

1. Executive Summary

Initiatives for Enhancing the Company's Corporate Value and Achievements

Since the appointment of CEO Kishimoto, the operating performance of Hokuetsu Corporation (the "Company") has grown steadily compared to its competitors, and the Company has succeeded in improving its position in the industry and ensuring its competitiveness. Under its appropriate corporate governance system and diverse and experienced Board of Directors, the Company aims for further growth, including the promotion of the strategic business alliance (the "Business Alliance") with Daio Paper

01

Since the appointment of CEO Kishimoto, the Company has achieved top-class operating results among its competitors

- During CEO Kishimoto's term of office, the Company has expanded its operations on a global scale, and its key financial indicators, such as sales growth ratio, operating profit margin, and net profit margin, as well as its stock price performance, have all exceeded the average of its competitors.
- In FY2021, the Company recorded its highest operating profit, ordinary profit, and net profit since its foundation, and in FY2022, it recorded its highest sales.
- The Company has improved its position in the industry in terms of paper production volume share, etc. and also has achieved superiority in financial indicators and CO2 emissions intensity.

02

The Company is convinced that the Business Alliance with Daio Paper will contribute to further enhancing its corporate value and shareholder interests

- The Company and Daio Paper launch their efforts in the fields of production technology, raw material purchasing, and product logistics, and Daio Paper and the Company currently expect to see an increase in operating profit of approximately JPY 2bn and JPY 3bn, respectively, in FY2026, three years from now.
- The Company's decision to implement the Business Alliance was made after taking all options into consideration, including a sale/purchase of Daio Paper shares, capital alliance, and business integration, such as a merger, with Daio Paper, at the Restructuring Review Committee, comprised only the Company's independent Outside Directors.

Through the evaluation and nomination of Directors, including the Representative Director, at the Nomination and Compensation Committee, the majority of the members of which are Outside Directors, the Company has achieved appropriate execution of corporate governance to its management to enhance its corporate value.

03

Successfully established an appropriate corporate governance system and continues to strengthen that system

- The incumbent members of the Board of Directors are closely familiar with the Company's business, have their own expertise, and are considered to be an optimal team overall from the perspective of balance of scale, skill sets, and diversity. The decisions to suspend the plans to launch the household paper business, the Business Alliance with Daio Paper and others were also made after deliberations and consideration by the entire Board of Directors, including the independent Outside Directors, in light of the business environment.
- 7 out of the 10 Directors and 4 out of the 11 Executive Officers have been appointed from the other companies to ensure the diversity of the Board of Directors and the Company's management.
- The independent Outside Directors actively provide guidance and advice on critical issues in the Company, such as launch of new projects, withdrawal and divestiture of existing projects, and sales of holding shares, and hold discussions with a high sense of tension. There is no room for accommodating CEO Kishimoto as Oasis has pointed out.

Shareholder Proposals that would Damage the Company's Corporate Value and the Response Policy Regarding Large-scale Acquisitions, etc.

The Board of Directors has resolved to oppose the shareholder proposals by Oasis and Daio Kaiun, who have a conflict with the Company's general shareholders and have been making claims that misrepresent the Company's current situation. In addition, the Board of Directors has resolved to continue/renew the Current Response Policy to the Large-scale Acquisitions, etc. by Daio Kaiun et al. and to submit to this General Meeting of Shareholders the proposal for conditional implementing of the Countermeasures against Daio Kaiun et al. from the perspective of respecting the intent of the shareholders.

04

Announcement of the opinion of the Company's Board of Directors opposing the shareholder proposals by Oasis and Daio Kaiun

- **The Company's Board of Directors expressed its opposition to all of the shareholder proposals** by Oasis and Daio Kaiun since the rationales of those proposals are contrary to the facts of which the Company is aware and would not contribute to enhancement of its corporate value or the common interests of shareholders.
- Oasis and Daio Kaiun are both major shareholders of Daio Paper and have a conflict with the interests of the Company's general shareholders with regard to a business integration between the Company and Daio Paper proposed by Oasis and Daio Kaiun and **are likely to pursue only their own interests at the sacrifice of the interests of the Company's general shareholders through their shareholder proposals.**

05

Resolution to continue/renew the Current Response Policy to the Large-scale Acquisitions, etc. by Daio Kaiun et al.

- **It is highly likely that Daio Kaiun et al. will resume their Large-scale Acquisitions, etc.** if the Current Response Policy are to be terminated, and in light of the fact that **Tokyo Pulp & Paper, which is reasonably suspected of having a joint and cooperative relationship with Daio Kaiun et al., had recently acquired the shares of the Company**, it has been determined to be reasonable to continue/renew the Current Response Policy.

06

Resolution to submit the proposal for conditional implementing of the Countermeasures against Daio Kaiun et al. from the perspective of respecting the intent of the shareholders

- **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 (or have already engaged) in a Large-scale Acquisition without complying with the procedures set forth in the Response Policy**, in light of the fact that Tokyo Pulp & Paper, which is reasonably suspected of having a joint and cooperative relationship with Daio Kaiun et al., had recently acquired the shares of the Company.
- **The true purpose of the purchase of the Company's shares by Daio Kaiun et al. is to seize control of the management rights in Daio Paper.** Therefore, there is a risk that the Company's corporate value and the common interests of its shareholders could be damaged if Daio Kaiun et al. continue to increase its holding ratio of shares of the Company, **since there are serious conflicts between the Company's general shareholders and Daio Kaiun, which holds shares in Daio Paper and Daio Kaiun has no opinions about the Company's management policy.**
- From the perspective of respecting the intent of the shareholders, at the Ordinary General Meeting of Shareholders to be held on June 27, 2024, the Board of Directors submits the proposal requesting the 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 established in the Response Policy.