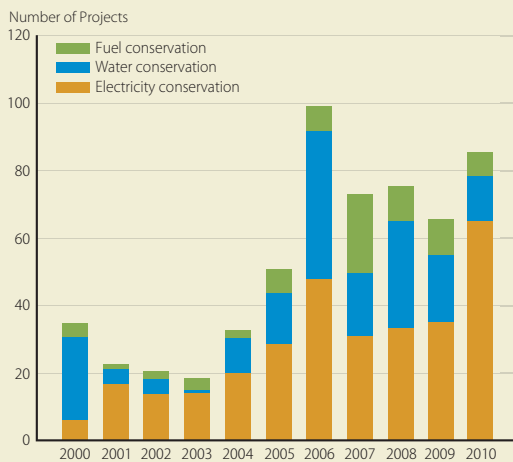
N9 (Niigata Mill)

Full-Time Members of Project Establish a New 3,000kW Reduction Target

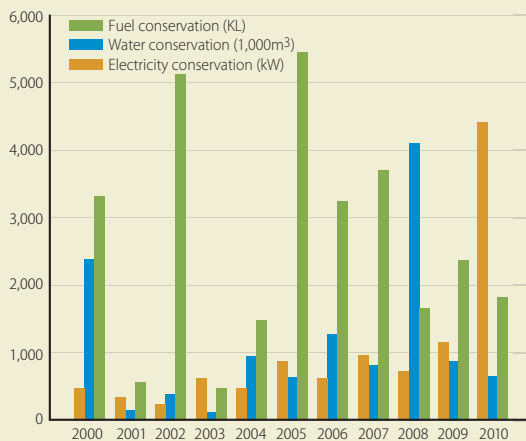
Initiatives beyond FY2011 have already commenced with the goal of further reducing electricity consumption by 3,000kW. Through repeated deliberations carried out by the project's full-time members, the achievement of this target has become a feasible and manageable task.

The Niigata Mill's initiatives are an example of the electricity conservation activities undertaken by Hokuetsu Kishu Paper. Similar initiatives are consistently carried out at our other mills across the country.

Energy conservation is an urgent challenge for companies in Japan. We, at Hokuetsu Kishu Paper Group, believe that electricity conservation must be promoted simultaneously with fuel conservation and water conservation. Energy saving requires not only technological innovations but also the careful identification of small items for reform and the steady formulation of proposals and their implementation. We will transcend the barriers of the workplace and continuously engage in energy-saving activities as a Group.



Trends in Energy-Saving Projects of Hokuetsu Kishu Paper



Trends in Energy Savings of Hokuetsu Kishu Paper

Making Progress Toward Achieving the 3,000kW Target

As a member of the energy-saving project of Niigata Mill, I was involved in the electricity reduction (4,117kW) and the establishment of the 3,000kW reduction target beyond FY2011. The FY2011 energy-saving project was launched on February 16. The project members were decided, and the items for energy savings were being identified by the members of each workplace. Just when I started to think the project was beginning to take shape, the Great East Japan Earthquake occurred.

The Kanto Mill (Katsuta) was damaged by the earthquake, and one of project members left to the Mill to support it. Subsequently, the project had to be restarted from the first step. Because the items which were expected to yield significant benefits had already been implemented, it made me feel that our goal was still further ahead of us at times. The fact that the target has become a manageable task owes to the hard work put in by the current members of the project.

Energy saving is the build-up of small efforts and certainly is no easy task. In this context, I believe it was very effective that the full-time members always worked together. Being able to conduct free and unrestricted discussions as part of their usual tasks has enabled the establishment of their teamwork that is indispensable to a cross-sectional project.

Minoru Sakaue

Technical Section, Engineering Department,
Niigata Mill



Energy / CO2 Emissions Reduction

68.8% of our energy sources shifted to carbon free energy for further reduction of CO2 emissions

Energy savings and reduced use of fossil fuels are critical for reducing CO2 emissions. Hokuetsu Kishu Paper Group has steadily promoted the use of black liquor, wood fuel, and other biomass fuels. As a group, the initiatives undertaken at each mill have yielded significant positive outcomes.

Black Liquor, the Main Fuel of Niigata and Kishu Mills Wood Biomass Boilers Also in Operation

We, at Hokuetsu Kishu Paper Group, are promoting paper production which uses carbon free energy for further reducing CO2 emissions. At the Niigata and Kishu Mills, the primary fuel used for heating the boilers is black liquor. Black liquor is a biomass fuel comprised mainly of the lignin contained in wood chips derived when fiber is extracted from wood chips. The largest recovery boiler in Japan (8RB) began operation in 2005, which enables us to make further strides in using black liquor efficiently.

Additionally, wood fuel made from waste wood from demolished houses and other sources is actively utilized at the Kanto Mill (Katsuta), the Niigata and Kishu Mills. At all of the mills, wood biomass boilers are in operation. Using wood fuel supplied by a subsidiary (Hokuetsu Forest) specializing in this field, fossil fuel use is being reduced.

Switch to Natural Gas for Boiler Fuel Selling of Kanto Mill's Surplus Electricity

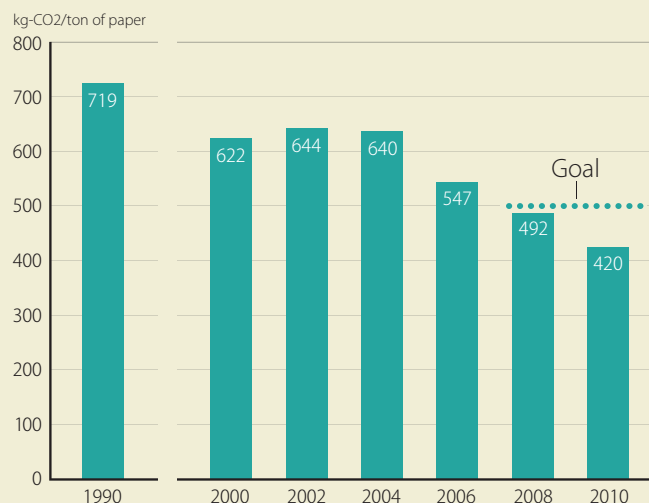
Natural gas is the main fuel heating the boilers at the Kanto Mill (Ichikawa) and the Nagaoka Mill. CO2 emissions per calorie of energy content, if heavy oil is 1, are 1.4 for coal and 0.7 for natural gas. Shifting the boiler fuel to natural gas is one of the effective methods for reducing environmental impact.

The electricity generated by boilers at our mills provides energy for our paper production. By improving the electricity generation efficiency of boilers, surplus electricity is generated. At present, our in-house electricity generation percentage at the Kanto Mills (Katsuta and Ichikawa) is over 100%, and surplus electricity is sold to external entities.

In FY2010, the energy makeup of Hokuetsu Kishu Paper Group was: 52.0% black liquor; 10.2% wood fuel; 5.2% waste fuel; and 1.4% paper sludge. In effect, biomass energy and waste energy combined (carbon free energy) account for 68.8% of our total energy sources. In order to reduce CO2 emissions, we will continue to actively promote a shift to energy sources with minimal carbon footprints.

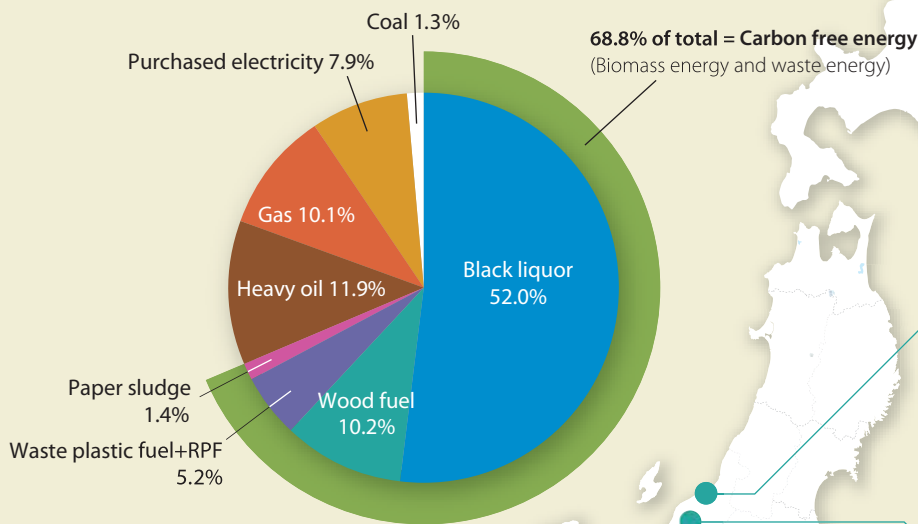
*Carbon free: Refers to achieving zero CO2 emissions or that CO2 emissions need not be counted.

Changes in CO2 emissions by source



*Figures are totals for Hokuetsu Kishu Paper and former Kishu Paper.

FY2010 Energy Composition of Hokuetsu Kishu Paper Group (Company-Wide, Heat Value Ratio)



Energy Composition of Mills (2010)

Niigata Mill
 Black liquor
 Wood biomass fuel
 RPF (waste paper and waste plastic)
 Natural gas
 Heavy oil
 Purchased electricity

Nagaoka Mill
 Natural gas
 Purchased electricity

Kanto Mill (Katsuta)
 Wood biomass fuel
 (Coal = Supplementary fuel)

Kanto Mill (Ichikawa)
 Natural gas

Osaka Mill
 Natural gas
 Purchased electricity

Kishu Mill
 Black liquor
 Waste plastic fuel
 Wood biomass fuel
 Heavy oil
 (Coal = Supplementary fuel)
 Purchased electricity

Features of Main Fuels Used by Hokuetsu Kishu Paper Group

Black liquor	Liquid fuel which are byproduct of pulp production
Wood fuel	Solid fuel made from waste, etc.
Waste plastic fuel	Fuel generated from sorted waste plastic
RPF	Solid fuel made from waste plastic and waste paper
Heavy oil	Liquid fuel
Gas	Gas fuel (reduced CO2 emissions)
Coal	Solid fuel (used to supplement wood fuel and waste plastic fuel)

Introduction of CO2 Reduction-related Processes

1995	Kanto Mill (Ichikawa)	Start of gas power generation (gas)
1999	Niigata Mill	Start of gas power generation (natural gas)
2005	Niigata Mill	Installation of recovery boiler (8RB) (black liquor)
2006	Kanto Mill (Katsuta)	Installation of wood biomass boiler (wood fuel)
2006	Nagaoka Mill	Conversion of boiler fuel from heavy oil to natural gas (natural gas)
2007	Niigata Mill	Installation of wood biomass boiler (wood fuel)
2008	Kishu Mill	Installation of biomass boiler (wood fuel, waste plastic fuel)

Involvement with the Local Community / Social Contribution Activities

Fulfilling our responsibility as a corporate citizen through cultural and educational activities, local community exchanges, and post-earthquake reconstruction activities is also an important part of our job.

1. Cultural and educational activities

Seminar on culture of Chinese characters, etc. (Niigata Mill)

The *Dai Kan-Wa Jiten* (a comprehensive dictionary on Chinese characters) edited by a scholar in Chinese classics from Niigata Prefecture, Prof. Tetsuji Morohashi, marked the 50th anniversary of its completion in 2010. In commemoration of this anniversary, experts were invited to present a seminar on the emergence of and facts about Chinese characters at the Niigata Citizens Plaza in October 2010. A seminar on Chinese characters for children and parents was also held by a guest instructor at the Tetsuji Morohashi Memorial Museum in the professor's hometown of Sanjo City, Niigata Prefecture.



Hands-on learning for elementary school students "Dream and Work: Learning by Doing" (Kanto Mill)

Six Grade 6 students from Ohsu Elementary School in Ichikawa City, Chiba Prefecture visited the Kanto Mill to participate in a workplace learning program in November 2010. In this program promoted by Chiba Prefecture as a way to learn about the significance and joy of working, Grade 6 students observe adults who are hard at work, sense the passion they put into their work, develop aspirations about their own careers and future dreams, and learn about the importance of courtesy and manner.



2. Local Community exchanges

Participation in the Naka River Headstream Monument Ceremony (Kishu Zorin)

In April 2011, over ten members from one of the Group's companies, Kishu Zorin, participated in the activities to clear the approximately 800m-length trail from the forest road to the headstream monument in preparation for the Headstream Monument Ceremony (Naka County, Tokushima Prefecture) held every spring by the residents of the Naka river basin. More than 100 people from the area, both male and female, old and young, including kindergarteners, elementary school students and members of the Ministry of Land, Infrastructure, Transport and Tourism and Naka River Town Office, gathered for the ceremony to pray for no droughts and floods in this coming year.



Rendezvous point for air ambulance (Kanto Mill)

The air ambulance services provided by the Fire Department Headquarters of Hitachinaka City are the most accessed air ambulance services in Ibaraki Prefecture. The Kanto Mill (Katsuta) is based in Hitachinaka City and was requested to permit the designation of part of its premises as a rendezvous point. Air ambulance refers to a specialized helicopter equipped with medical equipment to provide emergency medical services while a patient is transported from a site to a medical center. Rendezvous point refers to the landing and takeoff point of these helicopters. Air ambulance is expected to be utilized for transporting people in need of emergency medical services in the neighboring area as well as for responding to natural disasters.



Air ambulance training

3. Post-earthquake reconstruction activities

Provision of donations and 30 changing and nursing rooms (Head Office)

In the immediate aftermath of the Great East Japan Earthquake, Hokuetsu Kishu Paper Co., Ltd. provided ¥10 million in donations as well as 30 changing and nursing rooms partially made out of our products (photo) to support the affected people and to contribute to the reconstruction of the affected areas. As additional assistance, we will contribute ¥100 million toward the educational activities offered for children and students in the affected areas. Our sincere prayers go out to all those affected and for the quick restoration of the affected areas.



Support for “10,000 Coloring Sets Giveaway” (Head Office)

Hokuetsu Kishu Paper Co., Ltd. was asked by Hewlett-Packard Japan, with which we have business relations centering on digital printing, whether we can assist with the provision of paper for its giveaway of coloring sets to children in the affected areas, an initiative that was jointly planned with an NPO. We were pleased to provide HL white paperboard produced at the Katsuta Mill for the cover and “GAO” paper produced at the Niigata Mill for the coloring paper. Through the NPO, the coloring sets are being distributed to a variety of destinations, beginning with the evacuation centers and nursery schools in Sendai City (photo), Tagajo City, and Ishinomaki City, Miyagi Prefecture.



4. Environment-friendly activities

Use of environmentally-friendly electric vehicles (Niigata Mill and Kanto Mill)

Electric vehicles are being utilized at the Niigata Mill and the Kanto Mill (Katsuta) since March 2011. Despite the gasoline shortage that occurred across the country due to the earthquake, electricity at the premises was quickly restored and the vehicles were utilized for the purchase of relief supplies, etc. Moving forward, by continuing to fully utilize these environmentally-friendly electric vehicles, we will aim to become mills which are friendly to the environment of the Earth and the community.



5. Support for recovery from impact of heavy rains caused by Typhoon No.12 “Talas”

Cooperation for early recovery of waterworks and provision of donations (Kishu Mill)

Record rainfalls in September 2011 wreaked havoc in the Kii Peninsula. While the heavy rains also partially flooded Kishu Mill, there was no human injury and our production facility suffered minimal damage. In order to assist the affected areas, we provided support for the early restoration of the water intake facility in Kiho Town, which suffered the typhoon's damage. Donations were also provided to the relevant municipalities to assist the people who were affected.

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, 2011)

Number of Employees :

3,951 (Consolidated)

1,227 (Non-consolidated)

(As of March 31, 2011)

Offices and Mills :

Tokyo Head Office

Niigata Mill

Kishu Mill

Kanto Mill (Ichikawa)

Kanto Mill (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

Main Production Locations

Pulp and Paper Manufacturing Business

Hokuetsu Kishu Paper Co., Ltd.

- ① Niigata Mill
- ② Kishu Mill
- ③ Kanto Mill (Ichikawa)
- ④ Kanto Mill (Katsuta)
- ⑤ Nagaoka Mill
- ⑥ Osaka Mill

Paper Products Manufacturing Business

Hokuetsu Package Co., Ltd.

- ⑦ Katsuta Mill
- ⑧ Kanagawa Mill
- BF Co., Ltd.
- ⑨ Tokorozawa Mill
- ⑩ DPS Office (Osaka)

Consolidated Subsidiaries

Pulp and Paper Manufacturing Business

Production and sale of pulp and paper

Hokuetsu Kishu Sales Co., Ltd.

Xing Hui Investment Holdings Co., Ltd.

Hokuetsu Kami Seisen Co., Ltd.

Katsuta Kami Seisen Co., Ltd.

Techno-Hokuetsu Co., Ltd.

Kinan Sangyo Co., Ltd.

Kishu Kami Seisen Co., Ltd.

Paper Products Manufacturing Business

Production and sale of paper products

Hokuetsu Package Co., Ltd.

BF Co., Ltd.

Other Business

Timber business

Construction business

Manufacturing, sale, maintenance and repair of machines

Import and sale of pulp and other materials

Purchase and sale of real estate

Transportation and storage business

Recycled paper wholesale business

Services business

Other business

Hokuetsu Engineering Co., Ltd.

Hokuetsu Trading Co., Ltd.

Hokuetsu Logistics Co., Ltd.

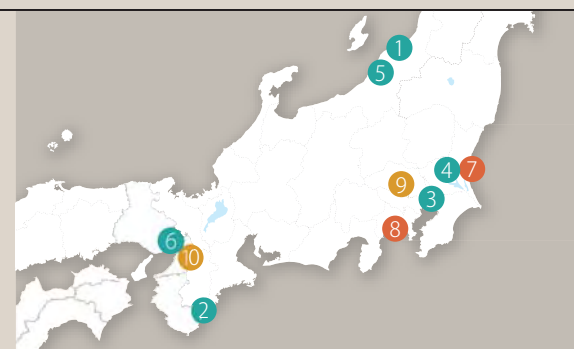
Hokuetsu Suiun Co., Ltd.

Keiyo Shigen Center Co., Ltd.

Hokuetsu Forest Co., Ltd.

Kishu Zorin Co., Ltd.

Kishu Kohatsu Co., Ltd.





Tokyo Head Office



Kanto Mill (Katsuta)



Niigata Mill



Nagaoka Mill



Kishu Mill



Osaka Mill



Kanto Mill (Ichikawa)



Central Research Laboratory

Management Data

Consolidated Finances Highlights

(Unit: ¥ Million)

	FY2011	FY2010	Change	Percent Change
Sales Volume	217,013	193,951	23,062	11.9%
Operating Income	8,743	9,891	-1,148	-11.6%
Ordinary Profit	10,282	9,573	709	7.4%
Current Net Income	5,431	7,239	-1,808	-25.0%
Recurring Profit Margin	4.7%	4.9%	-0.2%	-
Operating CF	25,859	36,944	-11,085	-30.0%
ROA	3.1%	2.9%	0.2%	-
Per Stock				(Unit: ¥)
Current Net Income	26.21	34.38	-8.17	-23.8%
Dividends	12.00	12.00	0	0.0%
End of Fiscal Year				(Unit: ¥ Million)
Gross Assets	322,254	340,970	-18,716	-5.5%
Shareholders' Equity	139,138	139,219	-81	-0.1%

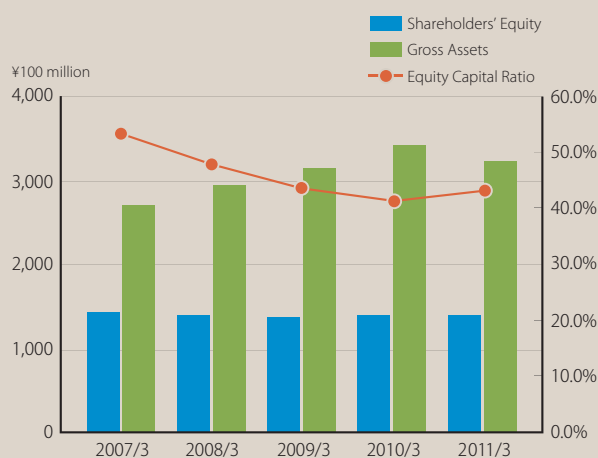
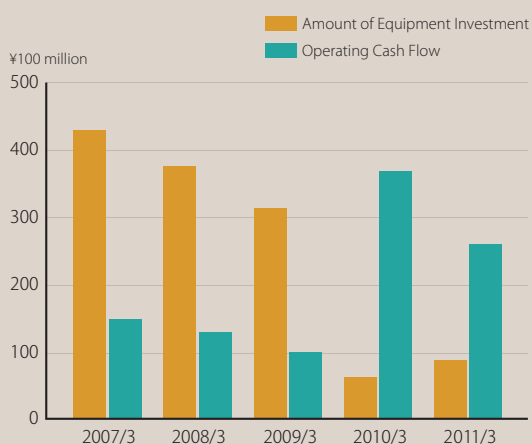
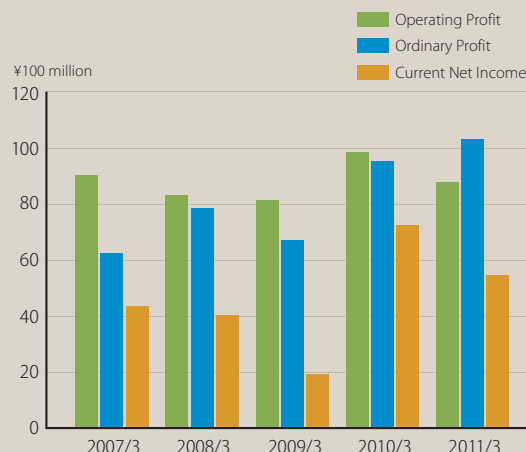
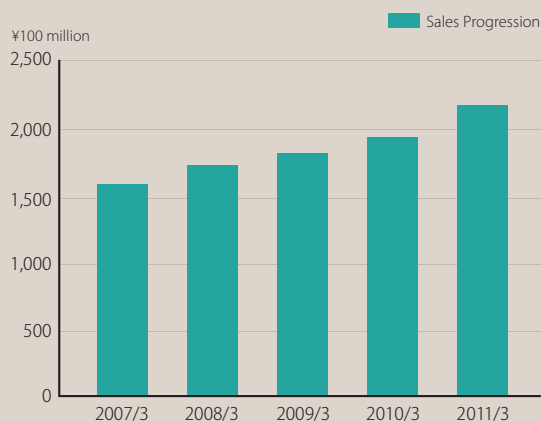
Operating CF: Cash flow due to operational activities
ROA: Ordinary Profit/Gross Assets (Return on Assets)

Despite a severe management environment of the paper and pulp industry caused by a continuous rise in raw material prices and stagnant demand, Hokuetsu Kishu Paper Group has increased its sales volume by merging with the Kishu Paper Group to a record high ¥217.0 billion.

In the profit/loss area, supported by cost reduction measures, including increased production efficiency, ordinary profit increased 7.4% from the previous year to ¥10.2 billion. Nevertheless, the Group recorded approximately ¥1.5 billion in losses as a result of the Great East Japan Earthquake, and current net income decreased 25.0% from the previous year to ¥5.4 billion.

Financially, the shareholders' equity ratio, an indicator of the margin of safety of corporate management, improved 2.4% to 43.2%.

Hokuetsu Kishu Paper Group will contribute to society as a superior paper company and will strive to further develop its business and increase its corporate value.



Editorial Policy

This CSR report outlines the activities undertaken by the Group for meeting 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 toward 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

April 1, 2010 – March 31, 2011
(As well as some activities from beyond this period)

Companies Covered

Hokuetsu Kishu Paper Co., Ltd. and major subsidiaries

Issued

September 2011 (Previous issue: September 2010; Issued annually)

Publisher

President & CEO Sekio Kishimoto

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Guidelines Used

Global Reporting Initiative (GRI), "Third Generation (G3) Sustainability Reporting Guidelines."
Ministry of the Environment, "Environmental Reporting Guidelines (2007)."

Environmental Accounts

Scope of calculations: Hokuetsu Kishu Paper Co., Ltd.
Target period: April 1, 2010 - March 31, 2011
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		416	4,421
Composition ① Pollution prevention cost	Air pollution Water pollution Noise, vibration and odor	98	3,039
② Global environmental conservation cost	Prevention of global warming Energy conservation Company-owned forest in Japan Reforestation overseas	8	186
③ Resource circulation cost	Efficient utilization of resources Reduction, recycling, treatment, disposal, etc., of industrial wastes	309	1,196
2. Upstream/downstream costs Environmental conservation costs to control environmental impacts which key business operations upstream and downstream		-	629
Composition ① Purchase of materials, etc., with less environmental impact (green purchase)	Cost (difference) for purchasing low-sulfur fuels, and others	-	20
② Recycling and collection of containers and packaging	Cost for recycling wooden pallets, and others	-	609
3. Administrative costs Environmental conservation costs stemming from administrative activities		-	178
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	-	51
④ Running costs for an environmental conservation system, etc.	An in-plant system for environmental management	-	116
4. R&D costs Environmental conservation costs stemming from R&D activities		-	164
Composition ① R&D to develop products that contribute to environmental conservation		-	53
② R&D and planning to curtail environmental impacts at the manufacturing stage, etc.		-	111
5. Social activity costs Environmental conservation costs stemming from social activities		-	81
Composition ① Planting of greenery, beautification, etc.	Greening of the mill sites, and others	-	37
② Support, etc., of environmental conservation activities by the local community	Community environmental fair, and others	-	3
③ Support for environmental groups		-	30
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		-	78
Total		416	5,553

Item	Content	Monetary value
Total investment during the target period		4,250
Total R&D cost during the target period		832

Note: Figures are rounded to the nearest million yen.

Total investment in environmental conservation-related activities in FY2010 amounted to ¥416 million. The activities included the reinforcement of wastewater treatment facilities, beginning with the Kanto Mill (Ichikawa), as well as items related to the company-owned forest in Japan. The cost amounted to ¥5,553 million. A wide range of initiatives to conserve the environment are carried out at each of the mills, including pollution prevention measures to mitigate air pollution, water pollution, and noise, vibration and odor, as well as waste reduction measures.

Examples of Environmental Conservation Benefits

Classification by relationship with business activities	Examples of benefits	Performance
Environmental conservation benefit related to resources input into business activities	Energy-saving effect	¥373 million
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 Charter

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

Basic Philosophy

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

Basic Policy

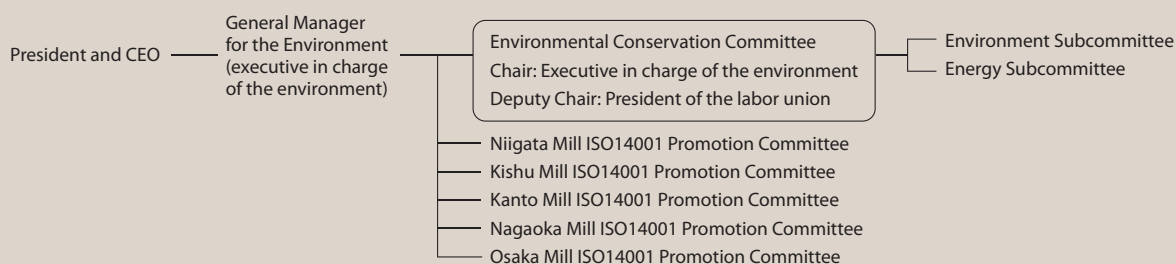
- Protection and nurturing of forest resources
- Mitigating environmental impacts resulting from business activities
- Promoting efficient use of resources and energy saving

Action Guidelines

- Protection and nurturing of forest resources
- Improving environmentally-friendly production technology
- Promotion of energy saving
- Promotion of reuse and recycling of 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 Mill will take the lead in promoting company-wide conservation activities.



FY2010 Emissions - Annual Footprint Data

Impact	Item	Figure	Unit
	Paper and white paper-board production	1,720	1,000 tons
Water quality	Water use	97,142	1,000m ³
	BOD discharge	625	tons
	SS discharge	1,304	tons
Air quality	CO ₂ emission	722	1,000 tons
	SO _x emission	357	tons
	NO _x emission	2,585	tons
	Dust emission	240	tons
Waste quality	Final Disposal Total	18,099	dry tons

Impact	Item	Unit	FY2010 achievement
Preventing global warming	CO ₂ emission (CO ₂ equivalent)	kg/ton of product	420
Energy saving	Fossil fuel energy (petroleum equivalent)	ℓ/ton of product	187
Preventing air pollution	SO _x	kg/ton of product	0.20
	NO _x	kg/ton of product	1.41
	Dust	kg/ton of product	0.08
Preventing water pollution	Waste water BOD	kg/ton of product	0.36
Industrial waste	Final disposal	Percentage relative to production	1.38
Reducing water use	Volume of water used	m ³ /ton of product	56.4

While FY2010 achievement figures include both the Osaka Mill and the Kishu Mill, the BOD figure does not include the Kishu Mill (due to discharge into the sea).

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