1 | HOKUETSU KISHU PAPER CO., LTD.
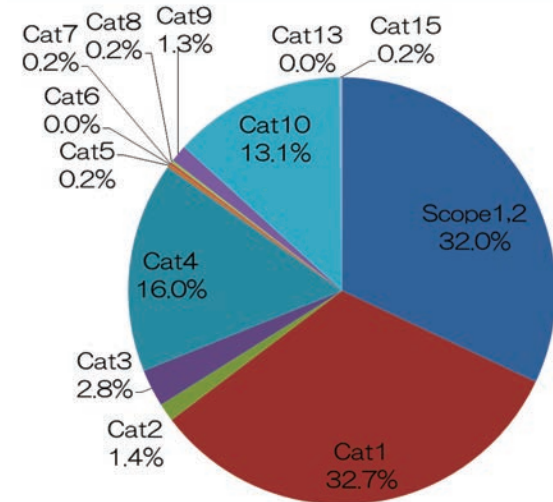
	Company thinking
☐ **Background and purpose for accounting**	• Hokuetsu Kishu Paper Co., Ltd has always made an emphasis on the environment a part of its corporate principles, and we have been aggressively involved in environmental measures, such as converting to fuels with low environmental loads and introducing high efficient equipment. If we can implement these measures throughout our entire supply chain and not only without our own company, then the effect will be much larger. • We shall attempt to make more efficient emissions reduction by comprehending the amount of greenhouse gas emissions and reduction potential in the entire supply chain. • It is predicted that the need for information concerning the environment by customers and investors will grow greater in the future, so that more concise and accurate disclosure of information is necessary. We believe that Scope 3 accounting is a necessary tool for this type of information disclosure.
☐ **Utilization of accounting results**	• To reduce the amount of greenhouse gas emissions in the entire supply chain. • In the future, we shall account for the amount of greenhouse gas emissions for each product and aim for more detailed emissions reduction. • The accounting results shall be made public in CSR reports and on our web site, used to respond to requests for disclosure of information, and to respond to external corporate assessment surveys.
☐ **Advantages of accounting**	• Clarifies the points for reducing greenhouse gas emissions. • We can assess the emissions by each category and for the yearly changes. • Scope 3 accounting is recognize in Japan and abroad as a standard accounting tool, so that very transparent disclosure of information is possible.
☐ **Internal accounting organization**	• The Environmental Department calculates the activity data collected by the various departments. • The main departments collecting data are the Procurement Department (Categories 1 and 4), the Accounting Department (Categories 2, 10 and 15), the Environmental Department (Categories 3 and 5), the Planning Department (Categories 4, 8 and 9) and the General Affairs and Personnel Departments (Categories 6 and 7).

	Company thinking
☐ **To reduce supply chain emissions**	• At Hokuetsu Kishu Paper Group, Category 1 ("Purchased goods and services") accounted for about 33 percent of total emissions. In order to reduce emissions, converting to alternative chemicals with smaller environmental loads is one possibility. • Category 4 ("Transportation and delivery (upstream)") accounts for about 16 percent of emissions. We are considering promoting a modal shift in transport methods to railroads and ships and energy-saving transportation methods; e.g., using larger ships and lower fuel consumption. • We re-recognized from these accounting results that improving product yield is important.

Accounting Results

Accounting period: April 2012 to March 2013

☐ **Tasks to account for supply chain emissions**	• Our products have a wide range of uses, and it is very difficult for us to comprehend the emissions details on the downstream side of the supply chain. We are using scenario based accounting methods for the downstream side, and emissions fluctuate greatly depending on the settings. Therefore, we realize that they cannot be used in making comparisons with other companies
☐ **For those starting to account for supply chain emissions**	• Cooperation from the various departments is indispensable when collecting data, so this must be considered an effort for the entire group. • It is important to always remember the goal of accounting. It is easier to consider specific methods for making reductions if the focus is on areas where there are realistic chances of making reductions and accounting is more accurate.

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Category	Accounting methods	
	Activity data	**Emission factor**
Category 1: Purchased goods and services	• Procurement volume of raw materials and other materials	• Ministry of the Environment DB *1, CFP-DB *2
Category 2: Capital goods	• Procurement amount of capital goods	• Ministry of the Environment DB *1
Category 3: Fuel and energy related activities not included in Scope 1 or 2	• Electricity and steam energy consumption	• Ministry of the Environment DB *1
Category 4: Transportation and delivery (upstream)	• Fuel used for transport by the cargo owner • Procured goods transport for items other than the cargo owners	• Calculations using Fuel -Based Method / Distance-Based method
Category 5: Waste generated in operations	• Emissions by waste type and treatment method	• Ministry of the Environment DB *1
Category 6: Business travel	• Number of employees	• Ministry of the Environment DB *1
Category 7: Employee commuting	• Transportation expenses paid	• Ministry of the Environment DB *1
Category 8: Leased assets (upstream)	• Total floor area of leased property	• Emission factors by property type
Category 9: Transportation and delivery (downstream)	• Shipment of applicable products	• Calculations using Distance-Based method
Category 10: Processing of sold products	• Product sales volume	• Emission factors by processing method
Category 11: Use of sold products	• Not relevant because there are no emissions from usage	•
Category 12: End-of-life treatment of sold products	• We have listed "zero" for emissions because this is carbon neutral	•
Category 13: Leased assets (downstream)	• Total floor area of leased property	• Emission factors by property type
Category 14: Franchises	• Not relevant because we do not have any franchises	•
Category 15: Investments	• Emissions from companies invested in	•

*1 Ministry of the Environment DB: Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.0)
*2 Carbon Footprint Communication Program Basic Database, etc. Ver. 1.01