

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice is an English translation of the original Japanese text of the timely disclosure statement dated May 15, 2024 jointly issued by Daio Paper Corporation and Hokuetsu Corporation, and is for reference purposes only. In the event of any discrepancy between the original Japanese text and this English translation, the Japanese text shall prevail.

May 15, 2024

To whom it may concern:

Name of Company: Daio Paper Corporation
Name of Representative: Yorifusa Wakabayashi
President and Representative Director Chief Executive Officer
Securities Code: 3880 (Prime Market of Tokyo Stock Exchange)
Contact Person: Shuhei Shinagawa
Director, Managing Executive Officer
General Manager of Corporate Planning Division
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Name of Company: Hokuetsu Corporation
Name of Representative: Sekio Kishimoto
President and Chief Executive Officer
Securities Code: 3865 (Prime Market of Tokyo Stock Exchange)
Contact Person: Makoto Yanagisawa
Director and Chief Financial Officer
Telephone No.: +81-3-3245-4500

**(Progress of Disclosure) Notice Concerning the Conclusion of a Basic Strategic Business Alliance Agreement
between Daio Paper Corporation and Hokuetsu Corporation**

Daio Paper Corporation (hereinafter “Daio Paper”) and Hokuetsu Corporation (hereinafter “Hokuetsu”) had been engaged in specific discussions regarding a strategic business alliance (the “Business Alliance”), as announced in the “Notice of the Commencement of Discussions for a Strategic Business Alliance between Daio Paper Corporation and Hokuetsu Corporation” dated February 13, 2024.

As a result of discussions between the two companies, after Daio Paper and Hokuetsu reached an agreement on the themes and promotion framework for the initiatives, we hereby announce that our respective Boards of Directors resolved today to enter into a basic strategic business alliance agreement (the "Agreement").

1. Background and Significance of the Business Alliance

Daio Paper and Hokuetsu are paper manufacturers that have worked to coexist with local communities through "monozukuri" (manufacturing) respectively, and will continue to aim to be trusted by all stakeholders ranging from customers to shareholders, business partners, local communities, and employees.

The two companies share the recognition that strengthening competitiveness through structural reforms and transforming their business portfolios are important management issues in a severe business environment that requires

solutions to social issues, such as the 2024 problem in domestic logistics and measures to reduce environmental impact, in addition to declining domestic demand for paper such as printing and communication paper, changing demand structures, and continuing high raw material and fuel prices, such as wood chips, coal, and heavy oil, due to the substantial yen depreciation that has taken hold.

In order to resolve these issues, the Business Alliance will maintain the independence and healthy competitive relationship between the two companies, while actively promoting initiatives that will contribute to the medium- to long-term enhancement of the corporate value of both companies by leveraging their respective strengths and complementing each other.

2. Promotion Framework of the Business Alliance

The Business Alliance Committee, co-chaired by the presidents of both companies, will be established to regularly monitor the progress and effectiveness of specific themes and make decisions on additions and changes to the themes, thereby maximizing the effectiveness of the Business Alliance.

3. Details of the Business Alliance Initiatives

The initiatives of the Business Alliance, which is planned to begin in FY2024, are as follows. In each of these initiatives, we will respect the relationships with our business partners, while aiming to enhance the corporate value of both companies, and will promptly realize the effects of these initiatives.

As a result of the discussions the two companies have held so far, Daio Paper and Hokuetsu currently target an increase in operating profit of approximately two billion yen and three billion yen, respectively, in FY2026, three years from now, thanks to the Business Alliance.

We will hold further discussions to deepen and expand the themes to be addressed, and in the mid- to long-term, we will consider joint research on new technologies, energy conversion, DX promotion, forest resource utilization, and other themes.

(1) Production Technology

The two companies will promote a comparative study of various processes in pulp and paper production at their mills and share their unique and superior know-how (types of raw materials and supplies, methods of use, etc.), thereby improving the quality and reducing the cost of their own products. Further, through sharing information on maintenance, such as periodic inspections of mill facilities and machine repairs, and mutually utilizing machine parts, we will reduce equipment maintenance costs and improve productivity by shortening repair periods.

In addition, thanks to meaningful information sharing on energy conservation, wastewater and waste management, and safety and hygiene management at each mill to reduce environmental impact, we will not only enhance competitiveness but also contribute to the achievement of SDGs.

On top of these, the two companies will consider establishing a cooperative production system, such as mutual OEM, as an effort to improve operating efficiency at both companies' mills, reduce manufacturing costs, lower product distribution costs, and cut CO₂ emissions related to product distribution.

(2) Raw Material Purchasing

The two companies will establish a cooperative system for wood chips, the main raw material, to ensure stable procurement, optimize inventory, and reduce costs. Specifically, the plan includes the mutual supply of wood chips from both companies' suppliers, mutual use of wood chip vessels and landing at two ports to reduce environmental

impact and shipping costs, and joint BCP measures to deal with unstable marine transportation issues caused by geopolitical risks.

Furthermore, we will work on specific measures, such as effective utilization of inventories and reduction of procurement costs through mutual accommodation of pulp, raw materials, and consumables, and reduction of logistics costs (joint procurement of some raw materials and fuels) by coordinating domestic transportation of raw materials along with products logistics.

(3) Products Logistics

The two companies will work to eliminate logistics redundancy and reduce logistics costs through round transportation (mutual transportation) between the two companies' production bases, including group companies. We plan to launch a pilot program initially between Hokuetsu's Niigata Mill and Daio Paper's Kani Mill (Gifu Prefecture) and Iwaki Daio Paper Corporation (Fukushima Prefecture), and between Daio Paper's Mishima Mill (Ehime Prefecture) and Hokuetsu's Kishu Mill (Mie Prefecture). After establishing a smooth operation system, we will expand our efforts to the entire group of both companies.

In addition, we will work to improve the efficiency of secondary delivery by mutually utilizing containers privately owned by Hokuetsu and the logistics warehouses of both companies, while verifying the effect of CO₂ reduction in product distribution.

4. Overview of the Companies (as of March 31, 2024)

Daio Paper Corporation

(1)	Location	Iidabashi Grand Bloom, 10-2, Fujimi 2 chome, Chiyoda-ku, Tokyo		
(2)	Representative's name/post	Yorifusa Wakabayashi, President and Representative Director Chief Executive Officer		
(3)	Business details	Manufacture and sale of paper, paperboard, and household paper products		
(4)	Capital	53,884 million yen		
(5)	Established	May 5, 1943		
(6)	Major Shareholders and Shareholding Ratio	Hokuetsu Corporation		24.8%
		The Master Trust Bank of Japan, Ltd. (Trust Account)		7.8%
		Daio Kaiun Co., Ltd.		5.7%
		The Iyo Bank, Ltd.		4.2%
		The Ehime Bank, Ltd.		4.1%
		Custody Bank of Japan (Trust Account)		3.8%
		Ehime Paper Manufacturing Co., Ltd.		3.2%
		Kami Shoji Co., Ltd.		2.8%
		OASIS JAPAN STRATEGIC FUND LTD. (Standing Agent: Citibank, N.A. Tokyo Branch)		2.8%
		Hyogo Paper Manufacturing Co., Ltd.		1.9%
(7)	Relationship between Daio Paper and Hokuetsu	Capital Relationship	Daio Paper's shareholding ratio in Hokuetsu's common stock as of March 31, 2024 is 1.4%.	
		Business Relationship	Not applicable	
		Personnel Relationship	Not applicable	
		Status of Relationship with Related Parties	Hokuetsu is Daio Paper's Other Affiliated Company.	
(8)	Daio Paper's consolidated operating results and consolidated financial positions for the last three years			
	As of/Fiscal year ended	Fiscal year ended March 2022	Fiscal year ended March 2023	Fiscal year ended March 2024
	Consolidated net assets	266,704 million yen	244,670 million yen	259,831 million yen
	Consolidated total assets	840,441 million yen	923,531 million yen	939,490 million yen

Consolidated net assets per share	1,561.52 yen	1,414.73 yen	1,487.10 yen
Consolidated net sales	612,314 million yen	646,213 million yen	671,688 million yen
Consolidated operating profit	37,569 million yen	△21,441 million yen	14,367 million yen
Consolidated ordinary profit	37,696 million yen	△24,050 million yen	9,622 million yen
Profit attributable to owners of parent	23,721 million yen	△34,705 million yen	4,507 million yen
Consolidated earnings per share	142.91 yen	△209.01 yen	27.10 yen
Dividend per share	22.00 yen	16.00 yen	16.00 yen

* Shareholding ratio does not include treasury stock (excluding the shares held by trust bank as Trust for Delivery of Shares and Employee Stock Ownership Plan Trust).

Hokuetsu Corporation

(1)	Location	3-5-1 Nishi-Zao, Nagaoka City, Niigata		
(2)	Representative's name/post	Sekio Kishimoto, President and CEO		
(3)	Business details	Manufacture and sale of paper and pulp products		
(4)	Capital	42,020 million yen		
(5)	Established	April 27, 1907		
(6)	Major Shareholders and Shareholding Ratio	Misuga Kaiun Co., Ltd.	11.1%	
		Daio Kaiun Co., Ltd.	10.0%	
		The Master Trust Bank of Japan, Ltd. (Trust Account)	6.0%	
		Daishi Hokuetsu Bank, Ltd.	4.9%	
		Hokuetsu Corporation's Agent Stockholding	4.1%	
		Sumitomo Realty & Development Co., Ltd.	3.6%	
		CGML PB CLIENT ACCOUNT/COLLATERAL (Standing Agent: Citibank, N.A. Tokyo Branch)	3.5%	
		OASIS JAPAN STRATEGIC FUND LTD. (Standing Agent: Citibank, N.A. Tokyo Branch)	3.3%	
		MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing Agent: BofA Securities Japan Co., Ltd.)	2.8%	
		Sompo Japan Insurance Inc.	2.7%	
(7)	Relationship between Hokuetsu and Daio Paper	Capital Relationship	Hokuetsu's shareholding ratio in Daio Paper's common stock as of March 31, 2024 is 24.8%.	
		Business Relationship	Not applicable	
		Personnel Relationship	Not applicable	
		Status of Relationship with Related Parties	Daio Paper is Hokuetsu's Affiliated Company accounted for by the equity method.	
(8)	Hokuetsu's consolidated operating results and consolidated financial positions for the last three years			
	As of/Fiscal year ended	Fiscal year ended March 2022	Fiscal year ended March 2023	Fiscal year ended March 2024
	Consolidated net assets	216,974 million yen	225,950 million yen	252,401 million yen
	Consolidated total assets	376,956 million yen	388,444 million yen	415,629 million yen
	Consolidated net assets per share	1,286.82 yen	1,339.89 yen	1,496.55 yen
	Consolidated net sales	261,616 million yen	301,204 million yen	297,056 million yen
	Consolidated operating profit	20,455 million yen	17,288 million yen	15,267 million yen
	Consolidated ordinary profit	29,514 million yen	11,471 million yen	17,766 million yen
	Profit attributable to owners of parent	21,206 million yen	8,325 million yen	8,396 million yen
	Consolidated earnings per	126.22 yen	49.54 yen	49.94 yen

share			
Dividend per share	24.00 yen	18.00 yen	18.00 yen

* Shareholding ratio does not include treasury stock.

5. Future Outlook

If any matters arise that should be announced in the future, we will disclose them promptly.

(END)