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(Securities code: 3865)

June 10, 2024

(Commencement date for matters of electronic provision: May 30, 2024)

To Shareholders with Voting Rights:

Sekio Kishimoto
President and CEO
Hokuetsu Corporation
3-5-1 Nishi-Zao, Nagaoka City, Niigata, Japan

**NOTICE OF CONVOCATION OF
THE 186th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We are pleased to inform you that the 186th Ordinary General Meeting of Shareholders (this “Meeting”) of Hokuetsu Corporation (the “Company”) will be held for the purposes as described below.

In convening this Meeting, the Company has taken electronic measures. Matters to be provided electronically are posted on the Company’s website on the Internet. Please access the Company’s website below and review the information.

The Company’s website
<https://www.hokuetsucorp.com/en/ir/notice.html>

In addition to the above, the matters to be provided electronically are also available on the Tokyo Stock Exchange (TSE) website. Please access the following TSE website (Listed Company Search) below, enter the issue name (company name) “Hokuetsu Corporation” or securities code “3865,” and select “Basic Information” followed by “Documents for public inspection/PR information” to review the information.

Tokyo Stock Exchange website (Listed Company Search)
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the meeting on the day, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders below, and exercise your voting rights no later than 5:20 p.m. on Wednesday, June 26, 2024 (please refer to pages 4 to 8 for information on how to exercise your voting rights).

- 1. Date and Time:** Thursday, June 27, 2024 at 10:00 a.m. Japan time (Reception opens at 9:00 a.m. Japan time)
- 2. Place:** Hotel New Otani Nagaoka, Banquet Room Hakuchou, 2F
8-35, Dai-machi 2-Chome, Nagaoka City, Niigata, Japan
(As the venue differs from the previous year, please refer to the access map to the venue at the end of this document.)
- 3. Meeting Agenda:**
Matters to be reported:
 1. The business report, consolidated financial statements for the Company’s 186th fiscal year (April 1, 2023 - March 31, 2024) and results of audits of the consolidated financial statements by the Accounting Auditor and the Audit & Supervisory Board
 2. Non-consolidated financial statements for the Company’s 186th fiscal year (April 1, 2023 - March 31, 2024)

Proposals to be resolved:

Company Proposals (Proposal 1 to Proposal 4)

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Three (3) Audit & Supervisory Board Members
Proposal 3: Election of Two (2) Substitute Audit & Supervisory Board Members
Proposal 4: Approval Regarding Implementation of Countermeasures in the Event that Daio Kaiun et al. Engage in a Large-scale Acquisition without Complying with the Company's Response Policy

Shareholder Proposals (Proposal 5 to Proposal 11)

- Proposal 5:** Dismissal of One (1) Representative Director
Proposal 6: Dismissal of Four (4) Outside Directors
Proposal 7: Election of Five (5) Outside Directors
Proposal 8: Determination of Basic Remuneration for Each Outside Director
Proposal 9: Determination of Remuneration for Granting Restricted Stock to Outside Directors
Proposal 10: Election of Five (5) Directors
Proposal 11: Determination of Amount of Fixed Compensation for Each Outside Director

The contents of each proposal are stated in the Reference Documents for the General Meeting of Shareholders below; however, the Company's Board of Directors is opposed to all Shareholder Proposals (Proposal 5 to Proposal 11).

4. Matters to be resolved at the Meeting

- (1) The Company's Articles of Incorporation stipulate that the number of Directors of the Company shall not exceed fifteen (15). However, Shareholder Proposal 5 proposes the dismissal of one (1) Representative Director, Shareholder Proposal 6 proposes the dismissal of four (4) Outside Directors, Shareholder Proposal 7 proposes the election of five (5) Outside Directors, and Shareholder Proposal 10 proposes the election of five (5) Directors. Depending on the results of the election and dismissal for each proposal, it is possible that the number of Directors could exceed the number stipulated in the Company's Articles of Incorporation. In such an event, as a general rule, the candidates for Director who have received a majority of votes, including through the exercise of voting rights via the Internet and in writing (by mail), are elected. If, however, as a result of the voting, the number of Directors exceeds fifteen (15), candidates will be elected in the order of those who received the highest number of voting rights. No upper limit will be placed on the number of candidates who may vote in favor of both Proposal 7 and Proposal 10.
- (2) If there is no indication of approval or disapproval for each proposal on the Voting Rights Exercise Form, it will be deemed as approval for company proposals (Proposal 1 to Proposal 4) and disapproval for shareholder proposals (Proposal 5 to Proposal 11).
- (3) If you exercise your voting rights in duplicate in writing and via electromagnetic means, the one exercised via electromagnetic means (the Internet) will be deemed valid. Moreover, if you exercise your voting rights more than once via electromagnetic means (the Internet), the last exercise will be deemed valid.

End

- ◎ If you are attending the meeting, please submit the Voting Rights Exercise Form at the reception desk. Please note that persons other than shareholders, including proxies and companions who are not shareholders, are not permitted to attend the meeting. (Excluding those persons accompanying shareholders with physical disabilities)
- ◎ Among the matters to be provided electronically, the following items are not stated in the documents delivered to shareholders who have requested written documents in accordance with the provision of law and regulations and Article 15, Paragraph 2 of the Company's Articles of Incorporation. The Audit & Supervisory Board and the Accounting Auditor audit the documents subject to audit, including the following matters:
 - "Matters Concerning Share Acquisition Rights, etc. of the Company," "Systems to Ensure Appropriateness of Business and Overview of Operation of Such Systems," and "Basic Policy on Control of the Company" in the business report
 - "Consolidated Statements of Changes in Net Assets" and "Notes to Consolidated Financial Statements" in the consolidated financial statements
 - "Non-consolidated Statements of Changes in Net Assets" and "Notes to Non-consolidated Financial Statements" in the non-consolidated financial statements
- ◎ Any revisions to the matters to be provided electronically, the Company will post a notice of such revisions and information before and after the revisions on the Company and TSE websites listed on page 1.
- ◎ **We are no longer offering souvenirs for shareholders. We appreciate your understanding.**

Guide to the Exercise of Voting Rights

In this General Meeting of Shareholders, although three shareholders made shareholder proposals, the Company's Board of Directors is against Proposal 5 to Proposal 11 submitted by the shareholders. If you agree with the opinions of the Board of Directors, please vote for approval of company proposals (Proposal 1 to Proposal 4) and disapproval of shareholder proposals (Proposal 5 to Proposal 11). Please refer to the "Reference Documents for the General Meeting of Shareholders" for details of the opinions of the Board of Directors.

There are three methods to exercise your voting rights.

Exercising voting rights by attending the meeting

Please submit the enclosed Voting Rights Exercise Form at the reception desk.

Date and Time of the General Meeting of Shareholders: Thursday, June 27, 2024 at 10:00 a.m. Japan time

Exercise voting rights in writing

Please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form and return it.

Exercise deadline: Received by Wednesday, June 26, 2024 at 5:20 p.m. Japan time

Exercising voting rights via the Internet

Please follow the guidance on page 6 and enter your approval or disapproval.

Exercise deadline: Wednesday, June 26, 2024 at 5:20 p.m. Japan time

Exercising voting rights in writing

Exercise deadline: Received by Wednesday, June 26, 2024 at 5:20 p.m. Japan time

This General Meeting of Shareholders will resolve company proposals (proposals submitted by the Board of Directors) and shareholder proposals (proposals submitted by three shareholders).

Three shareholders submitted Proposal 5 to Proposal 11. The Company’s Board of Directors is against all of them. Please refer to the Reference Documents for the General Meeting of Shareholders (Contents of Proposals) for details.

An example of how to fill out the Voting Rights Exercise Form is shown below.

If you exercise your voting rights via the Internet, please enter your approval or disapproval after referring to the example below.

□How to fill out the form

The voting form is an image only

議決権行使書

北越コーポレーション株式会社 御中
 日付: 2024年6月27日
 投票の北越コーポレーション
 株式会社第136回定時株主総会 (取締役会または委員会を含む)
 における議決につき、右記 (賛否を○印で表示) のとおり議決権を行使します。
 2024年6月 日

各議案につき賛否の表示をされたい場合は、各議案欄について、賛否の表示は、投票用紙の裏面に記載されているQRコードをスマートフォンで読み取り、インターネット上で議決権行使を行う場合は、インターネットの行使を有効とします。

議案 第1号 議案 第2号 (賛否) 議案 第3号 (賛否) 議案 第4号 議案
 賛 否 賛 否 賛 否 賛 否 賛 否
 会社 議案
 議案 第5号 議案 第6号 (賛否) 議案 第7号 (賛否) 議案 第8号 議案 第9号 議案 第10号 (賛否) 議案 第11号 議案
 賛 否 賛 否 賛 否 賛 否 賛 否 賛 否 賛 否
 株主 議案
 議案

（ご注意）議決権行使書は株主様用に発行です。株主提案に反対の場合は、株主提案の「否」の欄に○を付けてください。

お願い

- 議決権行使書により議決権を行使される場合は、この用紙に賛否をご表示いただき、2024年6月26日午後5時20分までに封筒するよう返送してください。
- 第2号議案、第3号議案、第6号議案、第7号議案および第10号議案の賛否をご表示の際、一部の銘柄について異なる意見を表示される場合は、「株主提案の賛否」に必要の当該銘柄の番号を記入してください。
- 賛否のご表示は、黒色のボールペンにより、はっきりと○印を記入してください。
- 議決権をインターネットで行使される場合は、下のQRコードをスマートフォンで読み取るか、背面記載のウェブサイトにアクセスの上、2024年6月26日午後5時20分までにご投票ください。この場合、議決権行使書を送付される必要はありません。

スマートフォン用
 議決権行使
 ウェブサイト
 ログインQRコード

北越コーポレーション株式会社

Please indicate your approval or disapproval of each proposal.

In case of approval, draw a circle in the “賛” section

If case of disapproval, draw a circle in the “否” section

Example of filling out the Voting Rights Exercise Form

This example is when you approve all company proposals and disapprove all shareholder proposals.

議案	第1号議案	第2号議案 (下の候補者を除く)	第3号議案 (下の候補者を除く)	第4号議案
会社提案	賛	賛	賛	賛
	否	否	否	否

Proposal 1 to Proposal 4 are proposed by the Company's Board of Directors.

議案	第5号議案	第6号議案 (下の候補者を除く)	第7号議案 (下の候補者を除く)	第8号議案	第9号議案	第10号議案 (下の候補者を除く)	第11号議案
株主提案	賛	賛	賛	賛	賛	賛	賛
	否	否	否	否	否	否	否

Proposal 5 to Proposal 11 are proposed by three shareholders.

The Company's Board of Directors is against each of the shareholder proposals. If you agree with the Board of Directors, draw a circle in the “否” section of shareholder proposals.

If there is no indication of approval or disapproval for each proposal, it will be deemed as approval for company proposals and disapproval for shareholder proposals.

Exercising voting rights via the Internet

Exercise deadline: Wednesday, June 26, 2024 at 5:20 p.m. Japan time

Voting website: <https://soukai.mizuho-tb.co.jp/> (in Japanese)

How to scan a QR code using a smartphone

About “Smart Exercise”

1 Please scan the “Voting Website Login QR Code for Smartphones” on the enclosed Voting Rights Exercise Form. You can access the website without entering the “Voting Rights Exercise Code” and “Password.”

*You may only exercise your voting rights once by the above method.

*The QR Code is a registered trademark of DENSO WAVE INCORPORATED.

2 Please follow the on-screen guidance and enter your approval or disapproval.

How to enter your login ID and temporary password

Access procedures

1 Please access the voting website.

2 Please enter the “Voting Rights Exercise Code” indicated on the Voting Rights Exercise Form.

3 Please enter the “Password” indicated on the Voting Rights Exercise Form.

4 Please follow the on-screen guidance and enter your approval or disapproval.

Inquiries regarding the exercise of voting rights via the Internet

Internet Help Desk of Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.

Telephone: 0120-768-524 (Operating hours: 9:00 a.m. – 9:00 p.m., excluding year-end and new year holidays)

Notes:

- 1) The password is a means of confirming the voter's identity, and the Company will not ask you for your password.
- 2) If you mistype the password more than a certain number of times, it will be locked. Please follow the on-screen instructions if you are locked out.
- 3) Passwords (including those changed by the shareholder) are valid only for this Meeting. A new password will be issued at the next General Meeting of Shareholders.
- 4) Although the operation of the voting website has been verified using available Internet access devices, it may not be available depending on the device you are using.

Your exercise of voting rights leads to the creation of a sustainable society.

A portion of the mailing costs reduced by using Smart Exercise will be donated to a charitable foundation.

Our goal is to realize a sustainable society following our Group Corporate Philosophy "As a people-focused business group, we work to improve society globally by providing socially and environmentally responsible products through innovative manufacturing on a global scale." As part of this effort, we have continued to support WWF Japan since 1993, which upholds the ideal of creating a sustainable society. If you exercise your voting rights via the Internet or other means, including Smart Exercise, a portion of the mailing costs will be used to support the activities of WWF Japan.

We hope you will take advantage of Smart Exercise, which will enable shareholders to exercise their voting rights in a way that will help create a sustainable society.

Reference Documents for the General Meeting of Shareholders

(Contents of Proposals)

Company Proposals (Proposal 1 to Proposal 4) Proposal 1 to Proposal 4 are made by the Company

<Company Proposals>

Proposal 1: Appropriation of Surplus

Year-end dividends

The Company's basic capital policy is to pay stable and continuous dividends by implementing capital policies that consider the balance between financial soundness, capital efficiency, and shareholder returns in order to continue to invest in growth for the long-term and stable enhancement of corporate value.

For the 186th fiscal year, based on this policy and after comprehensively taking into account the business performance for the fiscal year under review, performance forecasts for the immediate future, and dividend stability, the Company proposes the following.

- (1) Type of dividend property
Cash
- (2) Allotment of dividend property to shareholders and its total amount
¥9 per share of the Company's common stock
Total of ¥1,518,584,103
Note: Annual dividends for the fiscal year under review will be ¥18 per share including the interim dividend of ¥9 per share.
- (3) Effective date of the dividends of surplus
June 28, 2024

<Company Proposals>


Proposal 2: Election of Three (3) Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members, Manabu Ueno, Jun Itoigawa, and Keiji Watanabe will expire at the conclusion of this Meeting. The Company proposes the election of three (3) Audit & Supervisory Board Members (including two (2) Outside Audit & Supervisory Board Members).


Candidates for Audit & Supervisory Board Members were determined by the Board of Directors based on the Company's Basic Policy on Corporate Governance.

The prior consent of the Audit & Supervisory Board has been obtained for this Proposal.

The candidates for Audit & Supervisory Board Member are as follows:


Candidate No.	Name	Career summary, positions, and significant concurrent positions	
 1	Manabu Ueno	April 1992	Joined the Company
	[Reelection]	February 2015	Group Manager, Jiangmen Group; Group Manager, Al-Pac Promotion Group
	[Male]	October 2015	Leave of absence and seconded, Director, Deputy General Manager, Jiangmen Xinghui Paper Mill Co., Ltd.
	Date of birth	April 2017	Leave of absence and seconded, Director, Deputy General Manager (General Manager), Jiangmen Xinghui Paper Mill Co., Ltd.
	December 20, 1968	June 2021	Standing Audit & Supervisory Board Member, the Company (current position)
	Years in office as Audit & Supervisory Board Member:		
	3 years (at conclusion of this Meeting)		
Attendance at Board of Directors meetings:			
15 out of 15 meetings			
Attendance at Audit & Supervisory Board meetings:			
14 out of 14 meetings			
Number of shares of the Company held:			
8,111			

[Reason for nomination as candidate for Audit & Supervisory Board Member]
 Manabu Ueno has extensive experience and knowledge mainly in the accounting and finance division, and has considerable knowledge of finance and accounting matters. In addition, since he is familiar with the overall business of the Group, he conducts accurate audits as an Audit & Supervisory Board Member. The Company believes that he continues to play a sufficient role in strengthening the functioning of auditing the Company's overall management and therefore has continued to nominate him as a candidate for Audit & Supervisory Board Member.

Candidate No.	Name	Career summary, positions, and significant concurrent positions
 2	<p>Toraki Inoue</p> <p>[New election] [Outside] [Independent] [Male]</p> <p>Date of birth September 6, 1956</p> <p>Years in office as Outside Audit & Supervisory Board Member: -</p> <p>Attendance at Board of Directors meetings: -</p> <p>Attendance at Audit & Supervisory Board meetings: -</p> <p>Number of shares of the Company held: 0</p>	<p>December 1985 Registered as a Certified Public Accountant</p> <p>June 1987 New York Office, ANDERSEN</p> <p>October 1995 National Partner, ANDERSEN</p> <p>October 1997 Worldwide Partner, ANDERSEN</p> <p>July 1999 Partner, Asahi & Co. (currently KPMG AZSA LLC)</p> <p>July 2008 Toraki Inoue Certified Public Accountant Office (current position)</p> <p>June 2010 Representative Director and President, Accounting Advisory Co., Ltd. (current position)</p> <p>June 2011 Outside Audit & Supervisory Board Member, Pioneer Corporation</p> <p>September 2011 Supervisory Director, GLP J-REIT (current position)</p> <p>April 2012 Guest Professor of International Accounting Study Group, Expert Graduate School, Chuo University</p> <p>April 2013 Instructor of Global Business Study Group, Expert Graduate School, Meiji University</p> <p>March 2016 Outside Audit & Supervisory Board Member, Kao Corporation</p> <p>June 2016 Outside Audit & Supervisory Board Member, Aozora Bank Ltd. (current position)</p> <p>October 2018 Standing Corporate Auditor, Kyulux, Inc. (current position)</p> <p>November 2020 Outside Audit & Supervisory Board Member, ETVOS Co., Ltd. (current position)</p>

[Reason for nomination as candidate for Outside Audit & Supervisory Board Member]

Toraki Inoue has extensive experience and specialized knowledge as a certified public accountant, and has considerable knowledge of finance and accounting matters. In addition, he has extensive experience in Japan and overseas. The Company believes that he continues to play a sufficient role in strengthening the functioning of auditing the Company's overall management and therefore has nominated him as a candidate for Outside Audit & Supervisory Board Member.

Candidate No.	Name	Career summary, positions, and significant concurrent positions	
 <p style="text-align: center;">3</p>	<p>Go Kondo</p> <p>[New election] [Outside] [Independent] [Male]</p> <p>Date of birth January 1, 1965</p> <p>Years in office as Outside Audit & Supervisory Board Member: -</p> <p>Attendance at Board of Directors meetings: -</p> <p>Attendance at Audit & Supervisory Board of meetings: -</p> <p>Number of shares of the Company held: 0</p>	<p>April 1987 April 1997 October 2000 January 2006 June 2013 April 2015 June 2019 April 2020</p>	<p>The Boston Consulting Group</p> <p>Admitted to the bar, Nagashima & Ohno (currently Nagashima Ohno & Tsunematsu)</p> <p>White & Case Law Offices</p> <p>Credit Suisse Securities Japan</p> <p>Established Utoku Law Offices (current position)</p> <p>Standing Auditor, Mu Sigma Japan K.K. (current position)</p> <p>Outside Audit & Supervisory Board Member, YARUKI Switch Group Holdings Co., Ltd. (current position)</p> <p>Visiting Associate Professor, Nagamori Gakuen Educational Foundation, Kyoto University of Advanced Science (Cybersecurity Law) (current position)</p>
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member] Go Kondo has advanced and specialized legal knowledge cultivated as an attorney at law and extensive experience in the area of international corporate legal affairs. The Company believes he continues to play a sufficient role in strengthening the function of auditing the Company's overall management from a neutral position independent from the management team that executes business operations, and therefore has nominated him as a candidate for Outside Audit & Supervisory Board Member.</p>			

- Notes:
1. There are no special interests between each candidate and the Company.
 2. Toraki Inoue and Go Kondo are candidates for Outside Audit & Supervisory Board Members.
 3. If the election of Toraki Inoue and Go Kondo is approved, the Company plans to designate these two individuals as independent directors as stipulated by the Tokyo Stock Exchange.
 4. The liability limitation agreement with Outside Audit & Supervisory Board Members is as follows:
To enable the Company to attract capable personnel as outside audit & supervisory board members, the Company's Articles of Incorporation stipulate that the Company may enter into agreements with Audit & Supervisory Board Members to limit their liability for damages up to the amount specified by laws and regulations. If the election of Toraki Inoue and Go Kondo is approved, the Company plans to enter into agreements with them pursuant to Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act to the amount specified by laws and regulations, when damage is incurred by the Company due to their negligence provided they acted in good faith and without gross negligence.
 5. The Company has concluded a Directors and Officers Liability Insurance (D&O insurance) contract as stipulated in Article 430-3 of the Companies Act, insuring Directors, Audit & Supervisory Board Members, Corporate Officers, and key employees. If each candidate is elected as Audit & Supervisory Board Member of the Company, they will be insured under the contract.
The Company pays all insurance premiums. The policy shall cover damages incurred by the insured due to claims for damages arising from the insured's conduct (including omissions) in their capacity as a director of the Company during the insurance period. However, the insurance contract will not cover claims arising from intentional or gross negligence.

<Company Proposals>

Proposal 3: Election of Two (2) Substitute Audit & Supervisory Board Members

The appointment of Shigeo Aruga and Yoshitaka Hashimoto as substitute Audit & Supervisory Board Members elected at the 184th Ordinary General Meeting of Shareholders held on June 29, 2022 will expire at the conclusion of this Meeting, and the Company proposes new appointments.

In preparation for a shortage in the number of Audit & Supervisory Board Members stipulated in laws and regulations, among the candidates for substitute Audit & Supervisory Board Members, it is proposed that Shigeo Aruga be elected as a candidate for substitute Outside Audit & Supervisory Board Member and that Shu Mizuguchi be elected as a candidate for substitute Audit & Supervisory Board Member who is not an Outside Audit & Supervisory Board Member. Both have consented to assume the position of Audit & Supervisory Board Member in the event that an Audit & Supervisory Board Member retires during his or her term of office and the number of Audit & Supervisory Board Members falls below the number required by laws and regulations. The validity of the appointments of both persons may be revoked by a resolution of the Board of Directors with the consent of the Audit & Supervisory Board provided it is before they take office.

The Audit & Supervisory Board has given its prior consent to the submission of this proposal.

The candidates for substitute Audit & Supervisory Board Members are as follows:

Candidate No.	Name	Career summary, positions, and significant concurrent positions	
1	Shigeo Aruga [Outside] [Independent] [Male] Date of birth September 24, 1950 Years in office as Outside Audit & Supervisory Board Member: - Attendance at Board of Directors meetings: - Attendance at Audit & Supervisory Board meetings: - Number of shares of the Company held: 0	April 1969 July 2004 July 2007 July 2009 August 2011 May 2012 June 2015	Joined Kantoshinetsu Regional Taxation Bureau District Director, Higashi-matsuyama Tax Office District Director, Kasukabe Tax Office District Director, Urawa Tax Office Registered as certified public tax accountant Established Aruga Shigeo Certified Public Tax Accountant Office Audit & Supervisory Board Member, Kashiyama Co., Ltd. (current position) Independent Outside Audit & Supervisory Board Member, G-TEKT CORPORATION Outside Auditor, NITTOKU ENGINEERING CO., LTD. (currently NITTOKU CO., LTD.)
[Reason for nomination as candidate for substitute Outside Audit & Supervisory Board Member] Shigeo Aruga has professional knowledge and abundant experience cultivated as an officer of the National Tax Agency and a certified public tax accountant over many years and considerable knowledge in finance and accounting. Therefore, the Company has nominated him as a candidate for substitute Outside Audit & Supervisory Board Member in the belief that he can be expected to play a sufficient role in strengthening the function of auditing the Company's overall management.			

Candidate No.	Name	Career summary, positions, and significant concurrent positions	
2	Shu Mizuguchi [Male] Date of birth January 1, 1962 Years in office as Audit & Supervisory Board Member: - Attendance at Board of Directors meetings: - Attendance at Audit & Supervisory Board meetings: - Number of shares of the Company held: 7,400	April 1984 May 2017 April 2022 April 2023 June 2023 March 2024	Joined former Kishu Paper Co., Ltd. General Manager, Functional Paper Sales Department, Corporate Officer; General Manager, Performance Materials Department, Performance Materials Business Division Corporate Officer, General Manager, Performance Materials Sales Department, Performance Materials Sales Business Division Corporate Officer; Deputy Division Manager, Performance Materials Sales Business Division; General Manager, Performance Materials Sales Department Retired from the Company

[Reason for nomination as candidate for substitute Outside Audit & Supervisory Board Member]
Shu Mizuguchi has extensive experience and knowledge in the sales division, and is familiar with the overall business of the Group. The Company has therefore determined that he is capable of appropriately performing the duties of Audit & Supervisory Board member and has nominated him as a candidate for substitute Audit & Supervisory Board Member.

- Notes:
1. There are no special interests between each candidate and the Company.
 2. If the election of Shigeo Aruga as Outside Audit & Supervisory Board Member is approved, the Company plans to designate him as an independent auditor as stipulated by the Tokyo Stock Exchange.
 3. The liability limitation agreement with substitute Outside Audit & Supervisory Board Members is as follows:
If the election of Shigeo Aruga as Audit & Supervisory Board Member is approved, the Company will enter into an agreement with him, pursuant to Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, to limit his liability for damages under Article 423, Paragraph 1 of the Companies Act to the amount stipulated by laws and regulations, when damage is incurred by the Company due to his negligence provided he acted in good faith and without gross negligence.
 4. The Company has concluded a Directors and Officers Liability Insurance (D&O insurance) contract as stipulated in Article 430-3 of the Companies Act, insuring Directors, Audit & Supervisory Board Members, Corporate Officers, and key employees. If each candidate is elected as Audit & Supervisory Board Member of the Company, they will be insured under the contract.
The Company pays all insurance premiums. The policy shall cover damages incurred by the insured due to claims for damages arising from the insured's conduct (including omissions) in their capacity as an audit & supervisory board member of the Company during the insurance period. However, the insurance contract will not cover claims arising from intentional or gross negligence.

<Company Proposals>

Proposal 4: Approval of Implementation of Countermeasures in the Event that Daio Kaiun et al. Engage in a Large-scale Acquisition Without Complying with the Company's Response Policy

1. Overview

At the Board of Directors meeting held on December 22, 2023, the Company introduced countermeasures (hereinafter, "Current Response Policy") against 1) purchases of Company share certificates by DAIO KAIUN CO., LTD. (hereinafter, "Daio Kaiun"), its joint owner, KAWASAKI PAPER TRANSPORT CO., Ltd. (hereinafter, "Kawasaki Paper Transport"), and Misuga Kaiun Co., Ltd. (hereinafter, "Misuga Kaiun") (hereinafter, Daio Kaiun, Kawasaki Paper Transport, and Misuga Kaiun are referred to collectively as "Daio Kaiun et al."); and 2) Large-scale Acquisitions (as defined in III 2.(2) of the Company's press release dated May 22, 2024, "Notice Concerning the Continuation and Renewal of the Response Policy Regarding Large-scale Acquisitions of Company Share Certificates, etc., in light of the Large-scale Acquisitions of Company Share Certificates, etc., by Daio Kaiun et al (only available in Japanese)" (hereinafter, "Response Policy Continuation Press Release"); hereinafter the same) of the Company's share certificates, etc., that may be planned under circumstances in which Large-scale Acquisitions by Daio Kaiun et al., continue to occur. Additionally, at the Board of Directors meeting held on May 22, 2024, the entire Board of Directors, including all four (4) independent Outside Directors, approved an extension to the effective period of the Current Response Policy until the end of the first Board of Directors meeting to be held after the Company's Ordinary General Meeting of Shareholders to be held in June 2025, to the extent necessary to respond to the purchase of Company shares by Daio Kaiun et al. (The continuing and renewed Response Policy hereinafter is referred to as "the Response Policy." For more details, please refer to the Response Policy Continuation Press Release.)

As stated in Section 2.(1) below, this proposal proposes consulting with the Company's shareholders on whether or not to implement countermeasures based on the Response Policy (hereinafter, "Countermeasures"), if Daio Kaiun et al. are found to have commenced Large-scale Acquisitions without complying with the procedures set forth in the Response Policy, with the utmost respect for the recommendations of the Independent Committee mentioned in Section 3 below. This is because it is believed that Daio Kaiun et al. specifically will engage in Large-scale Acquisitions without complying with the procedures set forth the Response Policy in the future, and, moreover, as set forth in Section 2.(2) below, it is believed that if Daio Kaiun et al. engage in Large-scale Acquisitions, it could cause undeniable harm to the Company's medium- to long-term corporate value and the common interests of the Company's shareholders. All Directors (including four (4) independent Outside Directors) unanimously passed a resolution to submit this proposal.

Furthermore, as stated in Section 2.(1) below, in accordance with the Response Policy, if a Large-scale Acquirer does not comply with the Response Policy, the Company will activate the Countermeasures by way of the Board of Directors only, without going through a General Shareholders' Meeting for Confirmation of the Shareholders' Will. However, from the perspective of respecting the will of shareholders, this proposal is being made to request the prior approval of shareholders at this Ordinary General Meeting of Shareholders for the Company's Board of Directors to activate the Countermeasures in the event that Daio Kaiun et al. commence a Large-scale Acquisition without complying with the procedures set forth in the Response Policy (with the utmost respect for the recommendations of the Independent Committee at that time).

2. Assessment by the Board of Directors of Large-scale Acquisitions by Daio Kaiun et al.

(1) Probability that Large-scale Acquisitions will be performed without complying with the procedures set forth in the Response Policy

In accordance with the Response Policy, if a Large-scale Acquirer (as defined in Section III 2.(2) of the Response Policy Continuation Press Release; hereinafter the same) complies with the procedures established in the Response Policy, a General Shareholders' Meeting for Confirmation of the Shareholders' Will needs to be held and shareholder's approval must be obtained for activation of the Countermeasures, if the Company's Board of Directors opposes the Large-scale Acquisition and believes it should activate the Countermeasures (please refer to Section III 2.(3)④ of the Response Policy Continuation Press Release). However, if a Large-scale Acquirer attempts to perform a Large-scale Acquisition without complying with the procedures set forth in the Response Policy, since the Company would be unable to ensure that shareholders have the time required to consider the advantages

and disadvantages of permitting the Large-scale Acquisition based on the information disclosed by the Large-scale Acquirer, or to secure an opportunity to confirm the will of shareholders, the Countermeasures shall be implemented without going through a General Shareholders' Meeting for Confirmation of the Shareholders' Will unless special circumstances exist (please refer to Section III 2.(3)⑤ of the Response Policy Continuation Press Release).

In this regard, **on March 15 and March 18, 2024, immediately after the introduction of the Current Response Policy and immediately prior to the record date of this Ordinary General Meeting of Shareholders, Tokyo Pulp & Paper Corporation (hereinafter, "Tokyo Pulp & Paper"), which is reasonably suspected of already being in a joint cooperative relationship with Daio Kaiun et al., (this Relationship as defined in III 2.(2) (Note 4) of the Response Policy Continuation Press Release; hereinafter, the same), acquired Company shares without complying with the procedures established in the Current Response Policy.** That is to say, on March 15 and March 18, 2024, after the introduction of the Response Policy, Tokyo Pulp & Paper acquired an additional 50,000 Company shares (hereinafter, "the Share Purchase") (Tokyo Pulp & Paper currently holds a total of 150,000 shares of the Company), and it cannot be denied that Tokyo Pulp & Paper and Daio Kaiun et al. are in a joint cooperative relationship, considering various facts, including: 1) **Daio Kaiun and its group company, Sankyo Engineering Co., Ltd., are shareholders of Tokyo Pulp & Paper;** 2) **Sota Igawa, the Representative Director and President of Tokyo Pulp & Paper, is the son of Hiroataka Igawa (the former President of Tokyo Pulp & Paper), who is the immediate younger brother of Toshitaka Igawa, the effective owner of Tokyo Pulp & Paper (hereinafter, "Mr. Igawa" refers to Toshitaka Igawa), and a shareholder of Daio Kaiun;** 3) **representative of Tokyo Pulp & Paper came to the Company's 185th Ordinary General Meeting of Shareholders (hereinafter, "the 2023 Ordinary General Meeting of Shareholders") held on June 29, 2023 together with representative of Kawasaki Paper Transport;** 4) at the 2023 Ordinary General Meeting of Shareholders, **Mr. Sasaki, Senior Managing Director of Kawasaki Paper Transport, stated that "Kawasaki Paper Transport is a company in the Daio Kaiun Group.... Please count the votes of us, Kawasaki Paper Transport and four other companies: entrance ticket number 13 ●●, entrance ticket number 15, Tokyo Pulp & Paper, entrance ticket number 14, and entrance ticket number ●●, against the election of director Sekio Kishimoto, candidate number 1," indicating that they even knew the entrance ticket number for Tokyo Pulp & Paper and made a statement that Tokyo Pulp & Paper and Kawasaki Paper Transport would exercise their voting rights in the same manner;** 5) at the 2023 Ordinary General Meeting of Shareholders, **Tokyo Pulp & Paper supported all shareholder proposals from Proposal 3 to Proposal 5, while opposing the proposal to elect the Company's President and CEO, Sekio Kishimoto in connection with Proposal 2 "Election of Ten (10) Directors," as did Daio Kaiun et al.;** and 6) when the Company asked Daio Kaiun about the Share Purchase in a letter dated April 26, 2024, while presenting facts 1) to 5) above, there was no rebuttal or mention in its response of the fact that it reasonably can be inferred based on 1) to 5) above that there is a joint cooperative relationship between Daio Kaiun et al. and Tokyo Pulp & Paper, although the response stated that there was no communication with regard to the Share Purchase. In connection with item 4) above, Tokyo Pulp & Paper stated in a letter dated May 7, 2024, "Since we[Company note: Kawasaki Paper Transport and Tokyo Pulp & Paper] reached the same conclusions, we asked Kawasaki Paper Transport's Mr. Sasaki to speak on our behalf on the floor of the general meeting of shareholders. [Company note: translated into English by the Company]" However, there is no need to have other shareholders speak on Tokyo Pulp & Paper's behalf about the plans to exercise its voting rights at the Ordinary General Meeting of Shareholders when votes are taken after the Q&A session. In particular, at the 2023 Ordinary General Meeting of Shareholders, voting on the proposal for the election of Directors was conducted in a manner that enabled precise tallying, which means that there was no need to inform the Company of the pros and cons during the Q&A session. The explanation from Tokyo Pulp & Paper above seems unnatural. Rather, **as admitted by Tokyo Pulp & Paper, given that Tokyo Pulp & Paper and Kawasaki Paper Transport had a relationship in which Kawasaki Paper Transport spoke on behalf of Tokyo Pulp & Paper about the exercise of voting rights, it is natural to assume that there was communication between the two companies regarding that exercise of voting rights.**

Furthermore, **when Mr. Kishimoto, the Company's President and CEO Kishimoto, and Mr. Igawa met on July 3, 2023, Mr. Igawa told Mr. Kishimoto, the Company's President and CEO Kishimoto, that "We were in coordination with Oasis. From now on, we will go our separate ways,"** revealing that Oasis Management Company Limited or its affiliated company (hereinafter "Oasis") and Daio Kaiun had engaged in joint cooperative acts, etc. (meaning "joint cooperative acts, etc." as defined in the Response Policy; hereinafter the same). Therefore, the Company's situation is such that it cannot dispel doubts or concerns over when those joint cooperative acts, etc. could occur again in the future.

Considering these circumstances, Daio Kaiun et al. already might have conducted a Large-scale Acquisition without complying with the procedures set forth in the Response Policy. Furthermore, since these circumstances have occurred, it specifically is assumed that in the future Daio Kaiun et al. or a party in a joint cooperative relationship with Daio Kaiun et al. may engage in a Large-scale Acquisition without complying with the procedures set forth in the Response Policy.

- (2) Damage to the Company's medium- to long-term corporate value and the common interests of its shareholders due to Large-scale Acquisitions by Daio Kaiun et al.

As described in (1) above, if a Large-scale Acquirer attempts to conduct a Large-scale Acquisition without complying with the procedures set forth in the Response Policy, the Response Policy states that Countermeasures shall be activated without going through a General Shareholders' Meeting for Confirmation of the Shareholders' Will unless special circumstances exist. The Countermeasures are to be implemented in order to maximize the Company's medium- to long-term corporate value and the common interests of its shareholders (please refer to III 1. of the Response Policy Continuation Press Release). Therefore, "special circumstances" means circumstances in which it is clear that the Large-scale Acquisition the Large-scale Acquirer intends to conduct will not harm the maximization of the Company's medium- to long-term corporate value and the common interests of its shareholders.

In this regard, as stated in the Company's press release dated December 22, 2023, titled "Notice Concerning the Introduction of a Policy Regarding Large-scale Acquisitions of Company Share Certificates, etc., in light of Large-scale Acquisitions of Company Share Certificates, etc., by Daio Kaiun et Al., (only available in Japanese)" Daio Kaiun et al. started acquiring Company shares around July 2012, immediately after the Company acquired shares of Daio Paper Corporation (hereinafter, "Daio Paper") from some members of the founding family of Daio Paper (hereinafter, "Founding Family A") in June 2012. Thereafter, Daio Kaiun repeatedly requested that the Company sell the Daio Paper shares held by the Company (hereinafter, the "Daio Paper Shares"), without making the reasons for doing so clear. In addition, year after year at the Company's Ordinary General Meeting of Shareholders, Daio Kaiun engaged in actions that hindered the smooth progress of the meeting and thorough deliberations, including asking questions unrelated to the agenda and expressing lengthy opinions opposing the proposal for the election of the President as a Director, while ignoring the Chairman's warnings.

In addition, **in the meeting held between the Company and Mr. Igawa on July 27, 2023, Mr. Igawa proposed to the Company that in exchange for Daio Kaiun et al. transferring their shares of the Company to the Company, he wanted the Company to transfer the Daio Paper Shares to Daio Kaiun. When the Company refused the proposal, Daio Kaiun et al. immediately borrowed 10.0 billion yen newly from The Nomura Trust and Banking Co., Ltd., and started to acquire a large number of shares of the Company, mainly in the market, starting September 25, 2023, even when the share price had skyrocketed. As a result, Daio Kaiun et al., together with its joint owner, Misuga Kaiun, increased its ownership ratio of share certificates, etc., in the Company from 10.01% to 18.56%** (during this period, the Company's share price skyrocketed from 1,072 yen (as of September 25, 2023) to 1,558 yen (as of December 18, 2023). Until the time of Statement of Changes No. 12 Statement of Large Volume Holdings submitted on December 15, 2023, Daio Kaiun et al. claimed the purpose of holding the Company shares was simply as a "strategic investment" (at that time, Daio Kaiun's holding ratio of share certificates, etc., in the Company was 17.68%), but as of the date of Statement of Changes No. 13, submitted on December 25, 2023 (the most recent Statement of Changes as of this time), the submission of important proposals suddenly was added as a purpose of holding the shares, indicating that the company had been considering making shareholder proposals at the Ordinary General Meeting of Shareholders since this time.

Moreover, although Daio Kaiun and its joint owner, Misuga Kaiun, stated in a press release disclosed on Daio Kaiun's website on February 1, 2021 that net sales for the fiscal year ended March 31, 2023 would be 30.6 billion yen and 41.1 billion yen, respectively, for at least the past ten years, there is no evidence that the companies have made their financial statements public, which is a requirement under the Companies Act, suggesting deficiencies in their compliance and internal control systems.

As stated above, 1) **the commencement of acquisition of Company shares by Daio Kaiun et al. and its persistent actions at the Company's general meeting of shareholders originated from the Company's acquisition of Daio Paper shares;** 2) **the rapid and large-scale acquisitions of Company shares, both on and off the market, by Daio Kaiun et al. was triggered by the Company's refusal to transfer the Daio Paper Shares to Daio Kaiun, and other than that there was no particular reason for Daio Kaiun et al. to borrow 10.0 billion yen newly from The Nomura Trust and Banking Co., Ltd. to purchase large quantities of Company shares, mainly in the**

market, even though the share price skyrocketed; in addition to 3) shares of Daio Paper have poor liquidity, making it difficult to purchase large quantities of Daio Paper shares, whereas shares of the Company have relatively high liquidity, making it relatively easy to purchase them in large quantities both on and off the market; and 4) Daio Kaiun holds 5.62% of the shares of Daio Paper, in terms of ownership ratio of share certificates, etc.; moreover, a person associated with Mr. Igawa, the effective owner of Daio Paper, has told the Company that Daio Kaiun controls 20% of the shares of Daio Paper. In light of this, if Daio Kaiun succeeds in acquiring 24.60% of the shares of Daio Paper, which the Company owns with joint holders, Daio Kaiun's total shareholding ratio would be approximately 45%, effectively enabling Daio Kaiun to take control of the management of Daio Paper. Taking these and other factors into account, it is clear that the true purpose of Daio Kaiun et al. acquiring large quantities of Company shares is not to improve the Company's medium- to long-term corporate value and the common interests of its shareholders, but rather, by acquiring large quantities of Company shares, to apply strong pressure on the Company to transfer the Daio Paper Shares to Daio Kaiun (furthermore, Daio Kaiun's acquisition and holding of large quantities of Daio Paper shares would mean that Mr. Igawa and part of the Daio Paper founding family to which Mr. Igawa belongs, separately from Founding Family A, would seize management control over Daio Paper).

In addition, if Daio Kaiun acquires large quantities of Company shares, the influence of Daio Kaiun et al. over the Company's management will increase significantly. As a result, pressure from Daio Kaiun et al., which is planning to seize control of the management rights to Daio Paper, may force the Company to relinquish all of its shares of Daio Paper, or the business alliance may be operated in a manner unilaterally advantageous to Daio Paper, creating a situation in which the Company may be forced into a position in which it is unable to fully enjoy the synergic benefits mentioned above, based on this business alliance with Daio Paper. As mentioned, **Daio Kaiun has a serious conflict of interest with the majority of the Company's general shareholders who do not own shares of Daio Paper (excluding Oasis) with regard to a management integration issue between the Company and Daio Paper. If Daio Kaiun acquires large quantities of Company shares, it could harm the interests of the Company's general shareholders, and lead to an outcome that is contrary to the common interests of the Company shareholders.**

Furthermore, Daio Kaiun is proposing the "Election of Five (5) Directors" as a shareholder proposal at this Ordinary General Meeting of Shareholders. However, none of the candidates has expressed any particular opinions on the Company's management policies, and it does not appear that they have a clear view of the Company's management. As such, **it is highly unlikely that Daio Kaiun or the candidates proposed by that shareholder are prepared to tackle the management of the Company seriously, and it is obvious that Daio Kaiun has no opinions about the Company's management policies.** Therefore, if Daio Kaiun conducts Large-scale Acquisitions of Company shares, the influence of Daio Kaiun et al. over the Company's management will increase significantly. There is concern that this will hinder the sincere management of the Company and could harm the Company's medium- to long-term corporate value and the common interests of its shareholders.

Thus, because of the fact that Daio Kaiun et al. have no interest in improving the Company's medium- to long-term corporate value and the common interests of its shareholders, and are acquiring large quantities of Company shares as a means to achieve their own demands, which are completely unrelated to the interests of the Company's general shareholders; the fact that there is a serious conflict of interest between Daio Kaiun and the majority of the Company's general shareholders (excluding Oasis) who do not own shares in Daio Paper, with regard to a management integration issue between the Company and Daio Paper; and the fact that in light of Daio Kaiun's shareholder proposal, it is highly unlikely that Daio Kaiun or the candidates proposed by the shareholder are prepared to tackle the management of the Company seriously, and that Daio Kaiun has no opinions about the Company's management policy, if Daio Kaiun et al. conduct Large-scale Acquisitions without following the procedures established in the Response Policy, it undeniably could harm the Company's medium- to long-term corporate value and the common interests of its shareholders. Therefore, if Daio Kaiun et al. attempt to conduct a Large-scale Acquisition without complying with the procedures set forth in the Response Policy, "special circumstances" will not exist, and, in accordance with the Response Policy, it therefore will become necessary to implement the Countermeasures in order to prevent harm to the Company's medium- to long-term corporate value and the common interests of its shareholders.

3. Consultation with and Recommendations by the Independent Committee
As stated in Section 2 above, the Company's Board of Directors repeatedly assessed and considered the

impact of Large-scale Acquisitions by Daio Kaiun et al. on the Company's corporate value and the common interests of its shareholders. The Company also repeatedly assessed and considered the advantages and disadvantages of implementing the Countermeasures in the event that Daio Kaiun et al. commence Large-scale Acquisitions.

Given these circumstances, the Company's Board of Directors consulted the Independent Committee (for details about the Committee, please refer to the Company's press release dated December 22, 2023, titled "Notice Concerning the Establishment of an Independent Committee and the Appointment of Independent Committee Members" (only available in Japanese)), which is comprised of four (4) independent Outside Directors who maintain independence from the Company's management team that is engaged in the execution of business, in order to ensure the fairness of its decisions and to eliminate arbitrary judgements by the Company's Board of Directors, on the impact of the Large-scale Acquisitions by Daio Kaiun et al. on the Company's medium- to long-term corporate value and the common interests of its shareholders, as well as the advantages and disadvantages of activating the Countermeasures.

On May 22, 2024, subject to the approval of this proposal, the Company received a recommendation from the Independent Committee stating that in the event that in the future Daio Kaiun et al. commence Large-scale Acquisitions, without complying with the procedures set forth in the Response Policy, assuming the unanimous consent of members of the Independent Committee, it will be appropriate for the Board of Directors to implement the Countermeasures with the utmost respect for the recommendations of the Independent Committee at that time.

4. Submission of this proposal

In light of the fact that, as stated in Section 2.(1) above, **there are specific assumptions that Daio Kaiun et al. will engage in Large-scale Acquisitions without complying with the procedures set forth in the Response Policy after this Ordinary General Meeting of Shareholders**; as stated in Section 2.(2) above, **if Daio Kaiun conducts a Large-scale Acquisition, it is undeniable that the Company's medium- to long-term corporate value and the common interests of its shareholders could be damaged**; and based on the receipt of the recommendation from the Independent Committee described in Section 3 above, from the perspective of respecting the will of the shareholders, **the Company requests that the shareholders at this Ordinary General Meeting of Shareholders give prior approval for the Board of Directors to implement the Countermeasures (with the utmost respect for the recommendations of the Independent Committee at that time) in the event that Daio Kaiun et al. are deemed to have commenced Large-scale Acquisitions without complying with the procedures set forth in the Response Policy.**

The number of shares to be allotted per share acquisition right in accordance with the Countermeasures shall be one (1). For other details about the Countermeasures, please refer to Section III.3 of the Response Policy Continuation Press Release.

Shareholder Proposals (Proposal 5 to Proposal 9)

These shareholder proposals were submitted by Oasis Japan Strategic Fund Ltd. And Oasis Investments II Master Fund Ltd. The name of each proposal, an outline of the proposal, and the reasons for the proposal are set forth in their original form, except for the addition of the candidate numbers in Proposal 6.

<Shareholder Proposals>

Proposal 5: Dismissal of One (1) Representative Director

(1) Summary of the proposal

Dismiss representative director Mr. Sekio Kishimoto.

(2) Reason for Proposal

Mr. Kishimoto has reigned as the sole representative director of the Company and has ruled with a dictatorial management style while failing to nurture successors, resulting in the board of directors' weakening and miscalculating of the long-term challenges, thus failing to present shareholders with prospects for growth. Last year's turmoil, when the Company withdrew its decision to enter the household paper business immediately after it was made, is an example.

The strategic business alliance with Daio Paper, due to the restrictions of the Competition Law and conflicting interests between the two companies, is also unlikely to yield a return that is commensurate with the cost. This is merely an attempt to justify the holding of Daio Paper shares by pretending that returns can be expected.

Furthermore, Mr. Kishimoto is clinging to self-preservation that ignores the interests of shareholders, such as by hastily reinstating the takeover defense measures and introducing them to Daio Kaiun, which has no intention of acquiring management control.

To overcome many challenges requiring medium- to long-term solutions, such as the shrinking of the paper product market, decarbonization, and logistics reform, and to achieve sustainable growth, a new management team is necessary. Dismissing Mr. Kishimoto, eliminating his influence, and laying the groundwork for the new management team to tackle the challenges together will be the first step to that end.

[Opinion of the Company's Board of Directors]

The Board of Directors **opposes** this proposal based on the recommendations of the Nomination and Compensation Committee.

- (i) The Company's Board of Directors, under the direction of Sekio Kishimoto, President and CEO (hereinafter, "Mr. Kishimoto" or "President and CEO Kishimoto"), formulated the Long-Term Management Vision, "Vision 2020" in April 2011. Having achieved the goal of becoming a global company in 2020, on May 22, 2020, the Company announced a new Long-Term Management Vision, "Vision 2030," with the goal of further, continuous growth as a global business group. **All of the consolidated management targets in the Medium-Term Management Plan 2023, which was announced on May 15, 2020 as the core Medium-Term Management Plan for Vision 2030, were achieved during the plan period.** Additionally, on May 26, 2023, **we announced the Medium-Term Management Plan 2026,** which sets consolidated management targets that exceed those of the Medium-Term Management Plan 2023, and **aims to achieve these consolidated management targets through further growth in net sales and operating income.**
- (ii) In fact, **during the period when Mr. Kishimoto was serving as President and CEO of the Company, the Company's sales growth ratio, operating profit margin growth ratio, net profit margin growth ratio, and ROE growth ratio all exceeded the averages of our competitors. In addition, the Company's Total Shareholder Returns (TSR) were higher than both the Tokyo Stock Price Index (TOPIX) and the averages of our competitors.** demonstrating that the Company's management status is progressing favorably, from the perspective of key financial indicators. In FY2021, the Company recorded its highest operating profit, ordinary profit, and net profit since its foundation, and in FY2022, consolidated sales exceeded 300 billion yen for the first time since the company's founding. Accordingly, the criticism set forth in the Reason for Proposal 5, submitted by Oasis Japan Strategic Fund Ltd. And Oasis Investments II Master Fund Ltd. (hereinafter, "Oasis Fund"), that "Mr. Kishimoto has reigned as the sole representative director of the Company and has ruled with a dictatorial management style, thus failing to present shareholders with prospects for growth." Is completely contrary to the facts.
- In addition, **the reason that the Company suspended plans to construct household paper production facilities at the Niigata Mill in November 2022 was an appropriate and rational management decision, based on changes in the business environment that occurred during the same period, such as the expansion of production facilities by our competitors and a rise in the prices of raw materials and fuel.** Due to the expansion of our competitors' production facilities, overall supply capacity in the industry is expected to increase by more than 10%. However, although domestic demand for sanitary paper will start to decline in 2023 (January to December), contrary to expectations, the volume of imported paper has not decreased, and this increase in supply capacity is likely to lead to an oversupply for an extended period of time. Our competitors in the household paper business are facing a difficult business environment, as evidenced by the reporting of significant operating losses and the announcement of partial business pullouts. In light of these facts, we believe that there were no problems with the management decision by the Company's Board of Directors at the time of suspension of the household paper business.

When these types of changes occur in the business environment, the response should be flexible and adroit, rather than adhering to previous management decisions. To criticize a company as being in a state of “turmoil” simply because it changed a previous management decision, can only be described as overlooking the assumptions underlying that management decision. Furthermore, of course the decision to suspend the plan for construction of household paper production facilities was made after deliberation and consideration, not only by President and CEO Kishimoto but also by the entire Board of Directors, including the independent Outside Directors, and the Company decided on this action because it decided that it was a means to protect the Company’s corporate value and the common interests of its shareholders. Citing this as an example of a “dictatorial management style” is inappropriate. First, all of the Company’s independent Outside Directors have a high level of independence, and exercise their supervisory functions through active discussions at Board of Directors meetings. To ignore this point and label the Company as being subject to “a dictatorial management style,” without any particular basis for doing so, does not appear to be either constructive or sincere.

- (iii) In addition, Oasis Fund also claims that the strategic business alliance between the Company and Daio Paper is merely an attempt to justify the holding of shares of Daio Paper by pretending that returns can be expected. However, **as the Company announced in its “Notice Concerning the Conclusion of a Basic Strategic Business Alliance Agreement between Daio Paper Corporation and Hokuetsu Corporation” dated May 15, 2024 (hereinafter, this press release shall be referred to as the “Business Alliance Press Release” and the business alliance between Daio Paper and the Company shall be referred to as the “Business Alliance”), the Company, acting with the approval of the Company’s Board of Directors, executed a basic strategic business alliance agreement with Daio Paper, effective May 15, 2024. This strategic Business Alliance aims to enhance medium- and long-term corporate value by addressing the management issues of strengthening competitiveness and transforming business portfolios through structural reforms, leveraging each company’s strengths and complementing one another. We will launch our efforts in the fields of production technology, raw materials purchasing, and product logistics, and three years from now, in FY2026, we expect to see increases in operating profit of approximately 2.0 billion yen for Daio Paper and approximately 3.0 billion yen for the Company, for a combined total of approximately 5.0 billion yen.** In addition, the returns of the shares of Daio Paper held by the Company have exceeded the average capital cost for a long time, and the aforementioned increase in operating income resulting from the Business Alliance will improve the return on assets further.

Implementation of the Business Alliance itself is based on the decision that Daio Paper and the Company entering into a contractual business alliance will enhance the corporate value of both companies more effectively than Daio Paper and the Company taking the step of entering into a merger or other form of business integration. After acquiring shares of Daio Paper, we considered all options for industry restructuring, including selling the shares of Daio Paper, and came to the conclusion that a strategic business alliance with Daio Paper would be the most effective way of enhancing our corporate value. **When making this decision, the Company set up a Restructuring Review Committee, comprised only of the Company’s independent Outside Directors, in order to deliberate the form of the alliance between Daio Paper and the Company from a perspective independent of the Company’s management team, and to conduct comparative studies on the advantages and disadvantages of management integration and a business alliance, from multiple perspectives, taking into account quantitative data.** As a result, it was concluded that in order to obtain greater synergic benefits, it would be appropriate for Daio Paper and the Company to work together as independent management entities, while deepening the business alliance and pursuing synergic benefits. This formed the basis for the decision above. Please see the Business Alliance Press Release for details about the Business Alliance.

From the perspective of providing information to shareholders as early as possible, the Company announced that it was considering a strategic business alliance with Daio Paper, with the aim of executing an agreement, in May this year in the “Notice of the Commencement of Discussions for a Strategic Business Alliance between Daio Paper Corporation and Hokuetsu Corporation” (hereinafter “Press Release on Commencement of Discussions”) disclosed on February 13, 2024.

Despite strategic business alliances with other companies, which require careful consideration, labeling the strategic business alliance between the Company and Daio Paper as an attempt to justify actions by pretending that returns can be expected, only about two months after disclosure of the Press Release on Commencement of Discussions, can be described only as a hasty and arbitrary judgement. The aforementioned claims by Oasis Fund are not sincere claims based on the Company's corporate value and the common interests of its shareholders, but rather are aimed solely at criticizing the Company. In the letter dated May 2, 2024 sent by Oasis Management Company Limited (hereinafter, Oasis Management Company Limited shall be referred to as "Oasis" and this letter from Oasis shall be referred to as the "May 2 Oasis Letter") in response to the letter sent by the Company to Oasis dated April 25, 2024 (hereinafter, the "April 25 Company Letter"), Oasis stated, "First, it will be impossible to form a consensus even within your company [Company note: the Company] without spending an enormous amount of time considering an extremely wide range of issues and challenges, including the necessity for integration, the advantages and disadvantages of integration, the methods of integration, such as a merger or holding company, and the timeline for integration, in order to determine the possibility of integration, forming a team to consider the issue, and how the business and organization would look following this integration, [Company note: translated into English by the Company]" thereby admitting that it takes an immense amount of time to consider integration. Comparing this response with the fact that Oasis determined the strategic business alliance between the Company and Daio Paper was merely an attempt at justification by pretending that returns can be expected in the reasons for this proposal only around two months after the disclosure of the Press Release on Commencement of Discussions, it is clear that Oasis' claims are nothing more than inconsistent "criticism for the sake of criticism."

In addition, **with regard to the relationship between the Company and Daio Paper, Oasis (1) clearly stated in a letter dated February 10, 2023** that "We initially proposed selling the shares of Daio [Company note: Daio Paper; hereinafter the same in this paragraph] but given the current circumstances, rather than sell the shares at this share price level we propose to achieve a merger with Daio in order to realize synergies with Daio,[Company note: translated into English by the Company]" thereby clearly indicating it had **changed its previous policy of requesting the sale of Daio Paper shares to a policy of requesting a merger with Daio Paper;** (2) **in the campaign materials published on May 22 of the same year, "Hold Accountability Now: For the Improvement of Hokuetsu,**[Company note: translated into English by the Company]" (<https://www.hokuetsucorp.gov.com/why-accountability-now-j>), Oasis made a complete U-turn, and **made claims calling for the sale of Daio Paper shares,** stating, "Hokuetsu's refusal to sell its shares of Daio has caused a loss of 40.0 billion yen to Hokuetsu and its stakeholders[Company note: translated into English by the Company]," and "the recommendation to sell cross-shareholdings is a well-known fact of corporate governance.[Company note: translated into English by the Company]" (3) **However, in a letter dated March 19, 2024, after the announcement of the Press Release on Commencement of Discussions,** Oasis overturned that claim and **requested the integration,** stating, "It would be reasonable for your company [Company note: the Company] to pay a reasonable premium to acquire shares of Daio Paper and integrate management...,[Company note: translated into English by the Company]" and "We also support the transaction above [Company note: the integration between the Company and Daio Paper].[Company note: translated into English by the Company]" (4) In a letter from the Company to Oasis dated April 25, 2024, the Company pointed out that, as described in (vii) below, Oasis has a serious conflict of interest with the majority of the Company's general shareholders (excluding Daio Kaiun et al. (defined in (iv) below)) who do not own shares of Daio Paper, with regard to the management integration between the Company and Daio Paper proposed by Oasis. **In response, in Oasis' letter of May 2,** as stated above, Oasis once again contradicted its argument, stating, "the advantages and disadvantages of the integration are not an issue at the upcoming general meeting of shareholders first, it will be impossible to form a consensus even within your company without considering the necessity of the integration,[Company note: translated into English by the Company]" **as if Oasis never had argued a need for integration in the past.**

The fact that Oasis has changed its claims in this way in an ad hoc matter is evidence it has no opinions on management policies for the Company, and that its sole purpose is to pursue its own selfish interests by exploiting its position as a shareholder of the Company and the ninth largest shareholder of Daio Paper, as described in (vii) below.

Furthermore, as the relationship between the two companies has reached a new stage with the execution of the basic strategic business alliance agreement, the Company will consider a partial reduction of its shareholding in Daio Paper to the extent necessary, based on the recommendations of a Restructuring Review Committee and in consultation with Daio Paper, taking into account the Company's capital policy, various investment measures and shareholder returns, and using the gain on sale of the shares of Daio Paper as measures to realize the Medium-Term Management Plan 2026.

- (iv) Oasis also claims “Furthermore, Mr. Kishimoto is clinging to self-preservation.... such as by hastily reinstating the takeover defense measures and introducing them to Daio Kaiun” However, with regard to the Company’s “Policy for Responding to the Large-Scale Acquisition of the Company’s Share Certificates, etc., based on the Large-Scale Acquisition of the Company’s Share Certificates by Daio Kaiun Co., Ltd.” (hereinafter, “Response Policy”)” which the Company introduced on December 22, 2023, Toshitaka Igawa (hereinafter, “Mr. Igawa”), the effective owner of Daio Kaiun, proposed to the Company that, in exchange for Daio Kaiun, KAWASAKI PAPER TRANSPORT CO., Ltd., and Misuga Kaiun Co., Ltd. (hereinafter, collectively, “Daio Kaiun et al.”) transferring the shares they held in the Company to the Company, the Company would transfer the shares it holds in Daio Paper to Daio Kaiun. Immediately after the Company refused the proposal, Daio Kaiun et al. made rapid, large-scale acquisitions of Company shares on and off the market (hereinafter, the Large-scale Acquisitions of the Company’s Shares by Daio Kaiun et al. shall be referred to as “the Share Purchase”), and the Company was left with no choice but to introduce the Response Policy. In other words, the company recognized that the purpose of the Share Purchase basically was for Daio Kaiun et al. to seize control over the management of Daio Paper, and was not aimed at enhancing the Company’s corporate value, based on the history and manner of rapid, large-scale acquisitions of shares of the Company by Daio Kaiun et al., as well as other circumstances. Then, based on the belief that there was an undeniable risk that the outcome of the Share Purchase could hinder maximization of the Company’s corporate value and the common interests of our shareholders, the Response Policy was introduced with the intention of ensuring that the Company’s shareholders had sufficient information and time to make appropriate decisions regarding the impact of the Share Purchase on the Company’s corporate value, and the source of that value, and was not in any way designed for the self-preservation of the Company’s management team, including President and CEO Kishimoto. Furthermore, Daio Kaiun holds 5.62% of Daio Paper shares in terms of ownership ratio of share certificates, etc.; moreover, a person associated with Mr. Igawa, the effective owner of Daio Kaiun, has told the Company that Daio Kaiun controls 20% of Daio Paper shares. In light of this, if Daio Kaiun succeeds in acquiring the 24.60% of Daio Paper shares owned by the Company, its total shareholding ratio would reach approximately 45%, effectively enabling Daio Kaiun to take control of Daio Paper’s management. In addition, when President and CEO Kishimoto and Mr. Igawa met on July 3, 2023, Mr. Igawa told President and CEO Kishimoto that “We were working together with Oasis. From now on, we will go our separate ways.” Immediately prior to the introduction of the Response Policy, Oasis Fund, or Oasis, which is understood to be an affiliate of the Oasis Fund (hereinafter Oasis Fund and Oasis shall be referred to collectively as “the Oasis Group”), and Daio Kaiun engaged in joint cooperative acts (meaning “joint cooperative acts, etc.” as defined in the Response Policy). The Company’s situation was such that it could not dispel doubts and concerns over when those joint cooperative acts would occur again in the future.
- In fact, Tokyo Pulp & Paper Corporation (hereinafter, “Tokyo Pulp & Paper”) which is suspected of being in a joint cooperative relationship with Daio Kaiun et al. in light of Attachment 2 “Certification Criteria for Joint Cooperative Acts, etc.” of the Response Policy (meaning “a relationship in which the parties act jointly or cooperatively” as defined in the Response Policy; hereinafter, the same shall apply), conducted large-scale acquisitions of shares of the Company on March 15, 2024 and March 18, 2024, immediately after introduction of the Response Policy, without following the procedures set forth in the Response Policy. Based on these facts, we believe that the introduction of the Response Policy is reasonable and was not done for self-preservation by the Company’s management team. For details of the foregoing, please refer to “Continuation of the Response Policy

Regarding Large-scale Acquisitions of the Company's Share Certificates, etc., by Daio Kaiun Co., Ltd. et al. in Light of Large-scale Acquisitions of the Company's Share Certificates, etc." dated May 22, 2024, and Proposal 4.

- (v) Oasis Fund claims "To overcome many challenges requiring medium- to long-term solutions.... and to achieve sustainable growth, a new management team is necessary." In terms of the rights to control the management of the Company, of the shareholder proposals submitted by Oasis Fund, if Proposals 5 to 7 (hereinafter, collectively "the Director-Related Shareholder Proposals") are approved, because the term of office of the Company's incumbent Directors will expire at the conclusion of the Company's Ordinary General Meeting of Shareholders scheduled to be held in June 2025, the Company's Board of Directors will be comprised of ten (10) members: the five (5) incumbent internal Directors and the five (5) Outside Directors proposed by Oasis Fund (hereinafter, "Oasis-Proposed Directors").

Since resolutions by the Company's Board of Directors are made by a majority of the Directors in attendance (Article 28, Paragraph 1 of the Company's Articles of Incorporation), **if all of the Director-Related Shareholder Proposals are approved, the Oasis Group will have veto rights at the Company's Board of Directors meetings, through the Oasis-Proposed Directors.** In addition, the Nomination and Compensation Committee, which deliberates on matters such as the selection of Director candidates, the Director compensation system, and the process of selecting successors, is chaired by an Outside Director and comprised of two (2) Outside Directors and one (1) internal Director, who is the Representative Director. The Corporate Governance Code requires that a majority of the Nomination and Compensation Committee, which is a committee voluntarily established by the Company, be comprised of independent Outside Directors. **Therefore, if all of the Director-Related Shareholder Proposals are approved, the two (2) Outside Directors who comprise the majority of the Nomination and Compensation Committee are expected to be Oasis-Proposed Directors, and the Oasis Group therefore will be able to influence decisions relating to the Nomination and Compensation Committee's selection of Director candidates, etc., for the Company through those Oasis-Proposed Directors.**

Considering these points, **if all of the Director-Related Shareholder Proposals are approved, the Oasis Group ultimately will have substantive decision-making authority over Director candidates, including internal Directors of the Company, and in effect will take control of the Company's management.**

In connection with this, Oasis Japan Strategic Fund Ltd. submitted a proposal at an Extraordinary General Meeting of Shareholders of FUJITEC CO., LTD. (hereinafter, "FUJITEC") held on February 24, 2023 for the dismissal of six (6) incumbent Outside Directors and the election of six (6) Outside Directors. As a result, after four (4) out of FUJITEC's nine (9) Directors became Directors proposed by Oasis Japan Strategic Fund, all of the previous internal Directors, including the Representative Director, President, and CEO, resigned at the conclusion of FUJITEC's Ordinary General Meeting of Shareholders held on June 21, 2023.

- (vi) Therefore, based on the fact that the **"Guidelines for Corporate Takeovers – Enhancing Corporate Value and Securing Shareholders' Interest – announced by the Ministry of Economy, Trade and Industry on August 31, 2023 (hereinafter, "the Guidelines") state that "there is another issue regarding transparency in cases of corporate control acquisition, where a shareholder proposing an election or dismissal of directors acquires a significant amount of shares in concert with other shareholders, without disclosing its intention to acquire corporate control, and subsequently requests a convocation of the shareholders' meeting to resolve its proposal to replace the directors with those whom it can influence. Such a situation involves the possibility that a specific party may acquire corporate control without the shareholders deciding on the pros and cons of the acquisition (as a result of the dispersion of shareholdings among multiple parties, there also may be a risk of violating or circumventing large-shareholding reporting regulations). when making a request to convene a shareholders meeting to replace a number of directors for the purpose of acquiring corporate control, it is advisable for the acquirer requesting for the meeting to furnish shareholders with a summary of the purpose of the request, the person requesting the meeting (and the persons, if any, who have agreed with the person requesting for the meeting on the acquisition or disposal of shares, or the exercise of rights as shareholders),**

the basic management strategy after the proposal is approved, and other appropriate information at least to the same extent as that contained in the tender offer registration statement. [underlined by the Company for emphasis] the Company sent a letter to Oasis dated April 25, 2024, stating the foregoing facts to Oasis and inquiring as to its basic management policy with regard to the Company (including but not limited to management policy, business plans, capital policy, and dividend policy) if all Director-Related Shareholder Proposals are approved. In response, in the May 2 Oasis Letter, Oasis criticized the Company, responding that, “These Outside Directors [Company note: Oasis-Proposed Directors] bear responsibility for fulfilling their duties in the interests of your Company and, by extension, all shareholders. They are not acting in the interests of our company, and the premise that their election will result in our company taking control of your company’s management is, in itself, a major error[Company note: translated into English by the Company].” With regard to the Company’s management policy following the approval of all the important Director-Related Shareholder Proposals, Oasis merely responded that, “In order for your company [Company note: the Company] to overcome numerous challenges that require medium to long-term solutions, including the shrinking paper products market, decarbonization, and logistics reform, and to achieve sustainable growth, we aim to eliminate Mr. Kishimoto’s influence and lay the groundwork for all executives and employees to work together to address the issues under a new management team,” further adding, “In order to overcome this impasse by replacing the Outside Directors and maximize synergies with Daio Paper, we aim not only to achieve integration but also to lay the groundwork for considering and comparing all options and working on the best solution [Company note: translated into English by the Company],” without providing any specific management policy.

These responses are abstract; they hardly can be described as sincere answers from a party that actually has a plan to manage the Company, and can only be said to be contrary to the requirements in the Guidelines above. Furthermore, as described in footnote 15 to the Guidelines, Directors dispatched from a controlling shareholder are on the list of persons who may have a conflict of interest with general shareholders; **therefore although it is generally accepted that Directors dispatched from a specific shareholder will act in the interests of that dispatching shareholder at the company to which they have been dispatched, the aforementioned criticism by Oasis ignores this fact and is irrational, and appears to simply be sophistry designed to avoid giving concrete responses to questions regarding management policy.** It therefore is **inconceivable that the Oasis Group is taking a serious approach to the management of the Company.** Furthermore, with regard to the shrinking paper products market, decarbonization, and logistics reform mentioned by Oasis in its aforementioned response and in the Oasis Fund’s shareholder proposal document as challenges facing the Company, we already formulated measures to address these issues in our Medium-Term Management Plan 2026.

- (vii) In addition to the above, **the Oasis Group, like Daio Kaiun et al., currently owns a significant number of shares of Daio Paper and, with regard to a business integration between the Company and Daio Paper proposed by Oasis, has a serious conflict of interest with the majority of the Company’s general shareholders (excluding Daio Kaiun et al.) who do not own shares of Daio Paper.** The Oasis Group previously proposed a management integration between the Company and Daio Paper (hereinafter, the “Management Integration Proposal”) in which the Company would pay a premium to acquire shares of Daio Paper. **From the standpoint of being a major shareholder in Daio Paper, aiming to approve the Director-Related Shareholder Proposals, which would lead to the Company’s management control rights effectively being taken over, while making the Management Integration Proposal, could harm the interests of the majority of the Company’s general shareholders (excluding Daio Kaiun et al.) who do not own shares of Daio Paper, and result in a conflict with the common interests of our shareholders.** In addition, with regard to this point, in the May 2 Oasis Letter, Oasis claims that the assertion that there is a structural conflict of interest is “unfounded” for the same reason as the aforementioned criticism. As mentioned above, however, such a claim overlooks the obvious premise of footnote 15 of the Guidelines, that Directors dispatched from a controlling shareholder are on the list of persons who may have conflicts of interest with general shareholders, and that the dispatch of Directors could result in a structural conflict of interest between the dispatching shareholder and the other general shareholders (as Directors dispatched from a certain shareholder may sacrifice the interests of general shareholders in favor of the interests of that shareholder), and is a completely unpersuasive

argument.

For the reasons presented above, **the Board of Directors of the Company opposes the shareholder proposal.**

Furthermore, as part of the successor selection process, **the Nomination and Compensation Committee, which is an advisory body to the Board of Directors, continuously considers and reviews succession plans** and evaluates an expanding pool of candidates, including candidates solicited from outside the Company, or recommended young persons, based on “the management requirements of a Representative Director (the ability to have a clear vision and execute it, portfolio management ability, and global governance ability as an international company, etc.)” from multiple perspectives. As a result, as you already may be aware, last year we commenced **a dual senior manager system with one technical person and one sales person and established a succession system.**

<Shareholder Proposals>

Proposal 6: Dismissal of Four (4) Outside Directors

(1) Summary of the proposal

Dismiss outside directors Messrs. Mitsuyasu Iwata, Kazuo Nakase and Hiromitsu Kuramoto and Ms. Hiroko Nihei.

(2) Reason for Proposal

These four outside directors have allowed Mr. Kishimoto's autocratic behavior and pandered to him, lack independence from the management team and monitoring functions, thus rendering them unsuitable to serve as independent outside directors. This is clearly evidenced by the instance in which the board of directors hastily reinstated the takeover defense measures and adopted them against Daio Kaiun. In this instance, none of them restrained Mr. Kishimoto, but rather served as members of the independent committee and facilitated the re-introduction of the takeover defense measures. The takeover defense measures were originally intended to be introduced against large-scale purchasers aiming to gain control of the Company's management. However, Daio Kaiun had no such intention of acquiring control of the Company. Nevertheless, the board of directors adopted them against Daio Kaiun without a resolution at the shareholders' meeting. This is an attempt at self-preservation by Mr. Kishimoto of his vested interests, disregarding the interests of the shareholders. The responsibility of the four outside directors, as members of the independent committee, for assisting Mr. Kishimoto's personal self-preservation attempt is grave. For the improvement of the governance structure of the Company, it is imperative to dismiss these four individuals and replace them with truly independent outside directors who can fulfill their monitoring functions.

[Opinion of the Company's Board of Directors]

The Board of Directors **opposes** this proposal based on the recommendations of the Nomination and Compensation Committee.

As stated in section (iii) of the [Opinion of the Company's Board of Directors] on Proposal 5 above, the Response Policy **was introduced with the intention of ensuring that the Company's shareholders have information and time to make appropriate decisions regarding the impact of the Share Purchase on the Company's corporate value, and the source of that value, and is not in any way for the self-preservation of the Company's management team, including President and CEO Kishimoto.** In addition, **Tokyo Pulp & Paper, which is suspected of being in a joint and cooperative relationship with Daio Kaiun et al. in light of Attachment 2 "Certification Criteria for Joint Cooperative Acts, etc."** of the Response Policy, **conducted large-scale acquisitions of shares of the Company on March 15, 2024 and March 18, 2024, immediately after the introduction of the Response Policy. Based on these facts, we believe that the introduction of the Response Policy is reasonable and is not for the self-preservation of the Company's management team.** Consequently, the criticism that the incumbent Outside Directors of the Company cooperated with Mr. Kishimoto's attempts at self-preservation by introducing the Response Policy is completely inaccurate. **Each independent Outside Director of the Company exercises good judgment, without accommodating President and CEO Kishimoto, with regard to each management decision of the Company in order to fulfill his or her duty of care as a prudent manager, based on the directors' respective insights, from the perspective of maximizing the Company's medium- and long-term corporate value and the common interests of its shareholders.**

Specifically, since **Mitsuyasu Iwata** has extensive experience holding several important positions at the Ministry of Economy, Trade and Industry (formerly the Ministry of International Trade and Industry) and has deep insight as an electric power company manager, he actively fulfills his role on the Company's Board of Directors, supervising the execution of business operations and providing management advice.

In addition, **Kazuo Nakase** has extensive experience in the paper manufacturing industry and deep insight as an experienced corporate manager. Based also on his experience actively fulfilling his role in strengthening the auditing function of the Company's management as Outside Audit & Supervisory Member on the Board of Directors, he has fulfilled the role of Outside Director, supervising the execution of business operations and providing management advice, since June 2017. Furthermore, although he resigned from his position as President; Chief Executive Officer of Mitsubishi Paper Sales Co., Ltd. (currently Mitsubishi Oji Paper Sales Co., Ltd.) in June 2015, and the Company has transactional relationships, including sales, with that company, the amount of those transactions constitutes less than 1% of the Company's consolidated net sales, hence, there is no risk of conflicts of interest with general shareholders.

Hiromitsu Kuramoto has extensive international experience and deep insight as an experienced corporate manager. He fulfills his role in bringing a global perspective to the Company's Board of Directors and supervising business execution and providing advice on management through that perspective. Furthermore, although he resigned from his post as President and Representative Director of Nippon Yusen Kabushiki Kaisha (NYK Line) in April 2010, and the Company has transactional relationships, including sales, with that company, the amount of those transactions constitutes less than 0.2% of the Company's consolidated net sales, hence, there is no risk of conflicts of interest with general shareholders.

Also, **Hiroko Nihei** has advanced, specialized legal knowledge, cultivated as an attorney at law, and has extensive legal experience, mainly in international commercial law. She fulfills her role of supervising business execution and providing management advice, including from the perspective of gender and diversity, on the Company's Board of Directors.

The Company has designated all Outside Directors as independent officers, as required by the Tokyo Stock Exchange.

In addition, **all of the Outside Directors have a high level of independence, and considering their career backgrounds and skills, are able to exercise their supervisory function over business execution from an independent and objective standpoint without being influenced by the inclinations of President and CEO Kishimoto.** The Outside Directors proactively and effectively supervise the Company's executive team, including President and CEO Kishimoto. **In fact, there have**

been situations in which policies regarding the implementation, withdrawal, or downsizing of new large-scale investment projects, etc., have been revised due to strict advice and opinions from Outside Directors. The Company's management decisions thus are based on the frank opinions and advice of Outside Directors, who are independent from the executive team.

In light of the combination of skills and diversity of their gender and backgrounds, we believe that these four independent Outside Directors are indispensable in order for the current Board of Directors to maximize its supervisory function.

In addition, if the Director-Related Shareholder Proposals, including this shareholder proposal, are approved, although the Oasis Group effectively would take control of the Company's management, the fact that **it is inconceivable that the Oasis Group is taking a serious approach to the management of the Company,** and that fact that **from the standpoint of its being a major shareholder in Daio Paper, aiming to approve the Director-Related Shareholder Proposals, which would lead to the Company's management control rights effectively being taken over, while making the Management Integration Proposal, could harm the interests of the majority of the Company's general shareholders (excluding Daio Kaiun et al.) who do not own shares of Daio Paper, and could result in a conflict with the common interests of our shareholders,** are as set forth in sections (iv) and (v) of the [Opinion of the Company's Board of Directors] on Proposal 5 above.

For the foregoing reasons, **the Board of Directors of the Company opposes the shareholder proposal.**

<Shareholder Proposals>

Proposal 7: Election of Five (5) Outside Directors

- (1) Summary of the Proposal
Appoint Ms. Wendy Shiba and Messrs. Kenneth Nyssen, Yuuichiro Nakajima, Michael Baisley and Osamu Watanabe as outside directors.
- (2) Reason for Proposal
The profiles and reasons for proposing each of the five candidates as outside director candidates are as follows:

No.	Name (Date of Birth) Number of Company Shares held by the Candidate	Past experience, positions, and significant concurrent positions.
1	Wendy Shiba (November 15, 1950) Number of Company Shares held by the Candidate: 0	6/1979 Supreme Court of California, Law Clerk 9/1980 O'Melveny & Myers LLP 6/1985 Temple University School of Law, Assistant Professor of Law 1/1992 City of Philadelphia Law Department, Corporate Chair 6/1993 Bowater Incorporated, Assistant General Counsel 7/1993 Bowater Incorporated, Secretary 5/1997 Bowater Incorporated, Vice President 7/1998 Bowater Canada Inc., Board of Directors 11/2001 PolyOne Corporation, Chief Legal Officer 12/2001 PolyOne Corporation, Vice President and Secretary 5/2006 PolyOne Corporation, Senior Vice President 9/2007 KB Home, General Counsel 10/2007 KB Home, Executive Vice President and Secretary 4/2014 C.T. Hagberg & Associates, Independent Contractor (Incumbent) 11/2021 The Red Bee Group, Principal (Incumbent)
2	Kenneth Nyssen (September 7, 1958) Number of Company Shares held by the Candidate: 0	1983 Madden Board Ltd., Sales Manager 1987 Finnboard Singapore Ltd., Managing Director 1990 Finnboard & Finnpap HK Ltd., Managing Director 1995 Skärgårds Kompaniet AB, Finland, Chairman 1996 Metsä-Serla Ltd., Managing Director 1997 Stora Hong Kong Ltd, Managing Director 1999 Stora Enso China Sales / Stora Enso Greater China Ltd., President 2002 Stora Enso Suzhou Paper Company Ltd., Director 2007 Kemira Oy, Vice President of Sales and Marketing – EMEA 2008 Kemira Oy, Senior Vice President, Printing & Writing 2011 Kemira Oy, Regional Head – APAC 2012 Kemira Oy, Senior Vice President, Pulp & Paper – EMEA 2012 Kemira Chemicals Oy / Kemira Kemi AB, Chairman 2017 Algol Oy, Finland, Member of the Supervisory Board (Incumbent) 2018 Iggesund AB, Senior Vice President, Global Sales & Marketing

3	<p>Yuuichiro Nakajima (February 4, 1960) Number of Company Shares held by the Candidate: 0</p>	<p>4/1982 Overseas Economic Co-operation Fund (Japanese ODA execution agency) 9/1987 S.G.Warburg/SBC Warburg, Director 9/1997 Crosby Corporate Advisory, Director and Head of Execution 9/1999 PwC United Kingdom 9/2001 PwC, Managing Director 10/2003 Crimson Phoenix (Japan), Founder and Managing Director (Incumbent) 4/2007 Business Development Asia, Managing Director / Representative Director for Japan 10/2009 Japan Football Association, Member of President’s Advisory Board 8/2012 Crimson Phoenix Limited (United Kingdom), Managing Director (Incumbent) 4/2014 JPMorgan Japan Small Cap Growth & Income plc, Non-executive Director and Member of Audit and Nominations Committees 9/2017 FIFA (Fédération Internationale de Football Association), Member of Audit and Compliance Committee 12/2019 Japan H.L. Limited, Independent Non-executive Director and Chairman (Incumbent) 1/2024 Montanaro UK Smaller Companies Investment Trust plc, Independent Non-executive Director (Incumbent) 1/2024 ICEED UK, Trustee (Incumbent)</p>
4	<p>Michael Baisley (November 16, 1969) Number of Company Shares held by the Candidate: 0</p>	<p>9/1992 PwC, Senior Consultant 10/1997 Knox & Co., Managing Director 2/2009 Truenorth Capital Partners LLC, Managing Director 10/2010 SMBC Nikko Securities America, Inc., Co-Head of M&A 5/2013 SMBC Nikko Securities America, Inc., Managing Director, Head of M&A</p>
5	<p>Osamu Watanabe (March 29, 1987) Number of Company Shares held by the Candidate: 0</p>	<p>1/2016 Kao Corp 4/2019 OMM Law Office 8/2020 Shinju Law Office (Incumbent) 10/2021 Waver Energy KK, Independent Director (Incumbent) 12/2022 Y.S. FOOD CO., LTD., Independent Director (Incumbent), Vice Chairperson of Compliance Committee 10/2023 ImageONE Co., Ltd., Third-Party Committee 2/2024 MBK Co.,Ltd., Third Party Committee (Incumbent)</p>

- 1 There is no conflict of interest between each outside director candidate and the Company.
- 2 If Ms. Wendy Shiba and Messrs. Kenneth Nysten, Yuuichiro Nakajima, Michael Baisley and Osamu Watanabe are appointed as independent outside directors, a limited liability agreement will be entered into with each of them. The liability cap based on this agreement will be set at the minimum liability limit prescribed by law.

(1) Ms. Wendy Shiba

Ms. Shiba is an experienced lawyer and a former C-level executive officer of three NYSE-listed companies including former Bowater Inc., a major Canadian paper company now known as Resolute Forest Products, operating in the pulp and paper industry. With extensive industry experience and practical insights, she is expected to contribute to establishing the Company’s corporate governance practices to meet global standards. Additionally, she has experience in industry restructuring, having been involved in the organizational restructuring when Bowater Inc. merged to become Resolute Forest Products. Her expertise and insights are invaluable to lay a foundation necessary to overcome numerous challenges that require medium to long-term solutions, including the shrinking paper products market, decarbonization, and logistics reform, and to achieve sustainable growth in the global market.

(2) Mr. Kenneth Nysten

Mr. Nysten has extensive executive management experience in the European pulp and paper industry, and notably served as Senior Vice President of Global Sales at Iggesund AB in Sweden and at the Paper and Pulp Division of Kemira Oy in Finland. With over 30 years of sales expertise in the paper industry spanning Asia, Europe, and North America, he brings a wealth of knowledge to the table. Notably, at Kemira, he successfully revitalized underperforming businesses across Europe and Africa. With such extensive industry experience and expertise, he is expected to contribute to the expansion of the Company's global business. Additionally, he has been involved in various restructuring efforts within the paper industry. Such experience and knowledge are invaluable to lay a foundation necessary to overcome numerous challenges that require medium to long-term solutions, including the shrinking paper products market, decarbonization, and logistics reform, and to achieve sustainable growth in the global market.

(3) Mr. Yuuichiro Nakajima

Mr. Nakajima brings over 30 years of experience as a strategic corporate finance and M&A advisor. He has also served as a member of the Audit and Compliance Committee of FIFA (Fédération Internationale de Football Association). Additionally, he has served as an outside director at various investment firms, providing him with deep insights into corporate valuation methodologies and investor engagement strategies. With his extensive experience and knowledge in capital markets and M&A, he is expected to contribute to facilitating dialogue with the investors of the Company, promoting investment for growth, and enhancing corporate governance. His expertise in strategic corporate finance and market engagement is invaluable to lay a foundation necessary to overcome numerous challenges that require medium to long-term solutions, including the shrinking paper products market, decarbonization, and logistics reform, and to achieve sustainable growth in the global market.

(4) Mr. Michael Baisley

Mr. Baisley is a certified public accountant in the United States and has previously served as the head of the M&A department at SMBC Nikko Securities America Inc., with an extensive track record of supporting the global expansion of numerous Japanese companies, including companies from the domestic and international paper industry. With his extensive 25-year experience in M&A and specialized understanding of global corporate governance standards, he is expected to contribute not only to evaluating synergies in future M&A investments, but also to global business expansion and overseas M&A endeavors. His experience and insights in M&A transactions involving Japanese companies are invaluable to lay a foundation necessary to overcome numerous challenges that require medium to long-term solutions, including the shrinking paper products market, decarbonization, and logistics reform, and to achieve sustainable growth in the global market.

(5) Mr. Osamu Watanabe

Mr. Watanabe has extensive expertise in corporate law, including antitrust law, as a lawyer in Japan and holds qualifications as a Certified Fraud Examiner. With his knowledge and expertise in corporate law and compliance, he can contribute to establishing, verifying, and educating on compliance measures within the Company, including those pertaining to antitrust law. Additionally, he is expected to contribute to improving the Company's internal reporting / whistle blowing system into an effective mechanism and to establish the system as a means for management to attentively listen to employee feedback. Additionally, based on his experience serving as an outside director for publicly listed companies, he is expected to contribute to fostering genuine dialogue between the Company and its shareholders and the capital market.

[Opinion of the Company's Board of Directors]

The Board of Directors **opposes** this proposal based on the recommendations of the Nomination and Compensation Committee.

As set forth in section (iv) of the [Opinion of the Company's Board of Directors] on Proposal 5 above, the Company has established a Nomination and Compensation Committee, the majority of the members of which, and the chairperson of which are independent Outside Directors, as a advisory body to the Board of Directors, with the aim of ensuring transparency and objectivity in the decision-making process for Director candidates and Director compensation. In terms of candidates selected for the office of Director, the Nomination and Compensation Committee prepared nomination proposals based on the evaluation of factors such as the possession of qualities that are useful for realizing effective corporate governance and enhancing corporate value in a stable manner over the long term, and the Board of Directors then selected the candidates based on those proposals. With regard to the selection of candidates for the Company's current Board of Directors, the Nomination and Compensation Committee followed a careful decision-making process, including meeting a total of seven times over a period of approximately one year, from April 2022 to March 2023, and repeatedly considered the composition and human resources needed for the Company's Board of Directors. In particular, given that the Company currently faces the need to make specific management decisions regarding the restructuring of the industry, including the nature of its alliance with Daio Paper, in addition to promoting globalization and new businesses, it is necessary to have a Board of Directors that includes Outside Director(s) who fully understand the current state of the industry, in order to manage the Company with appropriate advice from and supervision by Outside Directors. **As shown in the Skill Matrix published in the Notice of Convocation of the 185th Ordinary General Meeting of Shareholders of the Company, the Company's incumbent Directors who were selected in this manner have close familiarity with the Company's business, and each of them has skills and expertise in areas that include corporate management, an international mindset, industry knowledge, ESG/sustainability, finance/accounting, technology/IT (production/R&D), sales/marketing, human resources/labor/legal affairs, and purchasing/procurement. The Company's current Board of Directors, which is comprised of these incumbent Directors, is considered to be an optimal team overall, from the perspective of the balance of scale, skill sets, diversity, and other factors. The status of the Company's management is progressing favorably from the perspective of key financial indicators under the management of the Company's current Board of Directors, as described in section (i) of the [Opinion of the Company's Board of Directors] on Proposal 5 above, and this fact is considered to be an indication that the Company's current Board of Directors is performing its supervisory function appropriately as a team.**

In response, Oasis has proposed the election of five (5) Oasis-Proposed Directors. However, as stated in section (iv) of the [Opinion of the Company's Board of Directors] on Proposal 5 above, if the Director-Related Shareholder Proposals, including this shareholder proposal, are approved, although the Oasis Group effectively would take control of the Company's management, Oasis provided **only an abstract response, without mentioning any specifics about the basic policy for management of the Company following the approval of the Director-Related Shareholder Proposals, contrary to the intention of the Guidelines.** Therefore, **it is inconceivable that the Oasis Group is taking a serious approach to the management of the Company.** Moreover, **Oasis, which is a major shareholder of Daio Paper, is aiming to approve its Director-Related Shareholder Proposals, which could result in control of the Company effectively being taken over, while making the Management Integration Proposal. This could harm the interests of the majority of the Company's general shareholders (excluding Daio Kaiun et al.) who do not own shares of Daio Paper, and result in a conflict with the common interests of our shareholders.** In addition, it is important to note that since Oasis has not specifically indicated its management policy for the Company after approval of the Director-Related Shareholder Proposals, it is difficult even to consider whether the candidates in this shareholder proposal have skills that are appropriate for the Company's Board of Directors.

In addition, the Company's Nomination and Compensation Committee sent a letter of inquiry, through Oasis, to each candidate in this shareholder proposal, dated April 26, 2024, inquiring about their management policy, etc., for the Company upon assuming office as an Outside Director of the Company. In response, **each candidate stated that 1) they were approached by Oasis about becoming a candidate for Outside Director of the Company in February or March 2024; 2) with**

the exception of Osamu Watanabe, they all indicated that they had no experience whatsoever as an Outside Director of a listed company in Japan; and all of the candidates responded only by saying that 3) they do not have any firm ideas about the management policy for the Company at this point but will consider it in the future. Thus, it does not appear that any of the candidates in this shareholder proposal is prepared to seriously tackle the management of the Company seriously, and it is highly unlikely that they have any opinions on the Company's management. In addition, among the candidates in this shareholder proposal, the only one with experience as an Outside Director at a listed company in Japan is Osamu Watanabe, who was nominated as a Director candidate proposed by the shareholder along with a request to hold an extraordinary general meeting of shareholders for Y.S. Food Co., Ltd. (listed on the TSE Standard Market), which operates a ramen restaurant franchise. Furthermore, none of the candidates is familiar with Japan's paper industry. Domestic manufacturers account for the majority market share in Japan, and knowledge of Japan's unique business environment, with its high waste paper recovery rate, high-quality paper products, and logistics systems, is essential. This enables appropriate management decisions and supervision by the Board of Directors, and the candidates in this shareholder proposal can only be described as lacking these elements.

Moreover, among the candidates in this shareholder proposal, **Osamu Watanabe**, who is the only person with experience as an Outside Director at a listed company in Japan, 1) **represented the Oasis Group in submitting a Statement of Large-Volume Holdings related to numerous companies at the law firm where he is a representative**, and has a career background at OMM Law Office, **which is represented by attorney Kazumasa Otsuka, who has close ties to the Oasis Group, including involvement in the campaign against Alpine Co., Ltd. and supporting an attorney affiliated with the law office as a Director candidate in the Oasis Group's shareholder proposal**; 2) together with attorney Hideaki Numai, formerly of Nijubashi Law Office (currently Iwaida Partners; the office is the submission agent and administrative contact for the Statement of Large-Volume Holdings pertaining to the shares of the Company submitted by Oasis Fund) where that same attorney, Kazumasa Otsuka, was a representative, he not only served as a member of the Third-Party Committee of Merchant Bankers Co., Ltd.; but also 3) he serves as the Third-Party Committee Investigation Assistant for ImageONE Co., Ltd. which announced through OMM Law Office, on its company website, that it successfully fought a proxy fight on behalf of the Oasis Group, and it appears that **he has a close relationship with attorney Kazumasa Otsuka and his associates, which raises doubts over his independence from the Oasis Group.**

Since Wendy Shiba has no experience as an officer at a domestic listed company, we cannot expect her to contribute to our corporate governance to an extent that she could replace our existing Outside Directors. In addition, as set forth in our Medium-term Management Plan 2026, we plan to expand our business globally, mainly in Asia, but as **Ms. Shiba has worked only in North America, her global knowledge is unlikely to be beneficial to the Company.** Furthermore, when examining Ms. Shiba's skills, other than global-mindedness, which her career summary suggests, there is considerable overlap with the skills of other Directors in the skill matrix of the current Board of Directors. Therefore, we cannot expect her to contribute enough to replace our current Outside Directors and see no reason to appoint her as an Outside Director of the Company.

Since Kenneth Nysten has no experience as an officer at a domestic listed company, we cannot expect him to contribute to our corporate governance to the extent that he could replace our existing Outside Directors. In addition, according to the shareholder proposal, he has experience in the pulp and paper industry in Europe and elsewhere. However, as mentioned above, knowledge of Japan's unique business environment is essential in the Japanese pulp and paper industry, and Mr. Nysten lacks this knowledge, which should be a basic premise. Therefore, we cannot expect him to contribute enough to replace our current Outside Directors and see no reason to appoint him as an Outside Director of the Company.

Yuuichiro Nakajima already serves as an officer at five companies, and **if he becomes an Outside Director of the Company, he will serve concurrently as an officer of six companies.** Supplementary Principle 4-11 (2) of the Corporate Governance Code states that concurrently serving as an officer at multiple companies should be done only within a reasonable scope, to allow for the allocation of the proper time and effort required to fulfill the roles and responsibilities of a Director or Auditor. However, if he holds the position of officer at as many as six companies, we are concerned that he may not be able to devote sufficient resources to his role as Outside Director of the Company. In addition, based on his career summary, Mr. Nakajima does not appear to have knowledge or skills related to Japan's pulp and paper industry. His expertise in finance overlaps with the skills of other Directors in the skill matrix of the current Board of Directors; therefore, we see no reason to appoint him as an Outside Director of the

Company.

Since **Michael Baisley** has no experience as an officer at a domestic listed company, we cannot expect him to contribute to our corporate governance to the extent that he could replace our existing Outside Directors. In addition, although the shareholder proposal documents state that he has experience in M&A, given that he was involved in M&A projects in the United States based on his qualifications as a certified public accountant, we believe that his experience and knowledge are likely to be biased toward the perspective of U.S. law. **The Company's Outside Directors already include Hiroko Nihei, who works at the office of an international law firm based in the United States, based on her qualifications as a Japanese attorney at law, and who provides the Board of Directors with her knowledge and experience in both Japanese and U.S. law.** Therefore, **we see no reason to appoint Mr. Baisley, whose knowledge of Japanese law is inferior to that of our existing Outside Directors, as Outside Director of the Company.**

For the reasons presented above, **the Board of Directors of the Company opposes the shareholder proposal.**

<Shareholder Proposals>

Proposal 8: Determination of Basic Remuneration for Each Outside Director

(1) Summary of the Proposal

The amount of basic remuneration for each external director shall be 15,000,000 yen per fiscal year.

(2) Reason for Proposal

This proposal proposes that the amount of basic remuneration for each outside director of the Company be determined. The total amount of remuneration for directors was decided at the 178th Ordinary General Meeting of Shareholders held on June 28, 2016, in which a resolution on the aggregate amount of remuneration for all directors was approved. This proposal proposes approval of the amount of remuneration for each outside director, increasing predictability in remuneration and enabling the Company to bring in competent personnel who can exercise supervision over the management team. In addition, clearly determining at the general meeting of shareholders the amount to be received by an individual in advance, rather than leaving it to the deliberation of the Nomination and Compensation Committee and mutual consultation with the board of directors, will ensure the transparency of the amount determination process and guarantee the independence of outside directors.

By increasing the current level, the annual amount shall be set at 15,000,000 yen (with a total amount of 75,000,000 yen when there are 5 outside directors) to allow outside directors with exceptional experience and insight to dedicate sufficient time to developing management strategies and advising the management team to enhance the Company's corporate value.

[Opinion of the Company's Board of Directors]

The Board of Directors **opposes** this proposal based on the recommendations of the Nomination and Compensation Committee.

This shareholder proposal is for the benefit of the Oasis-Proposed Directors, and the Company's Board of Directors does not consider it appropriate.

Oasis Fund proposes Proposal 6: Dismissal of Four Outside Directors, and Proposal 7: Election of Five Outside Directors, with the aim of essentially replacing the Company's Outside Directors with the Oasis-Proposed Directors. Then, it is understood that **the purpose of this shareholder proposal, while aiming to replace the Outside Directors, is to guarantee that if the replacement of Outside Directors is successful, the basic compensation for Oasis-Proposed Directors will be 15 million yen.** Therefore, **it is clear that this shareholder proposal is for the benefit of the Oasis-Proposed Directors and will not contribute to improving the Company's governance.**

As mentioned in section (v) of the [Opinion of the Company's Board of Directors] on Proposal 5 above, with respect to FUJITEC, the Oasis Group had acquired the actual decision-making authority for Director candidates, including internal Directors, through the replacement of Outside Directors based on the shareholder proposals, and it was assumed that Oasis Group effectively forced all previous internal Directors who were not proposed by the Oasis Group to resign at the conclusion of the next Ordinary General Meeting of Shareholders. **At FUJITEC's Extraordinary General Meeting of Shareholders held on February 24, 2023, at which FUJITEC's Outside Directors were replaced, the Oasis Group proposed the replacement of Outside Directors and also submitted a shareholder proposal relating to decisions on the amount of basic compensation for Outside Directors similar to this shareholder proposal, although the amounts were different from that in this shareholder proposal.** In addition, **at the 61st Ordinary General Meeting of Shareholders of TSURUHA HOLDINGS INC. held on August 10, 2023, the Oasis Group proposed the replacement of Outside Directors, including Directors who are Members of the Audit & Supervisory Committee. It also submitted a similar proposal relating to decisions on the amount of basic compensation for Outside Directors, although the amounts were different from that in this shareholder proposal.** Furthermore, **at the 25th Ordinary General Meeting of Shareholders of KUSURI NO AOKI HOLDINGS CO., LTD. held on August 17, 2023, Oasis submitted a shareholder proposal concerning decisions on the amount of basic compensation which was similar to this shareholder proposal, although the amounts were different, together with a proposal to amend the Articles of Incorporation to establish a Nomination and Compensation Committee with a majority of Outside Directors and a proposal to elect Outside Directors, which we believe were aimed at interfering with the nomination Directors.** In this way, Oasis frequently seeks to elect its proposed Outside Directors, along with motivating Outside Directors to follow Oasis's will through guaranteed compensation if the Outside Directors are elected successfully.

In addition, even if the points above are not taken into account, this shareholder proposal proposes that the amount of compensation for each Outside Director be set at a uniform amount (15 million yen) in advance. However, 1) according to a report in the electronic version of Nihon Keizai Shimbun dated October 27, 2022, the median annual level of compensation for Outside Directors in 2022 for companies listed on the TSE Prime Market was 8.4 million yen. The level of compensation for Outside Directors in this shareholder proposal is significantly higher than these levels, even in terms of basic compensation. 2) compensation for Directors should be set according to the knowledge, experience, and role of the Director, and setting the amount of basic compensation at a uniform level **makes it difficult to set compensation in a flexible manner, taking into account changes in the external environment and the market environment,** and we believe that **flexibility in accordance with the roles and responsibilities required of Outside Directors may be hindered,** and the inability to establish appropriate compensation may make it difficult to attract useful human resources.

Furthermore, 3) compensation for Directors should be set according to the knowledge, experience, and role of the Director, and if basic compensation is fixed at a uniform level, even if the transparency of the process for determining the amount is ensured, we believe there is a risk that the basis for payment may become unclear. The Practical Guidelines for Corporate Governance Systems (CGS Guidelines) published by the Ministry of Economy, Trade and Industry on July 19, 2022 also emphasize the importance of setting compensation at appropriate levels, in accordance with the burdens and responsibilities of Outside Directors. The Board of Directors believes that there should be a system in

which compensation for Outside Directors is determined on an individual basis, taking into account the differing roles that each one plays.

The current amount of basic compensation for Outside Directors of the Company is determined based on a report from the Nomination and Compensation Committee, the majority of the members of which and the chairperson of which are Outside Directors.

For the reasons presented above, **the Board of Directors of the Company opposes the shareholder proposal.**

The Oasis Group has stated in its reason for the shareholder proposal regarding the election of Outside Directors that it “proposes....the replacement of all Outside Directors.”

<Shareholder Proposals>

Proposal 9: Determination of Remuneration for Granting Restricted Stock to Outside Directors

(1) Summary of the Proposal

The purpose of this proposal is to provide incentives to outside directors of the Company to continuously enhance the corporate value of the Company and to promote further sharing of value between outside directors of the Company and shareholders, by allotting common stock of the Company which will be subject to the rules such as restriction on transfer for a certain period and acquisition by the Company without consideration, to outside directors of the Company, in addition to their basic remuneration.

For such purpose, 7,500,000 yen per person shall be set aside from the amount of basic remuneration as monetary compensation claims for the allotment of restricted stock to each outside director.

The Company currently has four outside directors, but if such four outside directors are dismissed and the five outside directors proposed by the proposing shareholder are appointed, the number of outside directors subject to compensation under this proposal will be five.

Each outside director who will receive an allotment of restricted stock shall pay all monetary compensation claims to be granted to them under this proposal as contribution in kind, and receive allotment of common stock of the Company pursuant to a resolution of the board of directors of the Company. The total number of common stock of the Company to be issued or disposed by this shall not exceed 110,000 shares. The amount to be paid per common stock of the Company in this case shall be the closing price of the common stock of the Company on the Tokyo Stock Exchange on the business day immediately before the date of such board of directors' resolution (if transaction is not concluded on that date, the closing price on the immediately preceding trading day). In addition, upon the allotment of common stock of the Company, the Company and each outside director shall enter into a restricted stock allotment agreement (the "Allotment Agreement") which includes, in summary, the following content. The above monetary compensation claims shall be paid on the condition that each outside director agrees to the above contribution-in-kind and has executed the Allotment Agreement.

1) Details of Restrictions on Transfer

Each outside director who has received an allotment of the Company's common stock shall not transfer, create pledge, nor make any other disposal of the Company's common stock allotted to him or her under the Allotment Agreement (the "Restricted Stock") to any other person, during the period commencing from the date of allotment of such common stock until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within two years from the date of receipt of the allotment of such common stock or the period determined by the board of directors of the Company, whichever is shorter (the "Restricted Period")(the "Transfer Restriction").

2) Acquisition of the Restricted Stock by the Company without consideration

If each such outside director resigns or retires from any position as a director, executive officer, executive director or employee of the Company or any of its subsidiaries before the expiration of the period commencing from the day following the date of this Ordinary General Meeting of Shareholders (midnight) until the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within two years (the "Scheduled Service Period"), the Company shall automatically acquire the Restricted Stock without consideration, except for the case where the board of directors of the Company determined the existence of the justifiable reason to refrain from doing so.

In addition, the Company shall automatically acquire the Restricted Stock without consideration which Transfer Restriction has not been removed pursuant to (3) below at the time when the Restricted Period expires.

3) Removal of the Transfer Restrictions

Notwithstanding the provision of (1) above, the Company shall remove the Transfer Restriction on all of the Restricted Stock upon expiration of the Restricted Period, on the condition that each outside director has continuously remained in the position as director, executive officer, executive

director or employee of the Company or any of its subsidiaries throughout the Scheduled Service Period. However, if the Company does not acquire the Restricted Stock without consideration for an outside director who retires or resigns from any of the positions specified in (2) above before the expiration of the Scheduled Service period, due to the reason which deemed justifiable by the board of directors of the Company as specified in (2) above, the number of the Restricted Stock regarding which the Transfer Restrictions will be removed and the timing regarding which the Transfer Restrictions will be removed shall be reasonably determined by resolution of the board of directors, if necessary.

4) Treatment in case of organizational restructuring, etc.

Notwithstanding the provision of (1) above, if, during the Restricted Period, a merger agreement under which the Company will be a merged company, a share exchange agreement or share transfer plan under which the Company will be a wholly owned subsidiary, or any other matters related to organizational restructuring, etc., is approved at a general meeting of shareholders (however, if such organizational restructuring, etc. does not require approval at a general meeting of shareholders, then the Company's board of directors), the Company will, by a resolution of the board of directors, remove the Transfer Restriction on all of the Restricted Stock held by the outside directors as of the time immediately before the business day which falls immediately before the effective date of such organizational restructuring, etc. In this case, the Company shall automatically acquire the Restricted Stock regarding which Transfer Restrictions have not yet been removed as of the time immediately after the removal of the Transfer Restriction in accordance with the above provisions without consideration.

The compensation for the grant of the Restricted Stock is provided as compensation for the Scheduled Service Period, and the right to receive such compensation will not be granted repeatedly each year.

(2) Reason for Proposal

While medium to long-term incentive compensation (stock options as stock-linked compensation) is currently granted only to inside directors of the Company, the purpose of this proposal is to provide outside directors of the Company with incentives to improve the corporate value of the Company by granting the Restricted Stock as a compensation to outside directors of the Company and align their interests with those of shareholders. The purpose of setting a Transfer Restriction for a certain period is to seek their commitment to the Company to further strengthen the sharing of profits with shareholders.

In order to adjust the amount equivalent to compensation for the substantial performance of duties as an outside director, we propose to set 7,500,000 yen per outside director as a monetary compensation claim for receipt of the allocation of the Restricted Stock, in addition to the amount of basic remuneration.

End.

[Opinion of the Company's Board of Directors]

The Board of Directors **opposes** this proposal based on the recommendations of the Nomination and Compensation Committee.

This shareholder proposal is for the benefit of the Oasis-Proposed Directors, and the Company's Board of Directors does not consider it appropriate.

Oasis Fund proposes Proposal 6: Dismissal of Four Outside Directors, and Proposal 7: Appointment of Five Outside Directors, with the aim of essentially replacing the Company's Outside Directors with the Oasis-Proposed Directors. Thus, it is understood that **the purpose of this shareholder proposal, while aiming to replace the Outside Directors, is to guarantee that the stock compensation for Oasis-Proposed Directors will be 7.5 million yen if the replacement of the Outside Directors is successful.** Therefore, **it is clear that this shareholder proposal is for the benefit of the Oasis-Proposed Directors and will not contribute to improving the Company's governance.**

As mentioned in section (v) of the [Opinion of the Company's Board of Directors] on Proposal 5 above, with respect to FUJITEC, the Oasis Group acquired the actual decision-making authority for Director candidates, including internal Directors, through the replacement of Outside Directors based on shareholder proposals, and it was assumed that Oasis Group effectively forced all previous internal Directors who were not proposed by the Oasis Group to resign at the conclusion of the next Ordinary General Meeting of Shareholders. **At FUJITEC's Extraordinary General Meeting of Shareholders held on February 24, 2023, at which FUJITEC's Outside Directors were replaced, the Oasis Group proposed the replacement of Outside Directors and also submitted a shareholder proposal relating to decisions on the granting of stock compensation for Outside Directors similar to this shareholder proposal, although the amount is different from that in this shareholder proposal.** In addition, **at the 61st Ordinary General Meeting of Shareholders of TSURUHA HOLDINGS INC. held on August 10, 2023, the Oasis Group proposed the replacement of Outside Directors, including Directors who are Members of the Audit & Supervisory Committee. It also submitted a similar proposal relating to restricted stock compensation for Outside Directors, although the amount is different from that in this shareholder proposal.** Furthermore, **at the 25th Ordinary General Meeting of Shareholders of KUSURI NO AOKI HOLDINGS CO., LTD. held on August 17, 2023, Oasis submitted a shareholder proposal for restricted stock compensation for Outside Directors which was similar to this shareholder proposal, although the amounts were different, together with a proposal to amend the Articles of Incorporation to establish a Nomination and Compensation Committee with a majority of Outside Directors and a proposal to elect Outside Directors, which we believe was aimed at interfering with the nomination Directors.** In this way, Oasis frequently seeks to elect its proposed Outside Directors along with motivating Outside Directors to follow Oasis's will through guaranteed compensation if the Outside Director is elected successfully.

Furthermore, even if the points above are not taken into account, 1) in this shareholder proposal, the purpose of allotting restricted stock compensation to Outside Directors is to provide incentives for the Company's Outside Directors to continuously enhance the Company's corporate value. However, compensation for Outside Directors consists only of a basic salary, as fixed compensation, from the perspective of ensuring a high level of independence, as well as the requirement to strengthen their management supervisory function. The Board of Directors believes that it is not appropriate to make Outside Directors eligible for restricted stock compensation, which is linked to business results. In addition, 2) in principle, the criteria for exercising voting rights among many institutional investors in Japan and elsewhere are opposed to stock compensation for Outside Directors. The Company does not believe that it is necessary to introduce a restricted stock compensation plan for individual Outside Directors. Furthermore, as stated in section 3) of the [Opinion of the Company's Board of Directors] on Proposal 8, according to a report in the electronic version of Nihon Keizai Shimbun dated October 27, 2022, the median annual level of compensation for Outside Directors in 2022 for companies listed on the TSE Prime Market was 8.4 million yen. **The level of compensation for Outside Directors in this shareholder proposal is 22.5 million yen,** which includes the basic salary described in Proposal 8 above and the stock compensation described in Proposal 9 above, **and it is strongly surmised that the purpose of this shareholder proposal, while aiming to replace the Outside Directors, is to guarantee that the level of compensation for Oasis-Proposed Directors will be a total of 22.5 million yen, if the replacement of the Outside Directors is successful.**

For the reasons presented above, **the Board of Directors of the Company opposes the shareholder proposal.**

The Oasis Group has stated in its reason for the shareholder proposal regarding the election of Outside Directors that it “proposes....the replacement of all Outside Directors.”

Shareholder Proposals (Proposal 10 to Proposal 11)

These shareholder proposals were submitted by DAIO KAIUN CO., LTD.

The name of each proposal, the outline for the proposal and reasons for the proposal are stated in their original form, with the exception of the proposal numbers, which have been adjusted.

<Shareholder Proposals>

Proposal 10: Election of Five (5) Directors

(1) Summary of the Proposal

To elect the five (5) Directors below. All are Outside candidates.

- (1) Kazuyuki Tanaka
- (2) Masahiro Matsuoka
- (3) Masataka Ueda
- (4) Takao Sunami
- (5) Mizuki Kanno

(2) Reason for Proposal

The proposing shareholder (DAIO KAIUN CO., LTD.), whose original business was the transportation of raw materials for paper manufacturing, holds shares in a paper manufacturing company with the aim of achieving sustainable development of the paper manufacturing industry. The proposing shareholder owns approximately 18.9% of the issued shares in Hokuetsu Corporation (hereinafter, the “Company”) jointly with Misuga Kaiun Co., Ltd. and, as a major shareholder, pays close attention to management issues of the Company.

Although the Company holds approximately 24.8% of the shares issued in Daio Paper Corporation, the two companies were unable to achieve synergies and instead found themselves in an adversarial relationship. The market capitalization of Daio Paper Corporation held by the Company remains at the level of approximately 50 billion yen, which accounts for well over 20% of the Company’s consolidated net assets. The Company only obtains dividends from its holding of shares in Daio Paper Corporation, which has led to a deterioration in capital efficiency and uncertainty over the Company’s consolidated financial results.

The proposing shareholder has made attempts to engage in constructive dialogue regarding management issues for many years, but the Company has never deepened its consideration. In February 2024, the Company announced it would commence discussions for a strategic business alliance with Daio Paper Corporation. However, business alliances are usually formed because there are specific benefits for both parties. Announcing commencement of discussions for a strategic business alliance when there are many other options available is an “alliance option only for the sake of formality” and appears to be an attempt to make achievements to deflect criticism from shareholders. The fact that the Company introduced takeover defense measures in December 2023 also strengthens these suspicions. As a result, the proposing shareholder requested an interview with the Company’s Outside Directors but was refused, and it has not even had an opportunity for any dialogue.

The proposing shareholder determined that the Company’s Board of Directors was not fulfilling its primary duties but was rather pursuing self-preservation of its management team; therefore, it decided to propose an increase in the number of Outside Directors by five (5). Since the candidates have experience at the top levels of management or have practical and specialized knowledge in areas such as corporate restructuring, corporate governance, corporate finance, and corporate law, and the candidates have no capital or business relationships with either the Company or with DAIO KAIUN CO., LTD., it is expected that the true independence of the Company’s Board of Directors and improvement of its effectiveness can be achieved.

(3) Career summaries, etc. of the candidates

Kazuyuki Tanaka		Date of birth: April 29, 1953
		Number of shares of the Company held: 0
Career summary, positions, responsibilities and significant concurrent positions		
April 1977	Hitachi Chemical Company, Ltd.	
April 2005	Executive Officer, Hitachi Chemical Company, Ltd.	
April 2006	Senior Executive Director, Hitachi Media Electronics Co., Ltd.	
June 2006	Representative Director and President, Hitachi Media Electronics Co., Ltd.	
April 2008	Vice President and Executive Officer, Hitachi Chemical Company, Ltd.	
April 2009	Representative Executive Officer, President and Chief Executive Officer, Hitachi Chemical Company, Ltd.	
June 2009	Director, Member of the Nomination Committee and Member of the Compensation Committee, Hitachi Chemical Company, Ltd.	
April 2016	Chairman, Hitachi Chemical Company., Ltd.	
May 2016	Chairman, Japan Thermosetting Plastics Industry Association	
June 2016	Director and Member of the Audit Committee, Hitachi, Ltd.	
(Special interests, etc.)		
There are no special interests between Kazuyuki Tanaka and the Company or the proposing shareholder. If the election of Kazuyuki Tanaka as an Outside Director is approved, the Company will enter into a liability limitation agreement with him, the amount of liability for which shall be the minimum amount stipulated by laws and regulations.		
Reason for nomination as candidate for Outside Director Kazuyuki Tanaka has knowledge and experience at the top levels of management as well as experience in corporate governance practices and promoting the restructuring of Hitachi Chemical Co., Ltd. He has been proposed as a candidate for Outside Director with the expectation that he will verify the rationality of continuing to hold shares in Daio Paper Corporation, consider the advantages, disadvantages, and methods of business integration with Daio Paper Corporation, and will provide advice and supervision from a strategic and broad perspective in order to improve the Company's corporate value.		

Masahiro Matsuoka		Date of birth: September 20, 1967
		Number of shares of the Company held: 0
Career summary, positions, responsibilities and significant concurrent positions		
April 1990	Nomura Research Institute, Ltd.	
July 1994	Barclays Bank PLC (currently Barclays Securities Japan Limited)	
September 1997	SBC Warburg Securities Japan Co., Ltd. (currently UBS Securities Japan Co., Ltd.)	
July 2003	Industrial Revitalization Corporation of Japan	
June 2004	Outside Director, Kanebo, Ltd.	
March 2005	Outside Director, The Daiei, Inc.	
January 2007	Representative Director, Frontier Management Inc.	
November 2017	Representative Director, FCD Partners Inc.	
June 2020	Outside Director, RIZAP GROUP, Inc. (current position)	
April 2021	Representative Director and Chairman, ORENO Corporation.	
April 2021	Representative Director, Co-President and Executive Officer, Frontier Management Inc.	
	<Significant concurrent positions> Outside Director, RIZAP GROUP, Inc.	
(Special interests, etc.)		
There are no special interests between Masahiro Matsuoka and the Company or the proposing shareholder. If the election of Masahiro Matsuoka as an Outside Director is approved, the Company will enter into a liability limitation agreement with him, the amount of liability for which shall be the minimum amount stipulated by laws and regulations.		
Reason for nomination as candidate for Outside Director Masahiro Matsuoka has knowledge and experience at the top levels of management as well as practical and specialized knowledge of corporate finance and experience as an Outside Director at multiple companies. He has been proposed as a candidate for Outside Director with the expectation that he will verify the rationality of continuing to hold shares in Daio Paper Corporation, consider the advantages, disadvantages, and methods of business integration with Daio Paper Corporation, and provide advice and supervision from a strategic and broad perspective in order to improve the Company's corporate value.		

Masataka Ueda		Date of birth: April 5, 1955
		Number of shares of the Company held: 0
Career summary, positions, responsibilities and significant concurrent positions		
April 1979	The Bank of Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)	
August 1983	Japan Branch, American Express International, Inc.	
September 2000	Vice Chairman, American Home Assurance Company (AIG Group)	
December 2001	Chairman and CEO, American Home Assurance Company	
March 2007	Representative Director, Chairman and CEO, Cecile Co., Ltd. Chairman, Dinos Cecile Co., Ltd	
July 2013	Director, The Board Director Training Institute of Japan (BDTI) (current position)	
March 2016	Outside Director, McDonald's Holdings Company (Japan), Ltd. (current position)	
June 2018	Outside Director, The Higashi-Nippon Bank, Limited (current position)	
<Significant concurrent positions>		
Director, The Board Director Training Institute of Japan (BDTI)		
Outside Director, McDonald's Holdings Company (Japan), Ltd.		
Outside Director, The Higashi-Nippon Bank, Limited		
(Special interests, etc.)		
There are no special interests between Masataka Ueda and the Company or the proposing shareholder. If the election of Masataka Ueda as an Outside Director is approved, the Company will enter into a liability limitation agreement with him, the amount of liability for which shall be the minimum amount stipulated by laws and regulations.		
Reason for nomination as candidate for Outside Director		
Masataka Ueda has knowledge and experience at the top levels of management as well as practical and specialized knowledge of corporate governance and experience as an Outside Director at multiple companies. He has been proposed as a candidate for Outside Director with the expectation that he will verify the rationality of continuing to hold shares in Daio Paper Corporation, consider the advantages, disadvantages, and methods of business integration with Daio Paper Corporation, and provide advice and supervision from a strategic and broad perspective in order to improve the Company's corporate value.		

Takao Sunami		Date of birth: August 22, 1947
		Number of shares of the Company held: 0
Career summary, positions, responsibilities and significant concurrent positions		
July 1971	MITSUI & CO., LTD	
April 2002	Executive Officer, MITSUI & CO., LTD.	
April 2005	Executive Managing Officer and Chief Operating Officer of the Machinery Division, MITSUI & CO., LTD.	
June 2008	Representative Director and President, JA MITSUI LEASING, LTD.	
December 2011	Executive Consultant, Nippon Kaiji Kyokai (ClassNK)	
June 2015	Outside Director, KAWASAKI KINKAI KISEN KAISHA, LTD.	
(Special interests, etc.)		
There are no special interests between Takao Sunami and the Company or the proposing shareholder. If the election of Takao Sunami as an Outside Director is approved, the Company will enter into a liability limitation agreement with him, the amount of liability for which shall be the minimum amount stipulated by laws and regulations.		
Reason for nomination as candidate for Outside Director		
Takao Sunami has knowledge and experience at the top levels of management as well as experience serving as the Chairman of the Special Committee of KAWASAKI KINKAI KISEN during the share exchange between Kawasaki Kisen Kaisha, Ltd. and KAWASAKI KINKAI KISEN. He has been proposed as a candidate for Outside Director with the expectation that he will verify the rationality of continuing to hold shares in Daio Paper Corporation, consider the advantages, disadvantages, and methods of business integration with Daio Paper Corporation, and provide advice and supervision from a strategic and broad perspective in order to improve the Company's corporate value.		

Mizuki Kanno		Date of birth: March 29, 1981
		Number of shares of the Company held: 0
Career summary, positions, responsibilities and significant concurrent positions		
December 2011	BLAKEMORE & MITSUKI	
August 2014	Graduated from University College London (LL.M.)	
September 2014	ANDERSON, MÖRI & TOMOTSUNE	
November 2016	OH-EBASHI LPC & PARTNERS (Tokyo Office)	
January 2021	Partner, OH-EBASHI LPC & PARTNERS (current position)	
	<Significant concurrent positions>	
	Outside Audit & Supervisory Board Member , BJC Co., LTD	
(Special interests, etc.)		
There are no special interests between Mizuki Kanno and the Company or the proposing shareholder.		
If the election of Mizuki Kanno as an Outside Director is approved, the Company will enter into a liability limitation agreement with her, the amount of liability for which shall be the minimum amount stipulated by laws and regulations.		
Reason for nomination as candidate for Outside Director		
Mizuki Kanno has accumulated practical and specialized knowledge and experience of corporate governance as an attorney-at-law specializing in corporate law, with a focus on antitrust law in particular. She has been proposed as a candidate for Outside Director with the expectation that she will verify the rationality of continuing to hold shares in Daio Paper Corporation, consider the advantages, disadvantages, and methods of business integration with Daio Paper Corporation, and provide advice and supervision from a strategic and broad perspective in order to improve the Company's corporate value.		

[Opinion of the Company's Board of Directors]

The Board of Directors **opposes** this proposal based on the recommendations of the Nomination and Compensation Committee.

- (i) As stated in the [Opinion of the Company's Board of Directors] on Proposal 7 above, the current Directors of the Company were selected as candidates in accordance with a careful decision-making process performed by the Nomination and Compensation Committee, which met for a total of seven times over the approximately one year from April 2022 to March 2023, and repeatedly considered the composition and human resources needed for the Company's Board of Directors, based on evaluations of factors such as the possession of qualities that are useful to realize effective corporate governance and enhance corporate value in a stable manner over the long term. Each candidate has close familiarity with the Company's business, and each has skills and expertise in areas that include corporate management, an international mindset, industry knowledge, ESG/sustainability, finance/accounting, technology/IT (production/R&D), sales/marketing, human resources/labor/legal affairs, and purchasing/procurement. The Company's current Board of Directors, which is comprised of these incumbent Directors, is considered to be an optimal team, overall, from the perspective of the balance of scale, skill sets, diversity, etc. **The status of the Company's management is progressing favorably, from the perspective of key financial indicators, under the management of the Company's current Board of Directors, as stated in section (i) in the [Opinion of the Company's Board of Directors] on Proposal 5 above, and this fact is considered to be an indication that the Company's current Board of Directors is performing its supervisory function appropriately as a team.**
- (ii) In addition, Daio Kaiun claims that the Company's announcement of the commencement of discussions about a strategic business alliance with Daio Paper appears to be nothing more than an attempt to deflect criticism from shareholders. However, as stated in section (ii) in the [Opinion of the Company's Board of Directors] on Proposal 5 above, the Company, with the approval of the Company's Board of Directors, has executed a basic strategic business alliance agreement with Daio Paper, effective May 15, 2024. As a result of the alliance, three years from now, in FY2026, we expect to see increases in operating income of approximately 2.0 billion yen for Daio Paper and approximately 3.0 billion yen for the Company, for a combined total of approximately 5.0 billion yen. Furthermore, from the perspective of providing information to shareholders as early as possible, the Company disclosed on February 13, 2024 that it was considering a strategic business alliance with Daio Paper. Despite strategic business alliances with other companies requiring careful consideration, the statement that the decision to announce the commencement of discussions about a strategic business alliance between the Company and Daio Paper was nothing more than an attempt to deflect criticism from shareholders, only around two months after the disclosure of the Press Release on Commencement of Discussions, can be described only as hasty and arbitrary. We believe that this is not a sincere claim based on the Company's corporate value and the common interests of its shareholders, but rather is aimed solely at criticizing the Company.
- (iii) Furthermore, as stated in section (iii) in the [Opinion of the Company's Board of Directors] on Proposal 5 above, **Mr. Igawa, the effective owner of Daio Kaiun, made a proposal to the Company that in exchange for Daio Kaiun et al. transferring their shares of the Company to the Company, the Company would transfer the shares it holds in Daio Paper to Daio Kaiun et al. Immediately after the Company refused the proposal, Daio Kaiun et al. made rapid, large-scale acquisitions of shares of the Company on and off the market, and the Company was left with no choice but to introduce the Response Policy.** In other words, the Company recognized that **the purpose of the Share Purchase basically was for Daio Kaiun et al. to seize control over the management of Daio Paper, or to increase their control over Daio Paper, and that it was not aimed at enhancing the Company's corporate value,** based on the history and manner of the rapid, large-scale acquisitions of shares of the Company by Daio Kaiun et al., as well as other circumstances. **Then, based on the belief that there was an undeniable risk that the outcome of the Share Purchase could hinder maximization of the**

Company's corporate value and the common interests of our shareholders, the Response Policy was introduced, with the intention of ensuring that the Company's shareholders would have the information and time required to make appropriate decisions regarding the impact of the Share Purchase on the Company's corporate value and the source of that value, and this was not in any way for the self-preservation of the Company's management team, including President and CEO Kishimoto.

In fact, Tokyo Pulp & Paper, which is suspected of being in a joint and cooperative relationship with Daio Kaiun et al., in light of Attachment 2 "Certification Criteria for Joint Cooperative Acts, etc." to the Response Policy, conducted large-scale acquisitions of shares of the Company on March 15, 2024 and March 18, 2024, immediately after the introduction of the Response Policy, without following the procedures set forth in the Response Policy. Based on these facts, we believe that the introduction of the Response Policy was reasonable and was not for the self-preservation of the Company's management team.

Adding to this, 1) Daio Kaiun holds 5.62% of the shares of Daio Paper', in terms of ownership ratio of share certificates, etc.; moreover, a person associated with Mr. Igawa, the effective owner of Daio Kaiun, has told the Company that Daio Kaiun controls 20% of the shares of Daio Paper. In light of this, if Daio Kaiun succeeds in acquiring 24.60% of the shares of Daio Paper owned by the Company, its total shareholding would reach approximately 45%, effectively enabling Daio Kaiun to take control of the management of Daio Paper. In addition, as set forth in section (iv) in the [Opinion of the Company's Board of Directors] on Proposal 5 above, 2) **when President and CEO Kishimoto and Mr. Igawa met on July 3, 2023, Mr. Igawa told President and CEO Kishimoto that "We were working together with Oasis. From now on, we will go our separate ways."**

Immediately prior to the introduction of the Response Policy, the Oasis Fund, or Oasis, which is understood to be an affiliate of the Oasis Fund, and Daio Kaiun engaged in joint cooperative acts. The situation of the Company was such that it could not dispel doubts and concerns over when those joint cooperative acts would occur again in the future. Furthermore, in addition, in light of the circumstances above, **if this shareholder proposal is approved and the five (5) candidates proposed by Daio Kaiun (hereinafter "Daio Kaiun-Proposed Directors") are elected as Directors of the Company, Daio Kaiun et al. will have a significant influence over the management of the Company.**

As a result, pressure from Daio Kaiun et al., which is planning to seize control of the management rights in Daio Paper, may force the Company to relinquish all of its shares of Daio Paper, or the Business Alliance may be operated unilaterally, in a manner advantageous to Daio Paper, and then the Company may be forced into a situation in which it is unable to enjoy the synergic benefits mentioned above completely, as a result of this Business Alliance with Daio Paper. Since Daio Kaiun et al. have serious conflicts of interest with the majority of the Company's general shareholders (excluding Oasis Group) who do not own shares of Daio Paper with regard to business integration issues involving the Company and Daio Paper, if this shareholder proposal is approved, it could harm the interests of the majority of the Company's general shareholders, and result in a conflict with the common interests of our shareholders.

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With regard to the interview, Daio Kaiun requested a meeting with an Outside Director who is a member of the Independent Committee established under the Response Policy, to discuss the alliance between the Company and Daio Paper, and the Company's holding of shares of Daio Paper. However, management policies, including relationships with other companies, are matters that should be considered by executives, under the supervision of the Company's Board of Directors, and meetings with shareholders about management policies and similar matters are not related to the Response Policy. Therefore, when the Board of Directors contacted Daio Kaiun stating that we would prefer the interview to be with an executive director rather than an Outside Director, Daio Kaiun declined our request. Its statement that "we have not even had the opportunity for dialogue" can be seen as an attempt to create an impression that is contrary to the facts regarding the Company's attitude toward dialogue with shareholders.

- (iv) Furthermore, the Company's Nomination and Compensation Committee sent a letter of inquiry through Daio Kaiun, dated April 26, 2024, to each candidate in this shareholder proposal, inquiring about their management policy, etc., for the Company upon assuming office as an Outside Director of the Company. In response, instead of receiving individual responses from

each candidate, we received a letter from Daio Kaiun, dated May 7, 2024, containing a summary of the response from each candidate (hereinafter, “May 7 Daio Kaiun Letter”). In the May 7 Daio Kaiun Letter, Daio Kaiun simply replied that each candidate in this shareholder proposal intends to examine and consider the Company’s situation closely, with regard to the candidate’s management policy after being elected as an Outside Director. It is highly unlikely that candidates have any opinions on the Company’s management. Therefore, **it is inconceivable that Daio Kaiun or any of the candidates in this shareholder proposal is trying to take a serious approach to the management of the Company.** Furthermore, it is important to note that since Daio Kaiun has not specifically indicated its management policy for the Company following the approval of the Director-Related Shareholder Proposals, it is difficult even to consider whether the candidates in this shareholder proposal have skills that are appropriate for the Company’s Board of Directors.

- (v) Moreover, none of the candidates is familiar with Japan’s paper industry. Domestic manufacturers account for a majority market share in Japan, and knowledge of Japan’s unique business environment, with its high waste paper recovery rate, high-quality paper products, and logistics systems, is essential. This enables appropriate management decisions and supervision by the Board of Directors, and the candidates in this shareholder proposal can only be described as lacking these elements.

Based on his career summary, **Kazuyuki Tanaka** does not appear to have knowledge or skills related to Japan’s pulp and paper industry. In addition, although the shareholder proposal document **lists his skills as experience in corporate governance practices and promoting restructuring, all of the Company’s current Outside Directors who have knowledge of Japan’s pulp and paper industry also possess this knowledge.** Therefore, we cannot expect Mr. Tanaka to contribute enough to replace our current Outside Directors and see no reason to appoint him as an Outside Director of the Company.

Based on his career summary, **Masahiro Matsuoka** does not appear to have knowledge or skills related to Japan’s pulp and paper industry. In addition, **his expertise in finance overlaps with the skills of other Directors in the skill matrix of the current Board of Directors.** Therefore, we see no reason to appoint him as an Outside Director of the Company.

Based on his career summary, **Masataka Ueda** does not appear to have knowledge or skills related to Japan’s pulp and paper industry. In addition, the shareholder proposal document **only states that he has knowledge of corporate governance, and does not specify the particular skills he would provide to the Company.** Therefore, we cannot expect Mr. Ueda to contribute enough to replace our current Outside Directors and see no reason to appoint him as an Outside Director of the Company.

The shareholder proposal document states that **Takao Sunami** has knowledge and experience at top levels of management, but it has been approximately fifteen years since he served as Representative Director and President of JA Mitsui Leasing, Ltd. In addition, **during the period during which Mr. Sunami served as an Outside Director of KAWASAKI KINKAI KISEN KAISHA, LTD., KAWASAKI KINKAI KISEN’s ROE remained at a low level, and we do not believe that his skills relating to achieving an increase in corporate value as an Outside Director are enough to replace our current Outside Directors.** Therefore, we see no reason to appoint him as an Outside Director of the Company.

Mizuki Kanno is described as an attorney at law specializing in corporate law, but based on her career summary, she has no knowledge of Japan’s pulp and paper industry, nor does she appear to have deep knowledge of the global market. **The Company’s Outside Directors already include Hiroko Nihei, who works at the office of an international law firm based in the United States, based on her qualifications as a Japanese attorney at law, and who provides the Board of Directors with her knowledge and experience in both Japanese and U.S. law.** Ms. Kanno’s expertise in antitrust law overlaps with the skills of other Directors in the skill matrix of our current Board of Directors. Therefore, we see no reason to appoint Ms. Kanno, who has less global knowledge than our current Outside Directors, as an Outside Director of the Company.

In addition, Daio Kaiun proposed the compensation agenda item, Proposal 11: Determination of Amount of Fixed Compensation for Each Outside Director, together with this shareholder proposal, which equates to a proposal in which Daio Kaiun commits to paying high levels of fixed compensation to the candidates proposed by Daio Kaiun if they are elected, and essentially

motivates the Directors to comply with the will of Daio Kaiun, the proposing shareholder, if they are elected as Directors of the Company. As a result, the candidates in this shareholder proposal, which is being proposed together with the compensation agenda item, are persons who are motivated to follow the will of Daio Kaiun, and therefore are considered to lack independence from the proposing shareholder.

For the reasons presented above, **the Board of Directors of the Company opposes the shareholder proposal.**

<Shareholder Proposals>

Proposal 11: Determination of Amount of Individual Fixed Compensation for Outside Director

(1) Summary of the Proposal

Regarding Proposal 10 made by the proposing shareholder, if the election of at least one (1) candidate is approved, the newly elected Outside Director (hereinafter, the “Target Outside Director”) shall receive 12 million yen per annum as individual fixed compensation (in the event that the number of newly elected Outside Directors is five (5), the total annual amount shall be 60 million yen). However, if the compensation of other Outside Directors is higher than this proposal, and if similar compensation is paid to the Target Outside Director, the fixed compensation of 12 million yen per annum may not be paid in addition to the abovementioned payment.

(2) Reason for Proposal

The Outside Directors named in Proposal 10 bear the heavy responsibility of verifying the rationality of continuing to hold shares in Daio Paper Corporation, considering the advantages, disadvantages, and methods of business integration with Daio Paper Corporation, and providing advice and supervision from a strategic and broad perspective in order to improve the Company’s corporate value and so on. In order for each Director to devote sufficient time and energy to execution of their duties, it is proposed that each person be paid fixed compensation of 12 million yen per annum, taking into account the scale of the Company’s business and general levels of compensation.

[Opinion of the Company's Board of Directors]

The Board of Directors **opposes** this proposal based on the recommendations of the Nomination and Compensation Committee.

This shareholder proposal is for the benefit of the Daio Kaiun-Proposed Directors, and the Company's Board of Directors does not consider it appropriate.

Daio Kaiun proposes Proposal 10: Election of Five (5) Directors, **and this shareholder proposal states the compensation that will be paid to newly-elected Outside Directors in the event that the election of at least one (1) candidate in Proposal 10: Election of Five (5) Directors is approved.** The Board of Directors understands that **the intent in proposing this shareholder proposal, while also proposing Proposal 10: Election of Five (5) Directors, is to guarantee that the amount of fixed compensation for Daio Kaiun-Proposed Directors will be 12 million yen.** Consequently, **it is clear that this shareholder proposal is for the benefit of the Daio Kaiun-Proposed Directors and will not contribute to improving the Company's governance.**

Furthermore, even if the points above are taken into account, 1) this shareholder proposal proposes that the amount of fixed compensation for each Outside Director elected at this Ordinary General Meeting of Shareholders be set on a uniform basis (12 million yen) in advance. However, compensation for Directors should be set according to the knowledge, experience, and role of the Director, and setting the amount of basic compensation at a uniform level makes it difficult to set compensation in a flexible manner, taking into account changes in the external environment and the market environment, and we believe that it may hinder flexibility in accordance with the roles and responsibilities required of Outside Directors, and that being unable to set appropriate compensation may make it difficult to attract useful human resources, and may hinder incentives for the Directors to invest sufficient time and energy in the execution of their duties.

Furthermore, 2) compensation for Directors should be set according to the knowledge, experience, and role of the Director, and if basic compensation is fixed at a uniform level, even if the transparency of the process for determining the amount is ensured, we believe there is a risk that the basis for payment may become unclear. The Practical Guidelines for Corporate Governance Systems (CGS Guidelines) published by the Ministry of Economy, Trade and Industry on July 19, 2022 also emphasize the importance of setting compensation at appropriate levels, in accordance with the burdens and responsibilities of Outside Directors. The Board of Directors believes that there should be a system in which compensation for Outside Directors is determined on an individual basis, taking into account the differing roles that each Director plays. In addition, 3) as mentioned in above, according to a report in the electronic version of Nihon Keizai Shimbun dated October 27, 2022, the median annual level of compensation for Outside Directors in 2022 for companies listed on the TSE Prime Market was 8.4 million yen. **The level of compensation for Outside Directors in this shareholder proposal (12 million yen) is significantly higher than these levels. Moreover, since this shareholder proposal clearly states that it will apply if at least one (1) candidate in Proposal 10: Election of Five (5) Directors is approved, it is clear that the purpose of this shareholder proposal is to guarantee that the level of compensation for Daio Kaiun-Proposed Directors will be 12 million yen per annum.**

The current amount of basic compensation for Outside Directors of the Company is determined based on a report from the Nomination and Compensation Committee, the majority of the members of which and the chairperson of which are Outside Directors.

For the reasons presented above, **the Board of Directors of the Company opposes the shareholder proposal.**