

HOKUETSU GROUP

# Integrated Report 2023



Hokuetsu Corporation

# Structure of the Hokuetsu Group Philosophy

## Hokuetsu 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.**

“**People-focused business group**” is the expression of our vision for the future, what we want to become, our goal.

- A business group that values its connection to its stakeholders and the relationship of trust with them.
- A business group that pursues the happiness of its employees.
- A business group that respects diversity and empowers its people.

“**Socially and environmentally responsible**” means to create a sustainable society in harmonious coexistence with nature, guided by the concept of “minimum impact” to keep all impact on the natural environment to the minimum at each stage from the procurement of raw materials to the manufacture of end products.

“**Products through innovative manufacturing on a global scale**” means to pursue innovation, to aim at delivering the greatest satisfaction to our customers by enhancing our technological capabilities.

“Socially and environmentally responsible,” “products through innovative manufacturing on a global scale”: these are the values, the philosophy, that we uphold. It is the mission of our corporate group, the foundation of our existence, to “**work to improve society globally**” through these values.

## Group Code of Conduct

The Group hereby sets forth its “Group Code of Conduct” to signify the basic rules to be observed by all of its officers and employees in all activities they engage in toward realizing the Group’s Corporate Philosophy.

1. We Shall Comply with Laws and Regulations, and Act in a Responsible Manner in Line with the Social Norms
2. We Shall Strive for Environmental Conservation and Seek Harmonious Coexistence with Society and Local Communities
3. We Shall Respect Human Rights and Strive to Secure a Safe, Hygienic and Pleasant Workplace Environment
4. We Shall Conduct Business with Integrity and Fairness
5. We Shall Appropriately Manage Corporate Assets and Information

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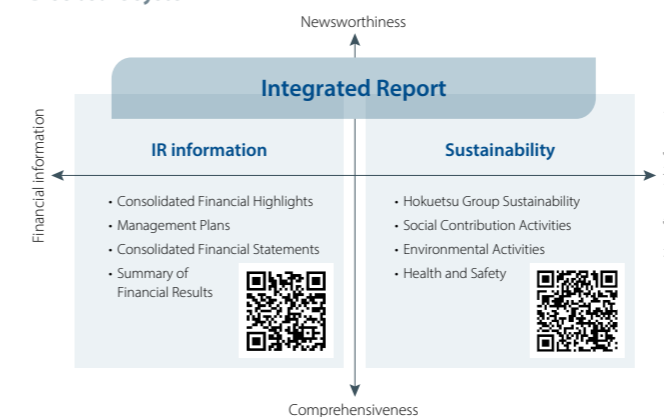
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## Editorial Policy

This report is published for the purpose of communicating the Hokuetsu Group’s value creation strategy and its progress, in addition to themes that we recognize as particularly important issues in non-financial activity reports. In editing this report, we refer to the IFRS Foundation’s International Integrated Reporting Framework, the Ministry of Economy, Trade and Industry’s Guidance for Collaborative Value Creation 2.0, and the GRI Standards. Please also refer to our website for more detailed information.

## Disclosure system



## Scope of reporting

- **Companies covered by this report:**  
Hokuetsu Group  
(Hokuetsu Corporation and main affiliated subsidiaries, etc.)
- **Period covered by the report:**  
April 1, 2022-March 31, 2023  
(Some activities after this period are also reported.)
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- **Published**  
October 2023

## WEB

- **Corporate website**  
<https://www.hokuetsucorp.com/en/index.html>



# Growth Strategy

Since our founding in 1907, Hokuetsu Corporation has been contributing to the development of society and culture through papermaking, while aiming to be a company that is trusted by all stakeholders, including customers, shareholders, business partners, and local communities.

We will continue to pursue our business activities under the banner of “Socially and environmentally responsible,” “Products through innovative manufacturing on a global scale,” and “people-focused business group.” As a truly global company, we will continue to take on new challenges with the aim of creating new value.

## Long-term Management Vision

### Vision 2030

#### Basic Policy

In a business environment that is subject to major changes, the Group and all its stakeholders will aim for continuous growth by promoting management with effective governance and compliance, and developing and providing services and products that are both high quality and cost-competitive through environmentally friendly business activities.

#### Consolidated management indicators

- A business group that contributes to sustainable social development based on environmental management
- A business group that makes use of diverse human resources and the latest technology to challenge ourselves in new business fields in step with the times
- A business group made up of people working proactively with dreams, hopes, and pride

## Hokuetsu Group ZERO CO<sub>2</sub> 2050

### ZERO CO<sub>2</sub> 2050

The Hokuetsu Group actively uses “CO<sub>2</sub> zero energy” such as biomass to produce paper, a sustainable material.

We have made progress in our climate change countermeasures and raised our “CO<sub>2</sub> zero energy” ratio to the highest level in the industry.

We aim to realize a society where people and the environment coexist, and are taking on the challenge of net-zero CO<sub>2</sub> emissions by 2050.

## Message from the President and CEO

**We will contribute to realizing a sustainable society by shifting our business portfolio and decarbonizing.**

Sekio Kishimoto  
President and CEO



## Achieved record profits within the timeframe of Medium-term Management Plan 2023

The Hokuetsu Group initiated its Long-term Management Vision “Vision 2030” and Medium-term Management Plan 2023 in April 2020.

Immediately after the start of the Plan, the global economy experienced major upheaval due to the spread of the novel coronavirus and the impact of the situation in Russia and Ukraine. There were also drastic changes in the external environment, including significant fluctuations in exchange rates and sharp increases in the price of raw materials and fuel, and distribution costs.

As a result of several price revisions and efforts to strengthen our earnings base by leveraging our competitive advantages, operating income, ordinary income, and net income attributable to owners of the parent company reached record highs in the fiscal year ended March 31, 2022. In addition, consolidated net sales for the fiscal year ended March 31, 2023 exceeded 300 billion yen for the first time since the company was founded, and we were able to achieve all consolidated management indicators during the three years of Medium-term Management Plan 2023.

## Results of Medium-term Management Plan 2023

	Medium-term Management Plan 2023 Consolidated Management Indicators	Results		
		Fiscal Year Ended March 31, 2021	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
Net sales	¥280 billion	¥225.5 billion	¥261.6 billion	¥301.2 billion
Operating income	¥15 billion	¥1.7 billion	¥20.5 billion	¥17.3 billion
Ordinary income	¥20 billion	¥9.8 billion	¥29.5 billion	¥11.5 billion
Net income attributable to owners of parent company	¥15 billion	¥14.2 billion	¥21.2 billion	¥8.3 billion
ROE	7.0%	7.6%	10.3%	3.8%
EBITDA	¥35 billion	¥24.8 billion	¥43.3 billion	¥24.3 billion

: Target achieved

	Premise under the plan	Results (annual average)		
Exchange rate*	¥108	¥106	¥113	¥136
Dubai crude oil	\$50/bbl	\$45/bbl	\$78/bbl	\$93/bbl

\*USD/JPY

Main initiatives of Medium-term Management Plan 2023



**FY2020**

- Assigned Chief Risk Management Officer (CRO)
- Established a new Audit & Supervisory Board Member Office
- Started containerboard base paper business (Niigata mill No. 6 paper machine)
- Started "hSA25" (hokuetsu Safety Action 2025), safety and health activities
- Received Logistics Environmental Conservation Activity Award at the 21st Logistics Environment Awards
- Established a new Safety, Environment & Quality Management Division

No. 6 paper machine at the Niigata Mill

- Established a new Group Business Investment Division
- Established "Hokuetsu Group Zero CO<sub>2</sub> 2050"
- Certified as a Health & Productivity Management Outstanding Organization (large enterprise category) in 2020, 2022 & 2023

**FY2021**

- Declared support for TCFD recommendations (Task Force on Climate-related Financial Disclosures)
- Kanto Mill (Katsuta) awarded the "Judges' Special Award" in the Zero Carbon Challenge Cup 2021
- Launched the *Southern Ace*, fuel-efficient chip carrier
- Achieved ISO45001 (occupational safety and health) certification
- Established the Hokuetsu Group Basic Policy on Diversity and a policy to ensure diversity in human resource development and internal environment.

Kanto Mill (Katsuta) wood biomass boiler

- Installed heat recovery system for recovery boiler (AI-Pac)
- Formulated the Group Basic Sustainability Policy
- Revised product prices (continued into FY2022)

**FY2022**

- Updated core business system (AI-Pac)
- Participated in biomass power generation business (Aizu Komorebi Power Plant)
- Achieved Eco Rail Mark product certification
- Transferred to the TSE Prime Market
- Joined "30by30 Alliance for Biodiversity"
- Disclosed information based on TCFD recommendations
- Participated in paper satellite project
- Appointed a female outside director
- Increased ratio of outside directors (33.3% → 40%)
- Won the Cellulose Society Technology Award

"Panse," environmentally friendly packaging material

- Developed electromagnetic noise suppression sheet
- Opened relaxation area at headquarters
- Halted Niigata Mill No. 2 paper machine
- Established Paper Cup Business Development Office
- Obtained "A-" rating in CDP Climate Change Program
- Signed the United Nations Global Compact
- Provided inflation special allowance

Measures implemented in FY2022 to improve profitability

In FY2022, as in the previous year, we implemented unprecedented biannual price revisions particularly for paper, and also revised prices for other types of paper to respond to changes in the external environment, such as the sharp rise in the price of raw materials and fuel, and logistics costs.

By product type, as regards coated paper, the mainstay of the Paper & White Paperboard Business, demand for pamphlets and other items recovered as domestic travel and events resumed. For wood-free paper, etc., we shut down the No. 2

paper machine at the Niigata Mill in June 2022, and as a result of optimizing the supply-demand balance in Japan and building an optimal production system between the Niigata and Kishu mills, we achieved results that exceed those of FY2021.

In the Performance Materials Business, we established a new Paper Cup Business Development Office in October 2022 to promote the development of environmentally friendly products, including plastic-free products, and to make a full-scale entry into the paper cup and paper container base paper markets. We

also worked to strengthen our collaboration of Hokuetsu Package processing paper cup base paper produced at our Niigata and Kishu mills. Sales in the packaging business increased due to special demand for vapor-deposited products.

In May 2023, Hokuetsu Package concluded a technology introduction agreement with Packable, a Dutch paper container molding company, and acquired the exclusive right to manufacture and sell Halopack, a high-performance paper container, in Japan. Packable's products are highly regarded as revolutionary environmentally friendly paper-based containers with various barrier properties equivalent to those of high-performance plastic containers, and can also be hermetically sealed. Moving forward, we will further enhance the

superiority of our environmental competitiveness by developing a production system with the aim of starting commercial production by the end of FY2024.

In addition, among overseas businesses, Canada's Alberta-Pacific Forest Industries Inc. (AI-Pac) saw sales price increases that exceeded expectations amid global logistics issues, and as prices continued to rise, the company's pulp business expanded. Furthermore, in the electricity sales business, in addition to increased earnings due to weather and supply and demand factors, a recovery boiler waste heat recovery facility, installed to increase electricity sales, was able to operate at full capacity, which also contributed to higher earnings.

Medium-term Management Plan 2026: The start of the second step to realizing Vision 2030

In April 2023, we initiated the Medium-term Management Plan 2026 as the second step toward realizing Vision 2030. With this Plan, we set numerical targets, including consolidated net sales of ¥330 billion, and promote business activities toward further enhancing our corporate value in accordance with three basic policies: "shift business portfolio," "strengthen competitiveness," and "promote sustainability (ESG) activities."

Since our 100th anniversary in 2007, the Group has aggressively shifted its portfolio, with Alberta-Pacific Forest Industries Inc. entering the commercial pulp business in Canada and Jiangmen Xinghui Paper Mill Co., Ltd. entering the white paperboard business in China. We also started a containerboard base paper business in Japan.

In addition, we hold 24.8% of the shares in Daio Paper Corporation, a major household paper manufacturer. We continue to hold this asset based on its significance in the Group's medium-to long-term business strategy, such as accelerating our portfolio shift and strengthening our business footing by strengthening alliances and developing new businesses.

During the three years of the Medium-term Management Plan 2026, we will aim for further growth by pursuing a business portfolio shift and strengthening our competitiveness through the development of new businesses that will become core businesses in the future, including by entering into new

businesses through M&As, and the focus on high value-added products, such as by developing environmentally friendly products and new products that meet customer needs as well as expanding the applications of existing products.

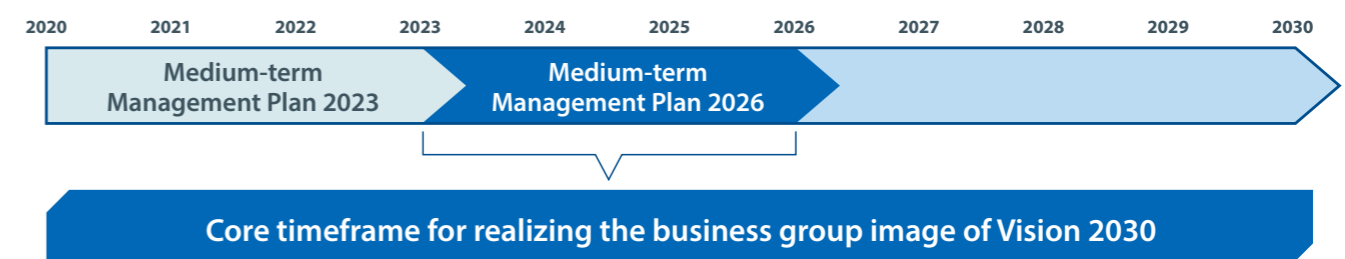
Regarding the issue of climate change, we have been producing paper with zero CO<sub>2</sub> energy consumption, which is the highest level in the industry, as a result of our efforts since 1995, which includes the installation of additional biomass boilers. During the three years of the new medium-term management plan, we will move forward with environment-related investments with the aim of further reducing group-wide CO<sub>2</sub> emissions through the promotion of green transformation and preserving biodiversity by cultivating and managing company-owned forests.

In addition, we jointly applied for the "Survey on Implementation of Japanese Advanced CCS Projects in FY2023" by the Japan Organization for Metals and Energy Security, and were commissioned to conduct the survey. We will continue our challenge to achieve virtually zero CO<sub>2</sub> emissions by 2050 by working together with the joint applicants toward the start of the advanced CCS project in 2030.

We look forward to your continued support as the Group aims to evolve and grow for the next generation based on the trust of all of our stakeholders.

Long-term Management Vision

Vision 2030



## Medium-term Management Plan 2026

—The second phase of our Long-term Management Vision - Vision 2030—

The Hokuetsu Group formulated Medium-term Management Plan 2026 as a core timeframe for realizing our business group image of Vision 2030. We aim to achieve our consolidated management indicators and strive to improve our corporate value by further shifting our business portfolio, strengthening our competitiveness, including environmental competitiveness, and promoting sustainability activities.

Changing Business Environment		
Risk	Macro Trend	Opportunity
<ul style="list-style-type: none"> <li>Economic impact of carbon taxes</li> </ul>	<p><b>Carbon pricing</b></p>	<ul style="list-style-type: none"> <li>Higher regard for low environmental impact management</li> </ul>
<ul style="list-style-type: none"> <li>Temporary increase in energy costs</li> </ul>	<p><b>Decreased dependency on fossil fuels</b></p>	<ul style="list-style-type: none"> <li>Higher regard for superior environmental friendliness</li> <li>Higher regard for products that promote decarbonization</li> </ul>
<ul style="list-style-type: none"> <li>Supply chain risks</li> </ul>	<p><b>Emphasis on human rights</b></p>	<ul style="list-style-type: none"> <li>Stronger risk management</li> <li>Promotion of sustainability activities</li> </ul>

### Medium-term Management Plan 2026

#### Basic Policy

- 1 Shift Business Portfolio**

  - We will pioneer new core businesses to further accelerate our business portfolio shift, with the aim of the continuous growth of the Group.
  - We will strive to expand our growth operations by exploring new businesses in Japan and overseas, promoting M&As, and developing new products that meet our customers' needs.
- 2 Strengthen Competitiveness**

  - We will further strengthen our competitiveness of "costs," "the environment," and "safety." We will pursue a safe and stable production system that ensures profitability even within the contraction occurring in the domestic printing and communication paper market.
  - By further improving our industry-leading environmental competitiveness, we will solidify our position as the papermaking company group chosen by customers.
- 3 Promote Sustainability (ESG) Activities**

  - We will promote responses to climate change, and the development of environmentally friendly products.
  - As a people-oriented company, we will promote diversity and work-style reforms, and build a resilient organization by promoting human capital management and business activities that respect human rights.
  - We will strive to enhance our corporate governance, including by strengthening our risk management system.

#### Consolidated Management Indicators (FY2025)

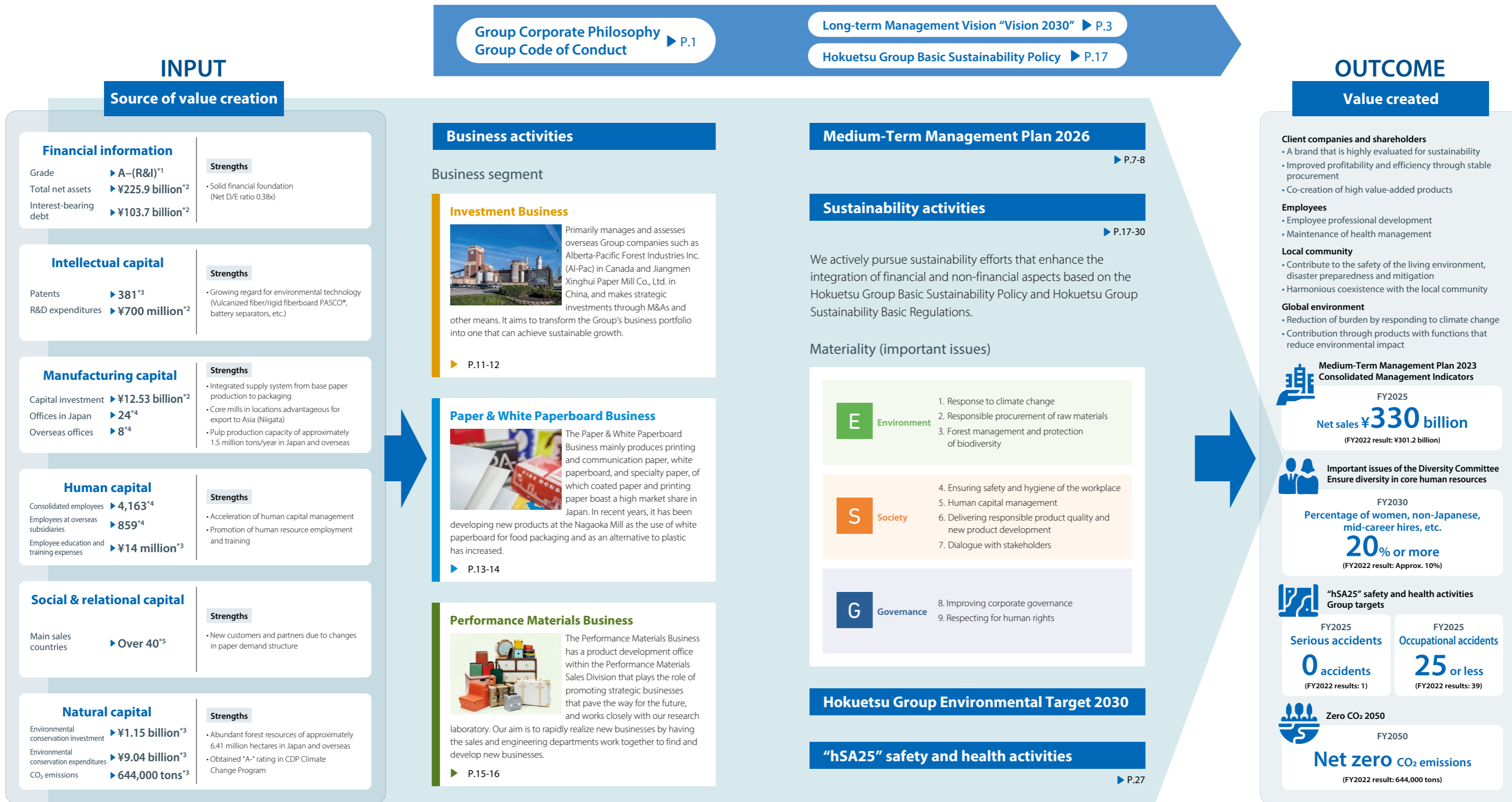
Net sales <b>¥330 billion</b>	Operating income <b>¥20 billion</b>
Ordinary income <b>¥24 billion</b>	Net income attributable to owners of parent company <b>¥20 billion</b>
ROE <b>8.0%</b>	EBITDA <b>¥39 billion</b>

#### Investment Plan

Growth & improvement investment <b>¥30 billion</b>	Growth & improvement and maintenance & renewal investment includes <ul style="list-style-type: none"> <li>Environment-related investment <b>¥9 billion</b></li> <li>Human capital investment <b>¥6 billion</b></li> <li>IT &amp; system investment <b>¥4 billion</b></li> </ul>
Maintenance & renewal investment <b>¥40 billion</b>	
Strategic investment (M&As, new investment) <b>¥40 billion</b>	

# Value Creation Process

We aim for sustainable growth through the realization of our corporate philosophy and contribute to solving social issues by engaging in business activities that realize our long-term management vision.



\*1 Issuer rating by Rating and Investment Information, Inc. (R&I) (March 31, 2023) \*2 Results for FY2022 (consolidated). \*3 Results for FY2022 (non-consolidated). \*4 As of March 31, 2023 \*5 Main countries with sales results in FY2022

Business Strategy

# Investment Business





Jiangmen Xinghui Paper Mill Co., Ltd. Alberta-Pacific Forest Industries Inc.

## Looking back on FY2022 and strategy moving forward | Accelerating the business portfolio shift by leveraging our core technology and expertise

In FY2022, to achieve a "business portfolio shift" which is set by "Medium-term Management Plan 2023" a series of initiatives were conducted such as looking for the entering opportunities for new businesses, expanding existing business areas including M&As.

In order to achieve the Group's sustainable growth, we will continue to develop new businesses for the future and promote business portfolio shift. Moreover, to grow our business, we will strengthen the cooperation with existing invested businesses, look for new business globally, chase M&A opportunities, and support the development of new products that meet market needs.

### Consolidated subsidiaries

Company	Business Overview	Main activities in FY2022	Business strategy moving forward
 <p><b>Alberta-Pacific Forest Industries Inc. (AI-Pac)</b></p> <ul style="list-style-type: none"> <li>Location: Alberta, Canada</li> <li>Business: Pulp manufacturing, power export, etc.</li> <li>Products: Hardwood pulp, softwood pulp</li> <li>Production capacity: 640,000 tons/year</li> </ul>	<p>AI-Pac is one of North America's largest commercial pulp mills producing market pulp and exporting power to the grid in Alberta which is generated by biomass.</p>	<p>In the first half of FY2022, production and shipments were slow due to a shortage of freight rail cars, which also resulted in a sluggish power sales business. When the logistics situation improved in the second half, production and shipments recovered to almost normal levels, and electricity sales accordingly. This brought almost record-high earnings with the help of record-high pulp prices.</p>	<p>To maximize the power sales business and reduce CO<sub>2</sub> emissions, we implement plans and initiatives. Also, we will make efforts to increase log-to-pulp yields and optimize energy consumption processes for the aim of improving our pulp production cost competitiveness.</p>
 <p><b>Jiangmen Xinghui Paper Mill Co., Ltd.</b></p> <ul style="list-style-type: none"> <li>Location: Guangdong, China</li> <li>Business: Manufacture and sales of white paperboard</li> <li>Products: Coated duplex board, coating liners, white liners</li> <li>Production capacity: 300,000 tons/year</li> </ul>	<p>Jiangmen Xinghui Paper Mill manufactures and sells white paperboard that meet customer needs, such as coated duplex board used for packaging materials, special grade paper for blister packs, and uncoated products. The sales are centered in Guangdong Province, and they also export to Southeast Asia.</p>	<p>In China, the economic situation was sluggish due to the "zero COVID" policy, and the paper industry as a whole continued to face difficult business operations. Despite these difficult circumstances, they implemented vacuum pumps to save energy and introduced sales of white back coated duplex board suitable for blister packs.</p>	<p>While securing stable sources of recycled paper, the main raw material, and alternative raw materials, and promoting sales expansion by cultivating new customers and developing new products, we will also work to comply with environmental regulations that are becoming stricter every year.</p>



### TOPICS

#### AI-Pac's 30th anniversary


AI-Pac began commercial production in 1993 and celebrated its 30th anniversary in 2023. Since the planning of the business, the construction and operation of the mill has been carried out with the cooperation of Japanese and Canadians and has overcome various hardships and transitions up to the present day. Since 2015, the company has become a member of the Hokuetsu Corporation Group and has developed a cooperative structure. It continues to write new history for the Group. Currently, the company is not only involved in the pulp business, but also serves as a base for the overseas business development of the Hokuetsu Group, including expanding the electricity sales business and developing new businesses.



### Consolidated subsidiaries (Performance Materials Business)

Company	Business Overview	Main activities in FY2022	Business strategy moving forward
 <p><b>Bernard Dumas S.A.S. (Dumas)</b></p> <ul style="list-style-type: none"> <li>Location: Dordogne, France</li> <li>Business: Manufacture and sale of glass fiber sheets</li> <li>Products: AGM battery separators, filter paper</li> </ul>	<p>Dumas is a French manufacturer of performance materials and specialty papers. It became a wholly owned subsidiary in 2012. Main products are AGM battery separators, air purification filter paper, etc. by using glass fiber as raw material.</p>	<p>Both sales and operating income (EBIT) exceeded the previous year thanks to recovery from the impact of the spread of COVID-19 and an increase in selling prices.</p>	<p>Although the European AGM battery separator market has entered a stable period, new entrants are continuing to enter the market, so we will work to maintain market share and promote sales expansion activities to expand the market outside of Europe.</p>
 <p><b>Shanghai Toh Tech Co., Ltd.</b></p> <ul style="list-style-type: none"> <li>Location: Shanghai, China</li> <li>Business: Production of chip carrier tape</li> </ul>	<p>Shanghai Toh Tech processes the base paper produced at the Nagaoka Mill and other locations to produce chip carrier tapes for transporting electronic components such as capacitors and resistors.</p>	<p>This year marked a turning point in the market, with demand for smartphones, which had been the market driver, plummeting due to the strong impact of the "zero COVID" policy, including the implementation of a lockdown in Shanghai.</p>	<p>In China, the production of electric vehicles (EVs) is rapidly expanding, and vehicle electronic components are expected to grow further in the future. We will work to strengthen our earnings base by shifting to growth fields while collaborating with customers.</p>

### Other overseas businesses

Company	Business Overview	Main activities in FY2022	Business strategy moving forward
 <p><b>Freewheel Trade and Invest 7 Pty Ltd. (FW)</b></p> <ul style="list-style-type: none"> <li>Location: KwaZulu-Natal, Republic of South Africa</li> <li>Business: Timber farming</li> </ul>	<p>FW is a joint venture between Hokuetsu Corporation (90%) and South African company NCT Forestry Agricultural Co-operative Limited (10%). It operates a tree-planting business in the Republic of South Africa, and operates through a cycle of tree planting, nurturing growth, felling, and tree production and lumber.</p>	<p>In order to reduce transportation costs, it has increased the use of freight rail cars instead of trucks. In addition, it closely monitored the market conditions for eucalyptus lumber, which is expected to sell at a higher price, and planned logging areas and strengthened sales to ship and sell products in a timely manner, where demand is expected to increase.</p>	<p>The company will expand the area of forest land it owns and manages by confirming the intentions of other local forest owners and, in some cases, purchasing forest land. It aims to further expand business and capture new business opportunities in the future by increasing its capacity to absorb CO<sub>2</sub>.</p>

### Affiliated companies accounted for under the equity method

Company	Business Overview
<p><b>Daio Paper Corporation</b></p>	<p>Hokuetsu Corporation acquired the shares of Daio Paper, a general paper manufacturer, in 2012, and as of the end of March 2023, owns 41,589,000 shares, or 24.8% of the outstanding shares excluding treasury stock, and considers the company to be an equity method affiliate.</p> <p>By capturing revenues from the home and personal care business, which is the company's forte, we have shifted our business portfolio as stated in Medium-term Management Plan 2026. Also, we continue and strengthen the cooperative relationship with the company as part of our medium- to long-term management strategy by holding the shares of Daio Paper.</p> <ul style="list-style-type: none"> <li>Headquarters: Shikokuchuo City, Ehime Prefecture</li> <li>Business: Manufacture, processing and sale of paper, paperboard, pulp and their by-products</li> <li>Products: Newsprint paper, printing paper, packaging paper, paperboard, containerboard, pulp, sanitary paper, disposable diapers, etc.</li> <li>Production capacity: 210,000 tons/year</li> </ul>

Business Strategy

# Paper and White Paperboard Business

Main product lineup

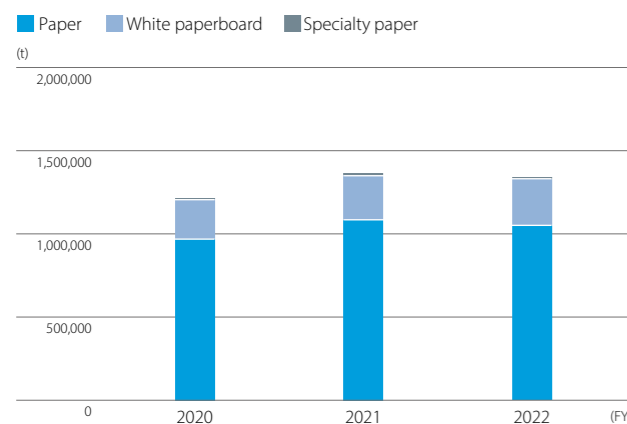
- Paper  
Printing paper, colored wood-free paper, communication paper, packaging paper, specialty paper
- White paperboard  
Cast-coated paper, art-post, premium white paperboard, specialty white paperboard, coated duplex board



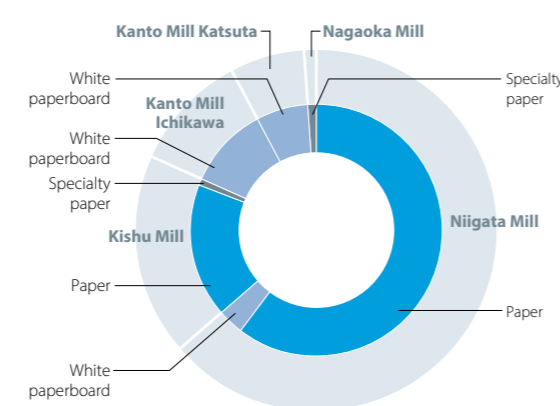
Looking back on FY2022 | Aiming to achieve business strategic goals by leveraging the strengths of the Hokuetsu Group

Business strategy	Status of efforts in FY2022
Build a best production scheme for printing and communication paper according to domestic and international demand movement	Because of raw materials and fuel and logistic cost increasing by rapid depreciation of Japanese yen, we were forced to implement price revisions of our products. Also we had shut down No.2 paper machine at Niigata mill as of June 2022. At the same time, we are now in the process of reviewing our product lineup, including consideration of basis weight and consolidation of product lineup in order to increase efficiency of production. Moving forward, the Profit Management Office will pursue a product mix that responds to changes, aiming for best production and maximum profits.
Strengthen export and sales expansion based on a direct trading system	We have a top share of major printing paper (like printing paper category A and LWC) among Japanese manufacturers for export quantity. In FY2022, our export quantity reached approximately 300,000 tons on a weight basis. Although we had to make stable arrangements for shipping delivery under global supply chain turmoil, we were able to achieve 111% year-on-year growth in Kishu cup base paper and 103% year-on-year growth in medium paper.
Development of new products to utilize printing and communication paper manufacturing technology	We are focusing on proposing paper file folders as an alternative to plastic folders, and sales volume is increasing. Regarding water-absorbent paper, we are also proposing that it can be applicable not only to absorb water, but also to impregnate and retain chemicals when in need.
Aiming for customer satisfaction by looking for latent demand to our products	The Wholesale Merchant Department, Direct Sales Department, and Publishing & Media Department have developed speedy sales activities based on the main products of each department to leverage their strength in handling all products. Also, the Material Logistics Department has improved delivery systems to be more efficient by sharing production information from each mill. (Transitioned to a new organizational structure from April 2023.)
Taking in new products needs for packaging business by whole of Hokuetsu Group	To respond to the various requirements from our customers, we are working together with group companies Hokuetsu Package and Hokuetsu Paper Sales to engage in various research and development activities. We will continue to promote research and development in the packaging market with a sense of urgency as a unified group.

Paper & White Paperboard Sales Division: Production



Production ratio by product and mill (FY2022)



Business strategy moving forward | Aiming to improve profitability to respond in a changing external environment under a new organizational structure

- Since April 2023, the first year of the Medium-term Management Plan 2026, we changed our organizational structure of four departments as new: the Paper Sales Department, the White Paperboard Sales Department, the Export Department, and the Product Logistics Department. Through discussion with various customers, we are trying to engage in sales adapting to changes in the demand environment after the price improvement.
- The Paper Sales Department will work with mills to achieve best production and logistics in accordance with the strategies of the Profit Management Office. In addition, it will strive to secure profits by establishing a system that can quickly respond to domestic and overseas market trends and rapidly changing exchange rates.
- The White Paperboard Sales Department will strive to expand users base with the target of recovering the market share for coated duplex board, and aim to rebuild the white paperboard business while closely cooperating with the Paper Cup Business Development Office.
- The Product Logistics Department are aiming to improve transportation efficiency by further promoting a modal change in order to eliminate the "2024 problem" and promote reductions in Scope 3 CO<sub>2</sub> emissions.

Building an optimal production system

Improving production efficiency with a sales system that captures customer needs

Based on the strategy by Profit Management Office, sales departments and mills will work together to implement an optimal production, and are aiming to secure profits by maintaining price improvement and expanding sales by higher competitive products. In addition, we are aiming to build the trust of our customers and stronger relationships by striving to provide stable supplies from both production and logistics aspects.

We will actively convey our environmental initiatives to users who are highly environmentally conscious and also by promotion of the superiority of our products' environmental performance, we are trying to get new business extension and sales.

Strengthen profitability of existing businesses

Aiming to secure further profits based on product price improvement

The Paper Sales Department will closely monitor demand trends for coated paper, deepen mutual understanding with users, and strengthen alliances through products with a stable supply and high environmental performance, which are our strong points.

For uncoated paper, on the other hand, we will focus on understanding the trends of major users and respond flexibly through mutual production between the Niigata and Kishu mills. For colored wood-free paper, we will focus on securing our existing market share by strengthening relationships with our main distributors.

For the White Paperboard Sales Department, sales forecast would continue to be sluggish primarily due to low demand for packaging, which is a main application, has not returned to pre-COVID levels.

However, we expect the demand recovery trend to continue in the long term due to a recovery in the flow of people as COVID-19 has been reclassified as a Class 5 infectious disease. As such, until demand fully recovers, we will promote the reduction of CO<sub>2</sub> emissions at our Kanto Mill and make our environmental efforts a key point in our efforts to recover sales volume and further expand sales.

The Export Department is responsible for responding immediately to rapidly changing exchange rate and export market trends, promoting optimal logistics and price changing to products in accordance with the Profit Management Office's strategies, and contributing to the improvement of profitability by increasing marginal profit.

Tackling the logistics problem in 2024

Accelerating a modal shift to cover a shortage of truck drivers

From April 1, 2024, overtime hours for truck drivers will be capped at 960 hours per year, leading to concerns that truck transportation capacity will decline.

We had estimated that the transportation capacity from the Niigata Mill and Kanto Mill (Ichikawa/Katsuta) to Kansai area and westward might decrease, so we have begun switching to JR rail containers for some of the logistics from the Kanto Mill. Moving forward, we will continue to accelerate the modal shift by increasing container transportation to appropriately respond to the "2024 problem" and further reduce CO<sub>2</sub> emissions.



Business Strategy

# Performance Materials Business

Main product lineup

- **Performance materials**  
Functional paper (chip carrier tape base paper, glass fiber filter media, metal interleaving paper, abrasive-coated base paper, oil resistant paper, PASCO®), communication paper (OCR paper, form printing paper, crimped postcard paper, etc.), specialty processed products (Poem-S, films for printing)
- **Containerboard base paper**  
General corrugating mediums (HDM), reinforced corrugating mediums (HDM-S)

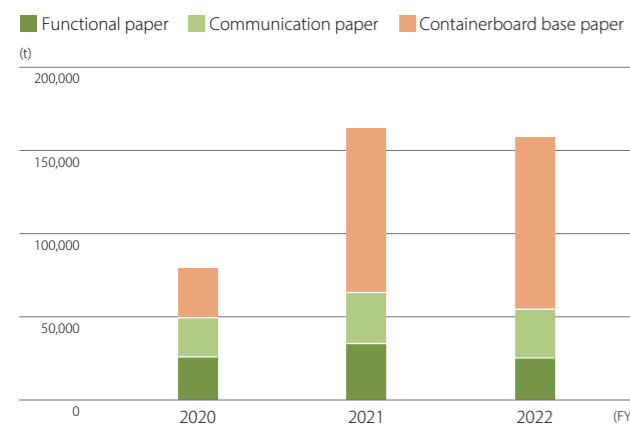


Nagaoka Mill

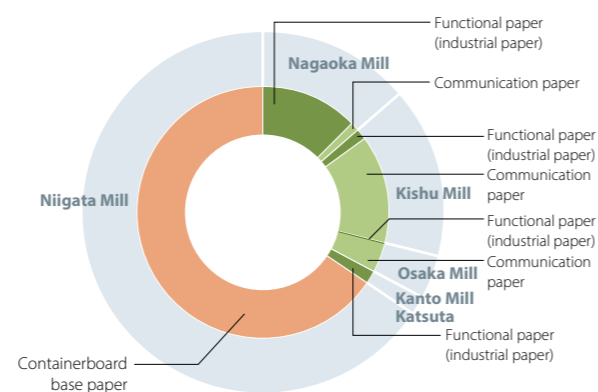
Looking back on FY2022 | Promoting strategies for each business and focusing on high value-added product development and stable production

Business strategy		Status of efforts in FY2022
Performance Materials Sales Department	Efforts related to measures to build a system to produce and sell growth products from a global perspective	We are considering expanding production capacity to meet demand to permanently maintain and expand the market share of AGM battery separators made by Dumas, a French group company. In addition, the Nagaoka Mill produces AGM battery separators for the Japanese market.
	Capture demand for alternatives to plastics	Our rigid fiberboard PASCO® is used as an alternative for plastics in the hooks and hangers of major apparel companies, and efforts are being made to recycle these items collected at stores into PASCO®. We have also started efforts to replace plastic parts in store fixtures with PASCO®.
	Develop businesses that leverage the strength of the Group's integrated production from base paper to processed products	Demand for HOCTO®, a base paper for chip carrier tape used to transport electronic components, is expected to increase in the mobility field. Using the pulp produced at the Niigata Mill as the main raw material, we produce base paper at the Nagaoka Mill and Kanto Mill (Katsuta), and process it into chip carrier tapes that meet customer needs. Part of this process is also done by our Group company in China, Shanghai Toh Tech, creating an integrated supply system within the Group.
Containerboard Sales Department	Deepen relationships with customers and expand the basics of production and sales in the containerboard base paper business	We quickly and accurately capture needs and reflect them in product development, production, and sales through direct dealings with customers. In FY2022, we achieved production and sales of over 100,000 tons in Japan and for export.
	Promote the improvement of production efficiency and improve profitability at an early stage	We are working to improve production efficiency by improving the per unit of raw fuels and expanding daily production. In addition, to accelerate improved profits, we are focusing on the development, production, and sales of high value-added products, centered on thinner base paper, which is our specialty.
Paper Cup Business Development Office	Restructure our business portfolio and study new fields and businesses	In October 2022, we created a new organization, the Cup Business Development Office, within the Performance Materials Business Division. We are delving deeper into cup paper development projects and working with Group company Hokuetsu Package to offer concrete proposals using processed paper. In addition to being used for paper cups, we are also focusing on proposals for replacing plastic containers with paper ones in response to needs for plastic-free products and products that use less plastic.
Product Development Office	Strengthen business by deepening cooperation among Group companies	In collaboration with Hokuetsu Package and Hokuetsu Paper Sales, we are continually proposing paper packaging materials as an alternative to plastic. As a result of repeated consultations with potential customers, we were able to realize commercialization in several instances. Additionally, the electromagnetic noise suppression sheet currently under development is being evaluated by end users.

Performance Materials Sales Division: Production



Production ratio by product type and mill (FY2022)



Business strategy moving forward | Actively offering environmentally friendly products such as alternative uses for plastic packaging materials

- The Performance Materials Sales Department strives to expand the market share of products that require outstanding functionality, such as environmentally friendly products that contribute to the reduction of CO<sub>2</sub> and the volume of plastic waste, as well as products related to hygiene management and advanced technology.
- The Containerboard Sales Department aims to build a strong profit structure by strengthening stable production and sales systems. We also work to further reduce the weight of thinner base paper and address the need to reduce CO<sub>2</sub> emissions at the production and logistics stages.
- The Paper Cup Business Development Office, which was newly established in October 2022, and the Product Development Office, whose name was changed from the Performance Materials Development Office in April 2023, are working on proposals to replace plastic packaging materials used for food products with paper.

Performance Materials Sales Department

Expanding market share and stable supply of products related to environment, hygiene, and advanced information technology

To meet the growing need for environmentally friendly products, we proactively propose paper that can be used as a substitute for flexible packaging for food as an alternative to plastics. We also promote the development of new applications for our rigid fiberboard PASCO®. We have also built a stable supply system for HOCTO®, a base paper for carrier tape that transports electronic components, which is an advanced information technology-related product that is essential for the development of social infrastructure, battery separators, filter media for hygiene-related products, microfine®, and RO membrane backings. In the area of functional communication paper, we actively engage in sales activities for crimped postcard paper.



Containerboard Sales Department

Working to lower the weight of base paper and addressing the need to reduce CO<sub>2</sub> emissions during production and transportation

In order to further expand and develop our business in the future, we aim to build a strong profit structure by stabilizing our production system and strengthening our sales capabilities. Regarding sales in Japan, in response to the recent rise in the price of raw materials and fuel, we have revised our prices twice over the past two years with the understanding of our customers, which has contributed to improved profitability. In addition, we will further expand sales of thinner base paper, which is our forte, by addressing the need to reduce CO<sub>2</sub> emissions during production and transportation by reducing weight. Exports are lackluster due to sluggish demand in China, our main export market, but we aim to differentiate ourselves from other companies by implementing quality designs that incorporate local needs and continue to strengthen our sales capabilities.

Paper Cup Business Development Office

Promoting market research, developing cup base paper, and proposing base paper for paper containers

We will increase our ability to propose products to customers such as domestic cup molding manufacturers who are highly environmentally conscious and expand our projects by leveraging our strength in the ability to produce base paper with low CO<sub>2</sub> emissions. Additionally, we will focus on market research from our users' perspectives, connect society's needs for plastic-free products and products with lower plastic content to our proposals for paper food containers, and aim to expand our business through collaboration with Hokuetsu Package. At the same time, we will proceed with specific proposals and commercialization tailored to the quality and characteristics of each cup base paper, such as paper-based and white paperboard-based paper, which will help us establish quality at an early stage.

Product Development Office

Commercializing paper food packaging materials and proposing electromagnetic wave shielding materials

Due to a reorganization in April 2023, we changed the name from "Performance Materials Development Office" to "Product Development Office." In response to the trend of replacing plastic food packaging materials with paper to reduce plastic waste, we have commercialized paper materials such as "Panse" that is suitable for packaging machines and are offering them to customers. In electromagnetic wave shielding materials, we will further develop electromagnetic noise suppression sheets that are effective for large-capacity communication cables and next-generation communications such as 5G.



# Sustainability

Sustainability initiatives in a company's business activities have become increasingly important. In December 2021, we established the "Hokuetsu Group Basic Sustainability Policy" and "Hokuetsu Group Sustainability Basic Regulations," and actively and proactively pursue sustainability efforts that enhance the integration of financial and non-financial aspects.

## Hokuetsu Group Basic Sustainability Policy

In order to be "socially and environmentally responsible" as stated in the Group Corporate Philosophy, the Group will contribute to the realization of a sustainable society by minimizing any impact on the environment from raw materials to end products. We will:

- Strive for zero CO<sub>2</sub> emissions by 2050.
- Work to solve social issues through our business based on our Long-term Management Vision.
- Continue to be a sincere company that thoroughly complies with laws and regulations together with our business partners and customers.

[WEB Hokuetsu Group Sustainability https://www.hokuetsucorp.com/en/sustainability/activity.html](https://www.hokuetsucorp.com/en/sustainability/activity.html)

## Sustainability Management

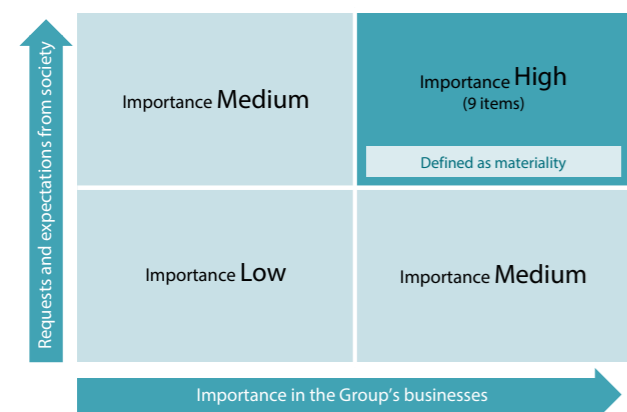
### Identifying materiality (important issues)

The Group identifies materiality that should be prioritized in the medium- to long-term by selecting issues based on the two axes of "requests and expectations from society" and "importance in the Group's businesses" based on the keywords of the Group Corporate Philosophy while referring to international standards.

In April 2023, we conducted a review in conjunction with

the formulation of the Medium-term Management Plan 2026, and identified nine new materialities in response to changes in the external environment. We believe that identifying materiality and contributing to resolving social issues enhances the sustainability of the Group.

Materiality map (as of 2023)



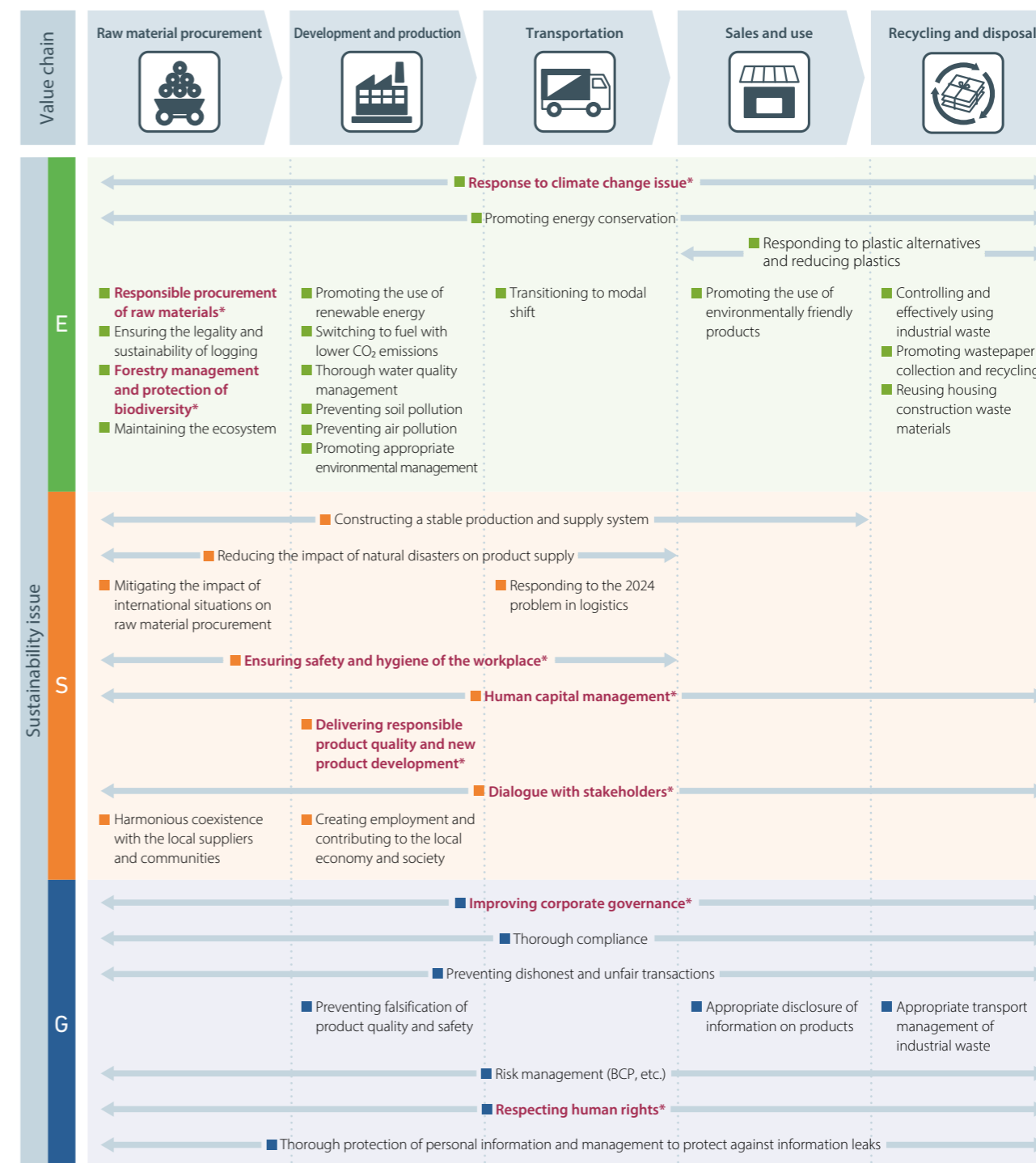
\* Materiality is set in line with the Medium-term Management Plan and reviewed as necessary.

Materiality classifications (9 items)

- E Environment**
  1. Response to climate change issue
  2. Responsible procurement of raw materials
  3. Forestry management and protection of biodiversity
- S Society**
  4. Ensuring safety and hygiene of the workplace
  5. Human capital management
  6. Delivering responsible product quality and new product development
  7. Dialogue with stakeholders
- G Governance**
  8. Improving corporate governance
  9. Respecting human rights

### Value chain and sustainability issues

When identifying materiality, the Group also considers sustainability issues in each process of the value chain to more appropriately identify materiality.



\* Materiality

## Group Sustainability Activity Implementation Targets

The Group has set targets for promoting Group sustainability activities in order to achieve materiality. We reviewed these targets with materiality in conjunction with formulating the Medium-term Management Plan 2026 in April 2023. Additionally, we have newly created group-wide KPIs that will serve as more specific activity targets.

No.	FY2022		No.	FY2023-2025				
	Materiality	Sustainability Activity Implementation Targets		Materiality (Important Issues)	Sustainability Activity Implementation Targets (Strategy)	Group-wide KPIs (Indicators and Targets)	SDGs Targets	
E	1	Promotion of global warming countermeasures	E	1	Response to climate change	<ul style="list-style-type: none"> <li>Achieve "Zero CO<sub>2</sub> 2050" to reduce CO<sub>2</sub> emissions to virtually zero by 2050 through the use of biomass energy and the latest technology</li> </ul>	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions in 2030 by 43% compared to FY2005</li> </ul>	6.3 11.6 13.3
	2	Consideration for the global environment by reducing the environmental load		2	Responsible procurement of raw materials	<ul style="list-style-type: none"> <li>Promote CSR-aligned raw materials procurement that considers the environment and society based on the Hokuetsu Group Fundamental Policy for Raw Materials Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Procure wood pulp for paper produced in socially, economically and environmentally sound ways <b>NEW</b></li> </ul>	7.2 12.4 9.4 12.5
	3	Promotion of the procurement of environmentally friendly raw materials		3	Forestry management and protection of biodiversity <b>NEW</b>	<ul style="list-style-type: none"> <li>Leveraging the multiple functions of forests, maintain proper and sustainable management of Hokuetsu-owned and managed forests <b>NEW</b></li> <li>Preserve the biodiversity of owned and managed forests, and strive for community interaction through owned and managed forests <b>NEW</b></li> </ul>	<ul style="list-style-type: none"> <li>Maintain or increase absorption of CO<sub>2</sub> by owned and managed forests <b>NEW</b></li> <li>Strengthen community exchange activities related to biodiversity <b>NEW</b></li> </ul>	12.7
S	4	Ensuring product safety and responsible services to customers	S	4	Ensuring safety and hygiene of the workplace	<ul style="list-style-type: none"> <li>Strive for an accident-free workplace by following the hSA25 roadmap</li> </ul>	<ul style="list-style-type: none"> <li>Zero serious accidents every fiscal year</li> <li>25 or fewer industrial accidents (including minor accidents) every fiscal year <b>NEW</b></li> </ul>	3.6
	5	Creation of products that contribute to sustainable social development		5	Human capital management	<ul style="list-style-type: none"> <li>By promoting human capital management, accelerate talent hiring and training, striving to increase the competitiveness of the Group as a whole</li> </ul>	<ul style="list-style-type: none"> <li>Double the percentage of women, non-Japanese, and mid-career hires in management and executive ranks by 2030 from the current level (FY2021) of approximately 10%</li> <li>Improve retention (newly grads/mid-career) <b>NEW</b></li> <li>Increase education and training investment per employee <b>NEW</b></li> <li>Total the number of training participants <b>NEW</b></li> <li>Increase the number of qualifications and licenses held <b>NEW</b></li> <li>Higher percentage of women in management <b>NEW</b></li> <li>Improve the rate of men taking childcare leave <b>NEW</b></li> </ul>	5.1
	6	Ensuring safety and hygiene of the workplace						5.5
	7	Respect for diversity and human resource development						5.C
	8	Promotion of work-life balance and health						8.5
9	Enhancement of dialogue with stakeholders	6	6	Delivering responsible product quality and new product development	<ul style="list-style-type: none"> <li>Ensure product quality and safety</li> <li>Develop new, environmentally friendly products <b>NEW</b></li> </ul>	<ul style="list-style-type: none"> <li>Zero product liability accidents (non-consolidated) <b>NEW</b></li> <li>Enhanced range of environmentally friendly products <b>NEW</b></li> <li>Development of products harnessing nanotechnology <b>NEW</b></li> </ul>	12.4	
7	Dialogue with stakeholders						12.5	
G	10	Continuous improvement of corporate governance	G	8	Improving corporate governance	<ul style="list-style-type: none"> <li>Continuously improve corporate governance</li> <li>Strive to enhance risk management activities</li> </ul>	<ul style="list-style-type: none"> <li>Improved stakeholder engagement (IR/SR meetings, factory visits/internships, employee surveys, etc.) <b>NEW</b></li> <li>Survey responses <b>NEW</b></li> <li>Continued CSR activities <b>NEW</b></li> </ul>	12.7
		Strengthening risk management of issues such as the novel coronavirus						14.2
	11	Penetration of Group Corporate Philosophy and thorough legal compliance						8
G	10	Continuous improvement of corporate governance	8	Improving corporate governance	<ul style="list-style-type: none"> <li>Continuously improve corporate governance</li> <li>Strive to enhance risk management activities</li> </ul>	<ul style="list-style-type: none"> <li>Enhance content of disclosure <b>NEW</b></li> <li>Continue risk reduction activities <b>NEW</b></li> </ul>	3.3	
		Strengthening risk management of issues such as the novel coronavirus					16.5	
G	11	Penetration of Group Corporate Philosophy and thorough legal compliance	9	Respecting human rights <b>NEW</b>	<ul style="list-style-type: none"> <li>Promote approaches that respect human rights <b>NEW</b></li> </ul>	<ul style="list-style-type: none"> <li>Sign up to the United Nations Global Compact <b>NEW</b></li> <li>Establish a human rights policy <b>NEW</b></li> <li>Establish approaches for respecting human rights <b>NEW</b></li> </ul>	8.7	
		Aim for the Group Corporate Philosophy to take hold and ensure thorough legal compliance					10.2	
								10.3

# Initiatives to Achieve Materiality (Important Issues) Environment

## Materiality 1 Response to climate change issue

### Reason to emphasize

The Hokuetsu Group has taken the lead in reducing CO<sub>2</sub> emissions to reduce climate change risks. We reflect risks and opportunities in our management strategy based on the TCFD recommendations and are engaging in environmental management with the aim of achieving net zero CO<sub>2</sub> emissions by 2050.

<b>Main group-wide KPI</b> • Reduce CO <sub>2</sub> emissions in 2030 by 43% compared to FY2050	<b>Progress (FY2022)</b> • CO <sub>2</sub> emissions: 644,000 (tons non-consolidated), 37.2% reduction compared to FY2005
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### Aiming for net zero CO<sub>2</sub> emissions

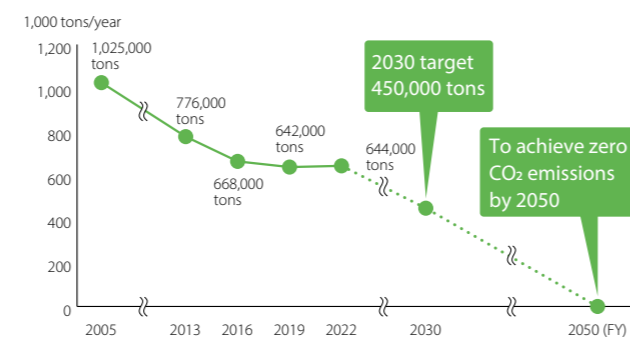
The Hokuetsu Group has been working to reduce CO<sub>2</sub> emissions since 1995 as a measure against climate change, and our capital investment over the past 25 years has amounted to approximately ¥50 billion.

Currently, we are aiming to achieve the goal of “Zero CO<sub>2</sub> 2050,” which aims to reduce CO<sub>2</sub> emissions to net zero by 2050, and to “reduce CO<sub>2</sub> emissions in 2030 by 43% compared to 2005.” Specifically, we will take on the challenge of switching to city gas and/or natural gas, which emit less CO<sub>2</sub> when burned than heavy oil, and increase our zero CO<sub>2</sub> energy ratio. In addition, we will take on a challenge of reducing CO<sub>2</sub> emissions by creating an environment where we can make the most of the renewable energy we generate in-house using biomass, solar, and other sources.

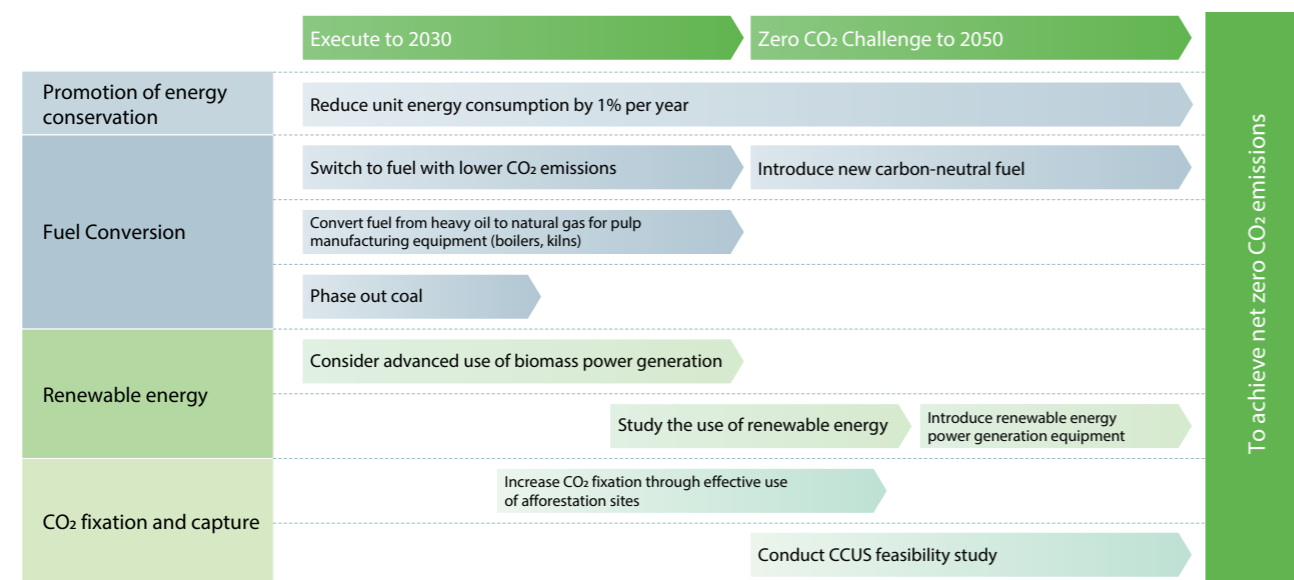
Furthermore, in addition to using our own forest resources, we will continue to work towards achieving our KPIs by taking

measures such as improving energy efficiency, including saving power consumption and saving steam consumption.

Change in CO<sub>2</sub> emissions (non-consolidated)



### Initiatives to reduce CO<sub>2</sub> emissions



### Use biomass energy

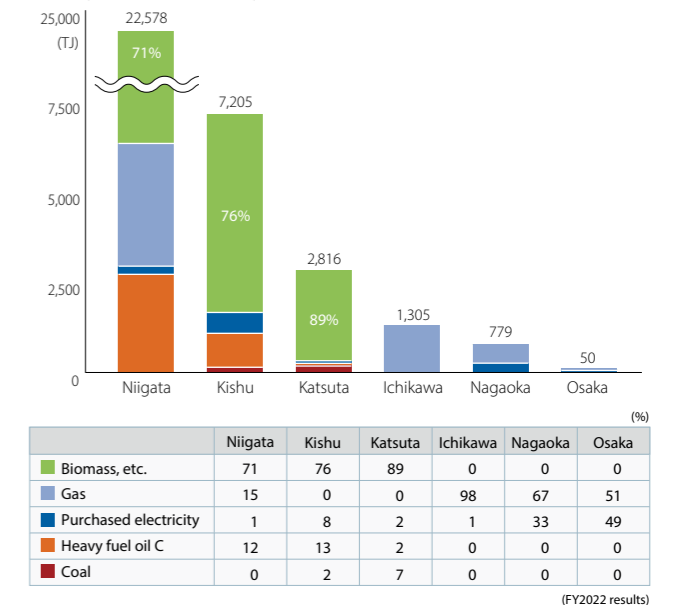
Renewable wood biomass absorbs CO<sub>2</sub> during its growth process, so it is believed even if it is burned it will not increase CO<sub>2</sub> in the atmosphere.

The Kanto Mill (Katsuta), Niigata Mill, and Kishu Mill conduct production activities using mainly biomass energy. All mills have achieved a zero CO<sub>2</sub> energy ratio of over 70% using biomass energy, waste energy, etc.

In particular, the Kanto Mill (Katsuta) has increased its zero CO<sub>2</sub> energy ratio to 89% by using a large wood biomass boiler that uses construction waste and other materials as fuel. We will continue to take on the challenge of increasing our biomass energy ratio and aim for CO<sub>2</sub> emission-free mills ahead of 2030.

We will continue to expand the possibilities of using biomass energy, take further measures to reduce CO<sub>2</sub> emissions, and continue our challenge of achieving net zero emissions by 2050.

Energy consumption by fuel at each Hokuetsu Corporation mill



### CLOSE UP

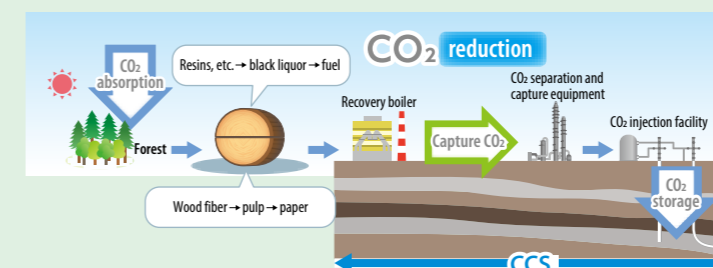
#### Initiatives to commercialize first CCS in Japan

Together with four participating companies\*, Hokuetsu is entrusted a study named FY2023 “Business Feasibility Study on Japanese Advanced CCS Project,” which was publicly solicited by the independent administrative agency Japan Organization for Metals and Energy Security (JOGMEC). Hokuetsu is the only pulp and paper manufacturer among the companies selected by JOGMEC.

The study aims to start a CCS business in East-Niigata area by 2030 and examine the separation and capture of CO<sub>2</sub> emitted from existing mills and power plants, CO<sub>2</sub> injection and storage points, and the construction of transportation pipelines that connect these venues. As part of the study, we will study equipment that separates and captures CO<sub>2</sub> derived from biomass fuel at the Niigata Mill. Plans to move forward with the survey, including estimating the necessary costs, will be ready by around March 2024.

\* Japan Petroleum Exploration Co., Ltd., Mitsubishi Gas Chemical Company, Inc., Tohoku Electric Power Co., Inc., Nomura Research Institute, Ltd.

#### Hokuetsu Corporation is taking on the challenge of negative emissions.



#### What is CCS?

CCS stands for “Carbon dioxide Capture and Storage.” This technology separates and captures carbon dioxide (CO<sub>2</sub>) emitted from factories, etc., and stores it deep underground.

Initiatives to Achieve Materiality (Important Issues) **Environment**

Disclosure of information based on TCFD recommendations 

In February 2021, the Hokuetsu Group declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Group will reflect the risks and opportunities analyzed based on the recommendations of the TCFD in its management strategy, aiming for net zero CO<sub>2</sub> emissions by 2050.



Main risks and opportunities

\* Impact: The size of a risk or opportunity is determined by the "size of impact on business" x "probability of occurrence," and is expressed as high, medium, or low.

Classification		Risk	Risk details	Level of impact	Strategies and measures to reduce risk
Transition risks	Policy/legal regulation	Tighter CO <sub>2</sub> emission regulations	<ul style="list-style-type: none"> <li>Introduce and enhance carbon pricing such as carbon taxes and emissions trading systems</li> <li>Financial impact of climate-related risks: Carbon tax burden of approximately ¥13.8 billion yen (Set based on IEA's NZE scenario as a reference)</li> </ul>	High	<ul style="list-style-type: none"> <li>Realize "Hokuetsu Group Zero CO<sub>2</sub> 2050" and "Hokuetsu Group Environmental Targets 2030"</li> <li>Promote further energy conservation</li> <li>Use biomass energy such as black liquor generated in the pulp manufacturing process actively</li> <li>Use carbon-neutral fuels</li> <li>Promote modal shift to railways, etc. with low CO<sub>2</sub> emissions</li> <li>Introduce high-efficiency chip carriers</li> <li>Study introducing advanced CCS that generates negative emissions by separating and capturing wood-derived CO<sub>2</sub></li> </ul>
		Tighter regulations for the spread of renewable energy	<ul style="list-style-type: none"> <li>Increase in unit price of levy to promote power generation with renewable energy</li> </ul>	Medium	
	Market	Soaring fossil energy prices	<ul style="list-style-type: none"> <li>Soar prices of energy derived from fossil fuels due to the decrease in investment in oil development toward the realization of a decarbonized society</li> </ul>	Low	
		Growing criticism of lack of environmental consideration	<ul style="list-style-type: none"> <li>Increase consumer criticism and product boycotts due to lack of environmental consideration in climate change countermeasures and forest conservation</li> </ul>	Low	
Reputation	Lower valuation from investors	<ul style="list-style-type: none"> <li>Lower valuation and withdraw (divest) investment in ESG investments due to delay in addressing climate change</li> </ul>	Low		
Physical risks	Acute	Impact on business due to increased extreme weather	<ul style="list-style-type: none"> <li>Damage to the company's mills and facilities due to extreme weather such as torrential rains, floods, and large typhoons</li> <li>Suspend services due to damage to infrastructure such as electricity and water caused by extreme weather</li> <li>Disrupt supply chains due to damage to roads, railways, and port facilities caused by extreme weather</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Assess and implement measures for natural disaster risks at mills</li> <li>Review BCP (Business Continuity Plan) based on "Regulations of Emergency Response"</li> <li>Promote profitable and stable procurement by diversifying suppliers, etc.</li> </ul>
	Chronic	Impact of changes in weather patterns on procurement of raw materials	<ul style="list-style-type: none"> <li>Deteriorate growth of trees and impact negatively on raw material procurement for pulp and paper due to rising temperatures, frequent forest fires, and outbreaks of diseases and insects</li> </ul>	Medium	
Classification		Opportunity	Opportunity details	Level of impact	Strategies and measures to take advantage of opportunities
Opportunity	Products and services	Growing need for environmentally friendly products and services	<ul style="list-style-type: none"> <li>Increase in need for environmentally friendly products and services due to heightened consumer awareness</li> <li>Financial impact of climate-related opportunities: Sales increase of approximately ¥13.9 billion to ¥22.8 billion</li> </ul>	High	<ul style="list-style-type: none"> <li>Provide FSC® certified products (Hokuetsu Corporation FSC license code: FSC-C005497)</li> <li>Develop composite materials of cellulose nanofiber and carbon fiber, which are cutting-edge biomass materials</li> <li>Develop and expand sales of plastic alternatives such as paper materials to eliminate plastic</li> <li>Develop and expand sales of battery separators</li> </ul>
		Sympathy for advanced environmental considerations	<ul style="list-style-type: none"> <li>Increase sympathy and active purchase of products from consumers and business partners for environmental considerations such as climate change measures and forest conservation</li> </ul>	High	
		Improved valuation from investors	<ul style="list-style-type: none"> <li>Improve valuation and attract investment in ESG investments through advanced climate change initiatives</li> </ul>	Medium	
	Market	Spread of CO <sub>2</sub> emissions trading systems	<ul style="list-style-type: none"> <li>Increase momentum to introduce carbon-negative CO<sub>2</sub> derived from biomass into chemical products such as e-methane</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Study introducing advanced CCS that generates negative emissions by separating and capturing wood-derived CO<sub>2</sub></li> </ul>
	Energy sources	Growing need for renewable energy	<ul style="list-style-type: none"> <li>Increase needs for renewable energy to achieve carbon neutrality</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Develop electrical power generation business with renewable energies such as solar power and biomass</li> </ul>
	Resource efficiency	Growing interest in forest resources	<ul style="list-style-type: none"> <li>Increase interest in forest sinks that sequester and fix CO<sub>2</sub> and contribute to climate change issues</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Promote sustainable forest management through afforestation projects and acquisition of forest certification</li> <li>Implement thinning based on the forest management plan</li> <li>Use thinned wood in construction, plywood, chips for fuel, etc. effectively</li> </ul>
		Growing interest in water resources	<ul style="list-style-type: none"> <li>Increase interest in water resources, where there are concerns about declining water volumes and deteriorating water quality due to climate change, etc.</li> </ul>	Low	

Initiatives to Achieve Materiality (Important Issues) **Environment**

**Materiality 2**  
Responsible procurement of raw materials

Reason to emphasize

The Hokuetsu Group operates globally, and we engage in procurement that takes into consideration society, human rights, and the environment based on our raw materials procurement policy to resolve social issues throughout the supply chain.

Main group-wide KPI

- Procure raw materials produced with consideration for society, economy, and environment.

Progress (FY2022)

- Procure only raw material produced legally in the forest where resources are protected, forests are cultivated, and properly managed.

Sustainable raw material procurement

The Hokuetsu Group has its "Fundamental Policy on Procurement of Wood Material" where all wood chips and pulp we purchase are produced by logs that come from legally and properly managed sustainable forests. Furthermore, we use our own traceability system to continually check the legality and sustainability of logging, and conduct annual third-party audits. Furthermore, another audit by the Japan Paper Association's Illegal Logging Measures Committee verifies that there is no illegal logging.

In FY2022, we conducted a traceability report audit in Japan with SGS Japan and applied for re-registration as a wood-related business entity based on the Clean Wood Act. Additionally, from the perspective of Japan's economic security, the flag of the wood chip carrier Hokuetsu Ibis was transferred from Panama to Japan, and changed its home port to Niigata Port. Hokuetsu Ibis is one of the largest wood chip carriers in Japan, built in 2008, and is our third Japanese-flagged vessel.

Procurement of wood chips from abroad (FY2022)

Country	Name of wood for woodchips	Forest classification		Means of verifying legality			Annual volume of wood chips procured (1,000 BDT)
		Plantation	Re-growth	Traceability report	Declaration of legality of timber for material of wood chips	Forest certification approved by third party	
Chile	Eucalyptus	●	—	●	●	●	1,623
South Africa	Acacia	●	—	●	●	●	
	Eucalyptus	●	—	●	●	●	
Australia	Eucalyptus	●	—	●	●	●	
Vietnam	Acacia	●	—	●	●	●	



**Materiality 3**  
Forestry management and protection of biodiversity

Reason to emphasize

The Group manages a total of approximately 6.41 million hectares of company-owned and managed forests in Japan, South Africa, and Canada. Protecting our irreplaceable nature is the responsibility of our Group, which is able to do business receiving the bounty of nature.

Main group-wide KPI

- Maintain and increase CO<sub>2</sub> absorption capacity of company-owned and managed forests
- Strengthen biodiversity in our forests and regional exchanges through communication with local communities

Progress (FY2022)

- CO<sub>2</sub> absorption: Approximately 7,022,000 tons/year
- Carry out forest operations that take biodiversity into consideration, and regional exchanges

Forest management and cultivation that considers biodiversity

Of the forests we own in Japan, natural forests have a high contribution to biodiversity, so as a rule we do not harvest native forests and protect them as they are. In addition, in forests where we produce softwood logs but growth is not as good as expected and they are naturally invaded by hardwood, we manage them to become mixed species forests of softwood and hardwood to improve biodiversity.

Meanwhile, in our plantation in South Africa, we maintain a good habitat for native flora and fauna by protecting riverside areas, and managing protected areas and production areas separately. We also incorporate conservation methods from the South African National Biodiversity Institute to practice forest management that respects biodiversity and is tailored to local conditions as well as we do in Japan.

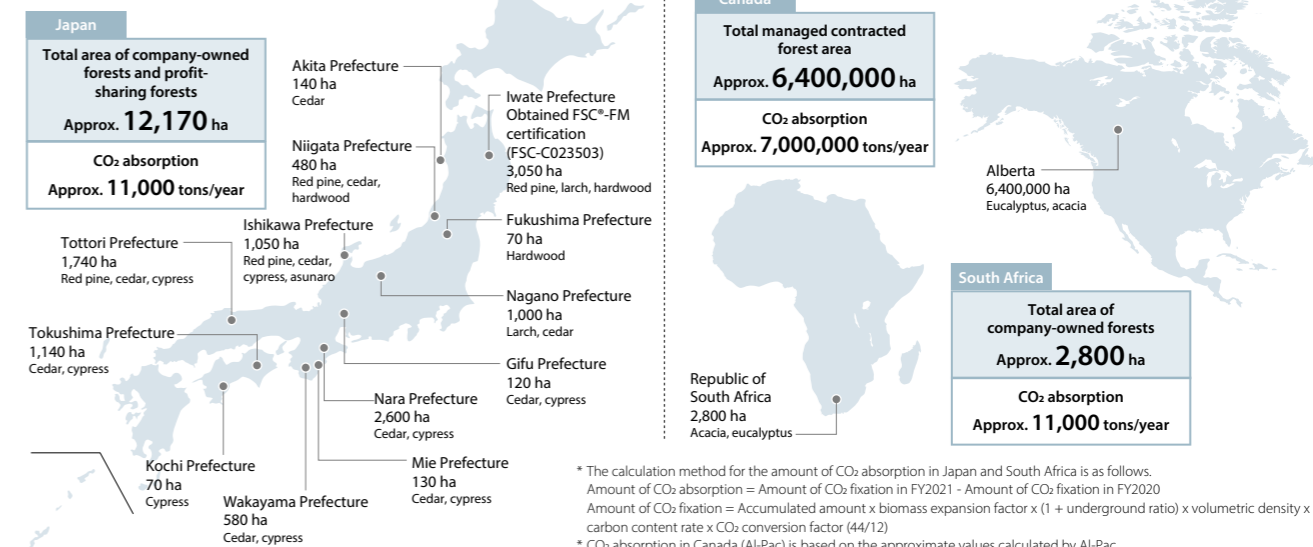
Forest management and summer student program in Canada

AI-Pac has been entrusted by the Government of Alberta to manage approximately 6.4 million hectares of vast forestland, an area larger than Japan's Kanto-Koshin'etsu region. In addition, as part of its support for student employment, the company has established a program that takes advantage of the summer vacation period and is working to develop human resources in general forest management, such as forest cultivation, harvesting, and management methods.



A student surveys the state of forest development

Managed forest area of the Hokuetsu Group



## Initiatives to Achieve Materiality (Important Issues) Society

### Materiality 4

#### Ensuring safety and hygiene of the workplace

##### Reason to emphasize

The Hokuetsu Group established the Hokuetsu Group Fundamental Policy for Health and Safety based on the belief that safety and health are at the core of management. We conduct safety and health activities that consider not only all Group employees but also those involved in our business activities.

##### Main group-wide KPI

- Zero serious accidents in FY2025
- 25 or fewer occupational accidents (including minor accidents) in the Group in FY2025 (FY2022 target: 40 or less)

##### Progress (FY2022)

- Serious accidents: 1
- Occupational accidents: 39 (0 fatal accidents, 15 lost-time accidents, 24 non-lost-time accidents)

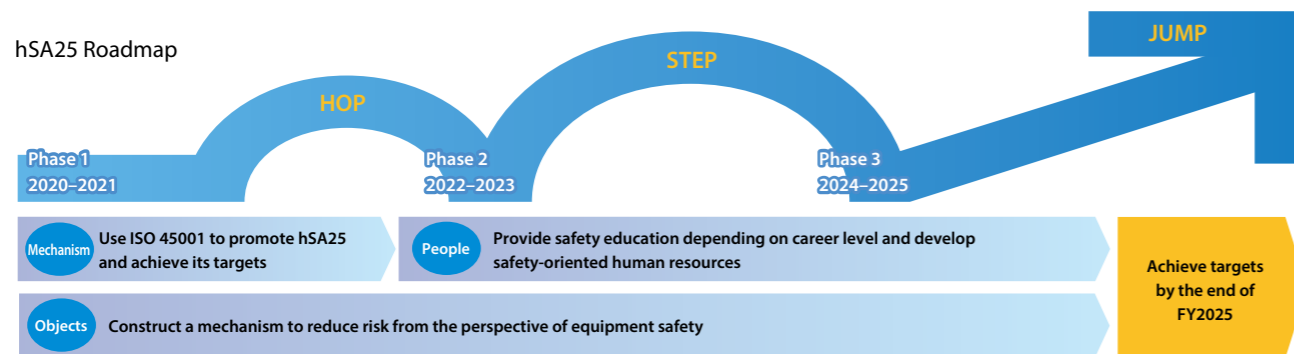
#### Creating a safe workplace through “hSA25” safety and health activities

Safety and health activity hSA25 (hokuetsu Safety Action 2025) is an initiative to achieve the KPIs of “zero serious accidents” and “25 or fewer occupational accidents” by FY2025. Specifically, we are working on creating a safe workplace through three approaches: “systems,” “people,” and “objects,” including proactive capital investment, activities to improve safety management, and developing sensitivity to risk through the introduction of safety VR equipment.

In FY2022, we achieved our target for the number of occupational accidents for that fiscal year. In addition, our hSA25 activities have steadily improved the Group’s safety performance, with the rate of lost-time accidents decreasing by 9.3 points from the previous year.



#### hSA25 Roadmap



#### FY2022 activity results

Activity	Month conducted	Details
VR safety system introduced	From April	Introduced a goggle-type VR system and actively used it within the Group
Regular ISO 14001 audit (external audit)	April	Examination conducted by Japan Quality Assurance Organization (JQA)
Safety and health slogan contest	June	Total of 5,131 entries from around the Group
Held Hokuetsu Group Safety and Health Conference	November	Held online (a total of 171 people from all Hokuetsu Corporation locations + 17 domestic Group companies participated)
Hokuetsu Group Mill Safety and Health Conference	June to November	Held scaled down version to prevent the spread of COVID-19
Top labor-management safety inspections	November	The central general safety and health manager and the labor union central executive committee chairman conducted safety inspections at all mills for the first time in three years.
Safety exchange training session between workplaces	March	Held online (safety representatives from 13 Group companies participated)
Safety audit	Implemented according to annual plan	Conducted annually at mills and approximately every three years at Group companies



VR safety training in session



Top labor-management safety inspections

### Materiality 5

#### Human capital management

##### Reason to emphasize

In order to rapidly shift our business portfolio and innovate in response to rapid changes in the business environment, we are developing and promoting human resources who can be the driving force behind change, ensuring diversity, and striving to sustainably improve corporate value.

##### Main group-wide KPI

- Double the percentage of women, non-Japanese, and mid-career hires in management and executive ranks from the current level (FY2021) of approximately 10% by 2030, etc.

##### Progress (FY2022)

- Percentage of women, non-Japanese, and mid-career hires in management and executive ranks (non-consolidated): Approx. 10%

#### Promoting diversity and fostering a corporate culture

The Group launched the Diversity Committee in FY2021 and established the Hokuetsu Group Basic Policy on Diversity. We are also continuing to develop systems to ensure diversity of people, such as revising the “Policy to Ensure Diversity in Human Resource Development and Internal Environment” and establishing the “Hokuetsu Group Human Resource Development Policy.” Our basic policy is for each employee to independently shape their own career, regardless of gender or nationality. At the same time, we aim to boost individual motivation and revitalize our organization, promote human resource development that respects independence and the spirit of challenge, and foster a corporate culture that is easy to work in and in which individuality can be fully demonstrated.

In FY2022, we revised our work system to support flexible working styles, expanded our support system to help people balance work and family circumstances such as childcare and nursing care, introduced an hourly annual paid leave system on a trial basis, and implemented various company-wide initiatives such as promoting health management. Furthermore, in April 2023, women accounted for more than half of our new graduate hires, with a ratio of 71%.

Under the Medium-term Management Plan 2026, which started in April 2023, we plan to invest a total of ¥6 billion in human resources and will further strengthen our efforts in the future to realize human capital management.

[WEB Hokuetsu Group Basic Policy on Diversity](https://www.hokuetsucorp.com/en/sustainability/report.html)  
<https://www.hokuetsucorp.com/en/sustainability/report.html>

#### Initiatives to maintain and promote employee health

The Group formulated the Hokuetsu Group Health Declaration in FY2021 and established a health management system headed by the executive officer in charge of the Personnel Department. We are promoting the creation of a workplace that prioritizes the security and safety of each employee and consider and strategically implement employee health management from a management perspective through measures to achieve work-life balance and improve mental health. In recognition of these efforts, Hokuetsu Corporation was certified for the second year in a row as “Health & Productivity Management Outstanding Organization (Large enterprise category).”

#### Progress of individual initiatives

Initiative	FY2023 target	FY2022 result
Annual health checkup rate	100%	100%
Smoking rate	30% or less	32.2%
Employees who exercise regularly	30% or more	29.6%
Employees taking stress checks	95% or more	94.8%

Initiatives to Achieve Materiality (Important Issues)

Society

Materiality 6

Delivering responsible product quality and new product development

Reason to emphasize

We are developing new businesses that will become our future core businesses and promoting a shift in our business portfolio by developing environmentally friendly products that meet customer needs and products using advanced nano-materials, and by focusing on expanding applications and adding higher value to existing products.

Main group-wide KPI

- Zero product liability accidents (non-consolidated)
- Expand environmentally friendly products
- Develop products harnessing nanotechnology

Progress (FY2022)

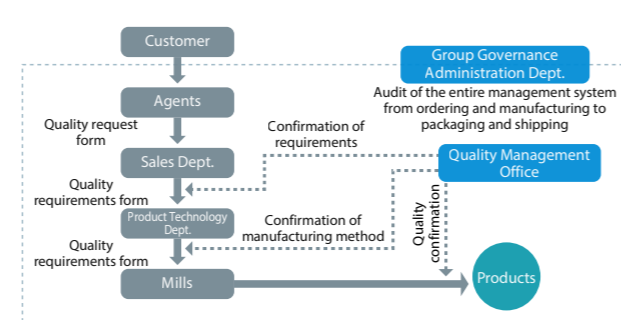
- Product liability accidents: 0
- Expand plastic-free/reduced plastic products such as Panse
- Develop electromagnetic noise suppression sheet and fluorine-free air filter paper

Quality control system to ensure product safety

The Quality Management Office of the Group conducts regular internal quality audits to ensure compliance with various regulations, including checking the safety of raw materials and compliance with voluntary standards. In addition, the Group Governance Administration Department conducts audits of the management system for the entire Group, from the receipt of orders to shipment.

In FY2022, we compiled information and made preparations for revisions to rules regarding voluntary standards for food-use paper under the Positive List system. In addition, Dumas in France renewed their ISO 9001 and ISO 14001 in July 2022, and in April 2023, obtained IATF16949:2016 certification, a management system for the automotive industry.

Quality control system



Developing products that contribute to the realization of a sustainable society

The Group has expanded the production and sales volume of base paper for paper cups and paper cutlery as an alternative to plastics. These products comply with the Food Sanitation Act. We are also developing biodegradable biomass products that are stronger and more durable than ordinary paper.

In FY2022, we focused on the development of various

paper containers and paper cutlery with the aim of expanding their base paper production as a measure against plastic waste. Furthermore, in May 2023, Hokuetsu Packaging signed an exclusive manufacturing and sales agreement for Halopack™, a high-performance paper container manufactured and sold by Packable in the Netherlands.

CLOSE UP

Received the Chairman's Encouragement Award from the Japan Air Cleaning Association for the presentation of fluorine-free air filter media.

At the 40th Annual Technical Meeting on Air Cleaning and Contamination Control held in April 2023, we received the Chairman's Encouragement Award for our presentation on "Development of PFAS\*-free air filter media."

\* Perfluoroalkyl substances: Chemical substances that are increasingly regulated worldwide due to their persistence in the environment and high bioaccumulative potential.



Materiality 7

Dialogue with stakeholders

Reason to emphasize

We believe that communicating with stakeholders is important to increase our corporate value. In addition to increasing opportunities for dialogue with investors and shareholders, we strive for harmonious coexistence with local communities.

Main group-wide KPI

- Improve stakeholder engagement
- Respond to various questionnaire surveys
- Continue social contribution activities

Progress (FY2022)

- Started new SR meetings
- Responded to Nikkei SDGs Management Survey, Nikkei Smart Work Management Survey, Toyo Keizai CSR Survey, etc.
- Continued mill tours and supported various organizations and events

Active in IR/SR activities

The Group strives to disclose corporate information in a timely and appropriate manner and to respond courteously to inquiries from shareholders and investors.

In recent years, there have been an increasing number of inquiries from institutional investors in particular, so we hold

IR/SR meetings approximately 60 times a year to increase opportunities for dialogue with shareholders and investors. We will continue to work to improve corporate value through a variety of dialogues.

Harmonious coexistence with the local community

Harmonious coexistence with local communities is essential for smooth business activities. We aim to be a company that is trusted by the local community. We are working to solve various social issues that exist in the community through communication with local residents, from participating in

events and environmental activities, to fostering the next generation and supporting medical care and welfare.

WEB Hokuetsu Group ESG Data 2023 > Hokuetsu Group's ESG Activities  
[https://www.hokuetsucorp.com/pdf/esg2023\\_en.pdf](https://www.hokuetsucorp.com/pdf/esg2023_en.pdf)

Main initiatives (FY2022)

Genre	Initiative	Host of main initiative
Education	Accepted tours of mills	A total of 781 people participated in mill tours (non-consolidated)
	Accepted internships and work experience	Accepted 5 university students, 2 junior high school students, and 11 elementary school students (non-consolidated)
	Scholarships for indigenous communities, etc.	Provided \$246,163 in scholarships and corporate sponsorships
Welfare	Support for the Road to Hope Community Foundation	Cooperating in the activities of a non-profit organization that supports cancer patients to receive treatment outside their local area.
	Cooperation in funding activities by WWF Japan	We support activities aimed at creating a sustainable society and have continued to support them since 1993.
	Cooperation with the charity program "24 Hour Television"	We provide "N Matte" coated paper to set up a "message street" where citizens can send messages.
Local Community	Cleanup and beautification activities around mills	A total of 413 employees nationwide participated in local cleanup activities.
	Sketch competition	129 elementary school students near the Niigata Mill applied, and the grand prize-winning sketch was featured on the cover of a memo pad.
	Exhibited at Hitachinaka City Industrial Exchange Fair	Introduced the group's environmental initiatives and product samples to local residents
	Cooperation with Nagaoka regional revitalization events	Sponsored an event held by Nagaoka City and provided coated paper "μ Matte" for flyers to publicize the event
	Logistics cooperation for Kyu-Can-Cho Project	Our chartered ship transported relief supplies such as canned bread and athletic shoes to elementary schools in the Kingdom of Eswatini and Vietnam.



# Governance

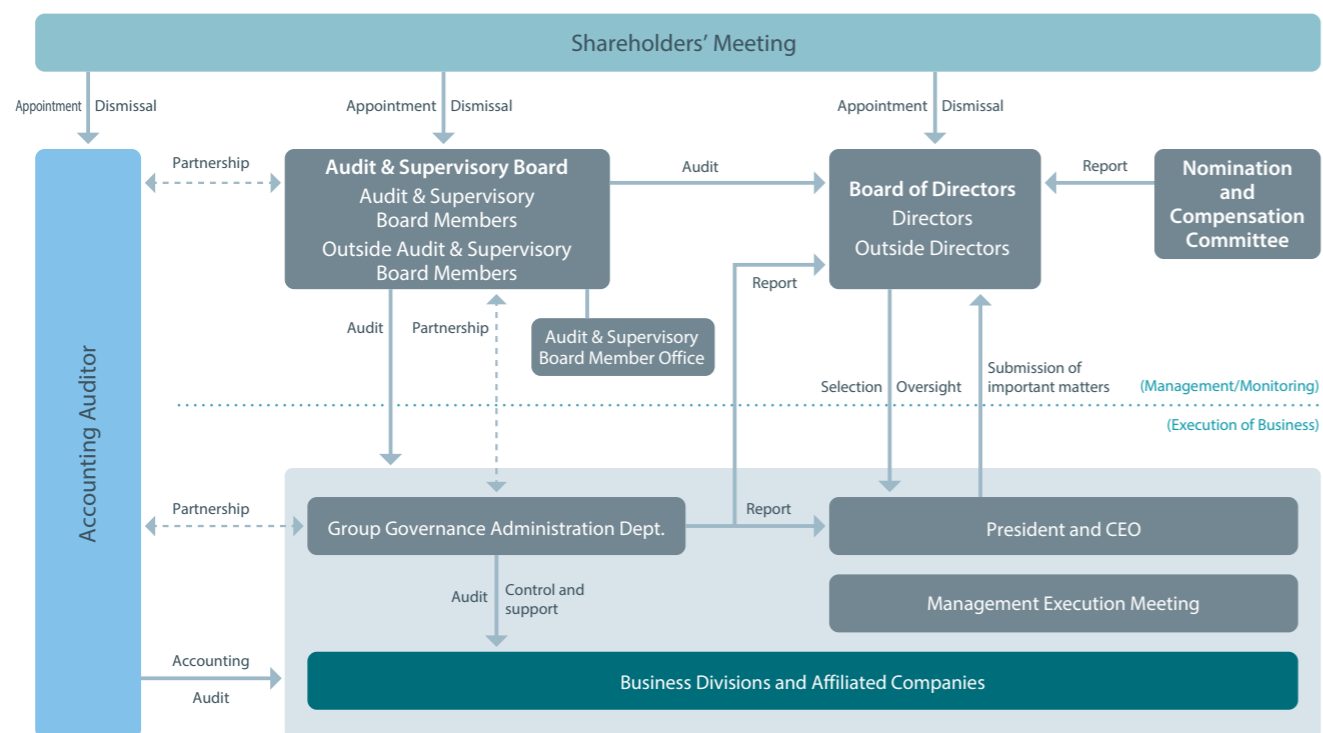
In order to achieve long-term stable improvement of our corporate value, which is the most important management issue, Hokuetsu Corporation is building an appropriate corporate governance system in accordance with the following basic concepts.

- We respect the rights of our shareholders and will strive to establish an environment in which shareholders can exercise their rights appropriately and to secure equality between shareholders.
  - We recognize the importance of corporate social responsibility and will strive to collaborate appropriately with shareholders and other stakeholders in order to develop a corporate culture in which business is conducted with self-discipline in a sound manner.
  - We will ensure transparency and fairness in our decision-making by establishing an executory system for timely disclosure and by conducting the timely and appropriate disclosure of non-financial information beyond requirements mandated by laws and regulations.
  - We will strive to secure the effectiveness of the Board of Directors based on our fiduciary responsibilities and accountability to our shareholders. We will also enhance the strategic, decision-making, and oversight functions of the Board of Directors through its analysis and assessment.
  - We will actively and constructively engage in dialogue with our shareholders based on our Basic Policy for Active and Constructive Dialogue with Shareholders to support the enhancement of our stable, long-term corporate value.
- The Board of Directors shall establish and disclose the Group Code of Conduct to be shared by all employees and executive officers of our corporate group.

## Corporate Governance

### Corporate governance system

Organizational Structure Chart of Corporate Governance



### Board of Directors

The Board of Directors strives to increase corporate value and the common interests of shareholders, and aims to enhance long-term stable corporate value by realizing appropriate corporate governance. It is responsible for overseeing overall management, including the execution of the duties of the corporate management, and decides important matters as prescribed by laws and regulations, our articles of incorporation, and our Rules for the Board of Directors. It delegates the decision-making for business matters other than those listed above to the corporate management in order to enhance the mobility of the business and management vitality, while also exercising oversight of the status of the execution of overall management by the corporate management.

Outside directors give advice from a neutral position independent from management to enhance our stable,

long-term corporate value, and play a significant role in the decision-making for the important management issues of our company. They oversee conflicts of interest between our company and management.

The Board of Directors establishes the institutional systems for internal discipline and cooperates with the relevant departments to supervise and ensure that they are operating effectively.

The number of members of the Board of Directors shall be 15 or less, as stipulated in the Articles of Incorporation, and consists of Directors and Audit & Supervisory Board Members who represent diversity and have expertise in the Board of Directors. The Board is chaired by the President and CEO.

In order to strengthen our corporate governance system, outside directors make up one third of the board members.

### Director skill matrix

Name	Position	Specialty/Character								
		Corporate management	Internationally minded	Industry knowledge	ESG/ Sustainability	Finance and accounting	Technology/ IT	Sales and marketing	Human resources and labor	Purchasing and procurement
Sekio Kishimoto	President and CEO	●	●	●	●	●		●	●	●
Shigeru Wakamoto	Senior Managing Director	●		●	●		●			
Shigeharu Tachibana	Senior Managing Director	●	●	●	●			●		
Makoto Yanagisawa	Director CFO			●	●	●			●	
Yutaka Ishizuka	Director			●	●		●			
Tomoyuki Iida	Director	●	●	●	●					●
Mitsuyasu Iwata	Outside Director	●	●		●	●				
Kazuo Nakase	Outside Director	●		●	●			●		
Hirimitsu Kuramoto	Outside Director	●	●		●					●
Hiroko Nihei	Outside Director		●		●				●	

### FY2022 achievements

Board of Directors	Number of meetings	13	Attendance rate of Directors	100%	Attendance rate of Audit & Supervisory Board Members	100%	Audit & Supervisory Board	Number of meetings	13	Attendance rate of Audit & Supervisory Board Members	97.4%
	(for outside directors: 100%)										

### Assessing the effectiveness of the Board of Directors

In order to improve the function of the Board of Directors, we conduct a questionnaire survey on the effectiveness of the Board of Directors (strategic, decision-making and supervisory functions, etc.), and the Board of Directors discusses the results based on the analysis at their meetings.

As a result, our Board of Directors believes that the effectiveness of the Board is sufficiently ensured by the directors' active opinions and discussions based on their respective experiences and knowledge, which seeks to improve corporate value with respect to the proposals that are submitted to the Board of Directors.

**Audit & Supervisory Board Members and the Audit & Supervisory Board**

Our Audit & Supervisory Board Members and our Audit & Supervisory Board conduct operational audits and accounting audits from an independent and objective perspective on the basis of their fiduciary duties towards our shareholders. Our Audit & Supervisory Board Members also audit the execution of the duties of each director, and express their appropriate opinions at Board of Directors meetings on the basis of their aforementioned fiduciary duties.

Our Audit & Supervisory Board Members and our Audit & Supervisory Board enhance their effectiveness by organically combining the robust independence of the outside Audit & Supervisory Board Members and the high information gathering ability of the standing Audit & Supervisory Board Members.

The Audit & Supervisory Board evaluates the outside accounting auditor on the basis of their duties to shareholders and investors by confirming the independence and the institutional business operations for audit quality control, both of which are required of an outside accounting auditor.

The number of the Audit & Supervisory Board Members is 5 or less, as stipulated in the Articles of Incorporation, with more than half of the members composed of outside Audit & Supervisory Board Members in order to ensure the independence of the Audit & Supervisory Board. The Board is chaired by a

standing Audit & Supervisory Board Member. Outside Audit & Supervisory Board Members are determined by the independence judgment criteria set by the Financial Instruments Exchange.

**Nomination and Compensation Committee**

In 2018, we established a Nomination and Compensation Committee with a majority of outside directors as a voluntary advisory body to the Board of Directors to strengthen corporate governance.

Based on the mandate from the Board of Directors, the Committee conducts independent, objective, and fair deliberations on analysis and assessment for the effectiveness of the Board of Directors, selection of the director candidates, the director compensation system and the process of selecting successors, and reports the results of its deliberations to the Board of Directors. The selection of candidates for the Board of Directors is led by the outside directors.

**Composition of the Nomination and Compensation Committee and status of meetings in FY2022**

	Title	Name	Status of activities
Chair	Outside Director	Mitsuyasu Iwata	7 out of 7 meetings
Member	Outside Director	Kazuo Nakase	7 out of 7 meetings
	President and CEO	Sekio Kishimoto	7 out of 7 meetings

\* As of July 2023

**Director’s remuneration**

**Basic Policy**

The remuneration system for directors is designed as an incentive to enhance long-term and stable corporate value, and comprehensively reflects the company’s and individual performance. Remuneration consists of basic compensation as fixed remuneration, an annual incentive (performance-linked bonus) as performance-linked compensation, and medium- to long-term incentives (stock options compensation). The remuneration of outside directors consists of only basic compensation as a fixed remuneration.

The decision-making policy regarding the content of remuneration for individual directors comes from the Nomination and Compensation Committee, which consists of two outside directors and the president and CEO, and the Board of Directors determines remuneration based on this policy.

**Decision Process**

The basic remuneration for directors is a fixed monthly compensation, and is determined by comprehensively considering the position, responsibilities, and years of service, while taking into account the performance of the company and employee salary level. Performance-linked remuneration consists of performance-linked bonuses as cash compensation and stock-based compensation as non-cash compensation linked to

corporate performance and the degree of contribution to it. Performance-linked compensation is an index that measures a company’s performance and profitability in terms of quantitative aspects, such as consolidated sales, consolidated operating income and consolidated ordinary income. It also looks at qualitative aspects as an index that aims to increase corporate value over the medium- to long-term. The system comprehensively reflects the degree of contribution to ESGs (environment, society, and governance) and is paid at a certain time every year.

The remuneration of directors is based on a ratio of 7:2:1 (basic remuneration: performance-linked bonus: stock-based compensation), which is deliberated by the Nomination and Compensation Committee and decided by the Board of Directors. Regarding the remuneration of individual directors, the president and CEO, who has been delegated based on a resolution of the Board of Directors, appropriately determines the amount of basic individual remuneration and the evaluation and distribution of performance-linked bonuses within the limit approved at the shareholders’ meeting in accordance with the decision policy on the individual remuneration for directors. For stock-based compensation, the Board of Directors determines the number of stock options to be allocated to each individual director based on the opinion of the Nomination and Compensation Committee.

**Risk management**

**Risk management system**

The management risks to the Group’s global business are diversifying every year and require more advanced measures.

The Hokuetsu Group has established a Chief Risk Management Officer who reports directly to the president to promote risk management activities. Through regular Risk Management Officer Meetings and Consolidated Management Internal Control Meetings, the Chief Risk Management Officer determines policies to avoid or minimize the Group’s management risks and inspects the internal management system.

**Risk management activities**

In FY2022, we set human resource shortages and cyberattacks/information security as priority issues common to the Group, and promoted initiatives to minimize risks. In addition, based on improvement proposals from Audit & Supervisory Board Members, each division, office and mill location, and Group company identified management risks that should be addressed with the highest priority, and implemented measures to avoid or reduce them.

Furthermore, we conducted a group-wide risk survey to identify management risks that could impede the development of the Group. We quantified risks and created a risk map to identify management risks.

**Cyberattack/information security measures**

The Group’s business systems are mainly built on private cloud computing, and in the event of an information security incident caused by a cyberattack on these systems, it is possible that it could disrupt business operations. In such a case, there is a risk that the Group’s business performance may be affected. To address this risk, the Group established the “Hokuetsu Group Basic Policy on Information Security” and is strengthening our information security management. We are taking measures to prevent system failures due to viruses and cyberattacks, and information leaks outside the company, through education and training for officers and employees, and security vulnerability assessments.

**Compliance**

We have been working to strengthen the compliance system of the entire group by implementing the compliance items set forth in the “Hokuetsu Group Code of Conduct” with the aim of enhancing our corporate value through the realization of the “Hokuetsu Group Corporate Philosophy.”

In recent years, scandals involving quality by Japan’s leading manufacturers have been attracting attention. In light of this situation, in FY2022, we conducted training on the theme of “data falsification concerning quality and the environment” to

raise awareness about preventing data falsification. 3,448 employees from the Group attended the training and deepened their understanding of the risks to the company if quality or environmental data is falsified.

We also hold waste compliance training every year for Hokuetsu employees and employees of Group companies in Japan involved in waste management operations. We will raise the compliance awareness of all Group employees through these programs.

**Initiatives related to “respect for human rights”**

The Hokuetsu Group has promoted business activities that respect human rights in accordance with the Hokuetsu Group Corporate Philosophy and the Hokuetsu Group Code of Conduct, and has worked to enhance corporate value by building good relationships of trust with our stakeholders. To further our efforts regarding respect for human rights, we signed the United Nations Global Compact and established the “Hokuetsu Group Human Rights Policy” on April 1, 2023. In order to achieve sustainable growth, we will continue to identify human rights risk issues, conduct human rights training, improve our internal environment, and develop methods for dealing with our supply chain.

## Executive Officers



**Sekio Kishimoto**  
President and CEO

**Profile**  
July 1969  
July 1995  
March 1999  
June 1999  
June 2001  
June 2004  
July 2006  
June 2007  
April 2008

Joined Mitsubishi Corporation  
General Manager, Paper Raw Materials Division  
Advisor; General Manager, Purchasing  
Department, Materials Division, the Company  
Director, Deputy Division Manager,  
Materials Division; General Manager,  
Purchasing Department  
Managing Director; COO, Material Division  
Senior Managing Director; COO, Material Division  
Executive Vice President; Representative Director  
Executive Vice President; Representative Director;  
CO-CEO  
President and CEO (current position)



**Shigeru Wakamoto**  
Senior Managing Director

**Profile**  
April 1981  
April 2018  
June 2019  
April 2020  
April 2020  
October 2020  
April 2023  
June 2023

Joined the Company  
Corporate Officer; Kishu Mill Manager,  
Paper Business Division  
Director; COO, Technology Development Division;  
In charge of Safety Supervision Department,  
Environment Supervision Department  
President and CEO, MC Hokuetsu Energy Service  
Company (current position)  
Director; COO, Technology Development Division,  
In charge of Safety Supervision Department;  
Environment Supervision Department;  
Quality Management Office  
Director, COO, Production Technology Division;  
Deputy Division Manager, Safety, Environment &  
Quality Management Division  
Director; COO, Production Technology Division;  
Deputy Division Manager, Safety, Environment &  
Quality Management Division;  
Profit Management Office  
Senior Managing Director; COO, Production  
Technology Division; Deputy Division Manager,  
Safety, Environment & Quality Management  
Division; Profit Management Office  
(current position)



**Yutaka Ishizuka**  
Director

**Profile**  
April 1982  
April 2019  
June 2019  
August 2020  
April 2021  
June 2023

Joined the Company  
Corporate Officer; Kishu Mill Deputy Manager,  
Paper Business Division  
Corporate Officer; Kishu Mill Manager,  
Paper Business Division  
Corporate Officer; Niigata Mill Deputy Manager,  
Paper Business Division; COO, Papermaking Division  
President and CEO, Hokuetsu Paper Tec Niigata  
Co., Ltd.  
President and CEO, Techno-Hokuetsu, Ltd.  
Director; Niigata Mill Manager (current position)



**Tomoyuki Iida**  
Director

**Profile**  
April 1984  
January 2020  
April 2020  
July 2020  
April 2023  
June 2023

Joined Marubeni Corporation  
Deputy Division Manager, Resources & Pulp  
Division, the Company  
Corporate Officer; COO, Resources & Pulp Division;  
General Manager, Woodchip & Pulp Department  
Corporate Officer; COO, Resources & Raw  
Materials Division; General Manager, Woodchip &  
Pulp Department  
Corporate Officer; COO, Resources & Raw  
Materials Division; General Manager, Woodchip &  
Pulp Department; Profit Management Office  
Director; COO, Resources & Raw Materials Division;  
General Manager, Woodchip & Pulp Department;  
Profit Management Office (current position)



**Shigeharu Tachibana**  
Senior Managing Director

**Profile**  
April 1981  
April 2014  
June 2015  
July 2016  
June 2017  
April 2018  
April 2019  
April 2020  
April 2021  
June 2021  
April 2022  
April 2023  
June 2023

Joined the Company  
Corporate Officer; General Manager, Coated Paper  
Sales Department, Paper Business Division;  
General Manager, Niigata Sales Office;  
Staff General Manager, CEO Office  
Corporate Officer; COO, White Paperboard  
Division; General Manager, Jiangmen Promotion  
Group; Staff General Manager, CEO Office  
Corporate Officer; COO, White Paperboard  
Division; General Manager, CEO Office;  
U.S. Business Promotion Office  
Director; COO, White Paperboard Division;  
Chairman, Jiangmen Xinghui Paper Mill Co., Ltd.  
Director; Chairman, Jiangmen Xinghui Paper Mill  
Co., Ltd.  
Director; COO, Paper Business Division; In charge  
of Sales Branch Offices  
Director; COO, Paper Business Division  
Director; COO, Paper & White Paperboard Division  
Managing Director; COO, Paper & White  
Paperboard Division  
Managing Director; COO, Paper & White  
Paperboard Division; General Manager, Material  
Logistics Department  
Managing Director; COO, Paper &  
White Paperboard Sales Division;  
Profit Management Office  
Senior Managing Director; COO, Paper & White  
Paperboard Sales Division; Profit Management  
Office (current position)



**Makoto Yanagisawa**  
Director CFO

**Profile**  
April 1980  
June 2010  
April 2016  
April 2019  
April 2020  
April 2022  
November 2022  
April 2023  
June 2023  
September 2023

Joined The Industrial Bank of Japan, Limited  
(currently Mizuho Bank, Ltd.)  
General Manager, Internal Control Auditing Office,  
the Company  
Corporate Officer; In charge of Group Governance  
Administration Office; General Manager, Public  
Relations Office  
Corporate Officer; Chief Compliance Officer; In  
charge of Group Governance Administration  
Office; General Manager, Public Relations Office  
Corporate Officer; Chief Risk Management Officer;  
Chief Compliance Officer; In charge of Group  
Governance Administration Office; Legal Affairs &  
Compliance Office, Public Relations Office, Deputy  
in charge of Safety Management Department,  
Environment Management Department, Quality  
Management Office  
Corporate Officer; Deputy in charge of Corporate  
Planning Department, Business Management  
Department; Chief Risk Management Officer;  
In charge of General Affairs Department,  
Legal Affairs & Risk Management Office,  
Public Relations Office  
Corporate Officer; CO-CFO; CFO; In charge of  
General Affairs Department, Legal Affairs & Risk  
Management Office, Public Relations Office  
Corporate Officer, CO-CFO; CFO; In charge of  
General Affairs Department, Legal Affairs & Risk  
Management Office, Public Relations Office; Profit  
Management Office  
Director, CFO; CFO; In charge of General Affairs  
Department, Legal Affairs & Risk Management  
Office, Public Relations Office; General Manager,  
Profit Management Office  
Chairman, Xing Hui Investment Holdings Co., Ltd.  
(current position)  
Director; CFO; CFO; In charge of General Affairs  
Department, Legal Affairs & Compliance Office,  
Public Relations Office; General Manager, Profit  
Management Office (current position)



**Mitsuyasu Iwata**  
Director

Outside  
Independent

**Profile**  
July 1969  
September 1999  
June 2000  
July 2000  
October 2003  
June 2005  
June 2007  
June 2009  
June 2015  
July 2015

Joined Ministry of International Trade and Industry  
(currently Ministry of Economy, Trade and  
Industry)  
Commissioner, Small and Medium Enterprise Agency  
Retired from Ministry of International Trade  
and Industry  
Board Member, Japan Bank for International  
Cooperation  
Advisor, The Kansai Electric Power Co., Inc.  
Managing Director  
Executive Vice President; Director  
President; Representative Director, Osaka Small  
and Medium Business Investment & Consultation  
Co., Ltd.  
Outside Director, the Company (current position)  
Board Chairman, Business Policy Forum, Japan  
Board Chairman, Research Institute of Economy,  
Trade and Industry



**Kazuo Nakase**  
Director

Outside  
Independent

**Profile**  
April 1973  
June 2006  
June 2008  
June 2009  
June 2011  
June 2015  
June 2016  
June 2017

Joined Mitsubishi Paper Mills, Ltd.  
Director, Managing Executive Officer  
Director, Senior Managing Executive Officer  
Representative Director, Senior Managing  
Executive Officer; General Manager, Paper  
Division; In charge of the Paper Division and  
German Operations  
President; CEO, Mitsubishi Paper Sales Co., Ltd.  
(currently Mitsubishi Oji Paper Sales Co., Ltd.)  
Advisor  
Outside Audit & Supervisory Board Member,  
the Company  
Outside Director (current position)



**Hiromitsu Kuramoto**  
Director

Outside  
Independent

**Profile**  
April 1972  
June 2001  
June 2003  
April 2006  
April 2008  
April 2010  
June 2010  
April 2011  
June 2016  
April 2017  
June 2018  
June 2021

Joined Nippon Yusen Kabushiki Kaisha  
Director  
Director; Managing Corporate Officer  
Representative Director; Senior Managing  
Corporate Officer  
Representative Director; Executive Vice-President  
Corporate Officer  
Director  
Director; Executive Vice-President Corporate  
Officer, Yusen Air & Sea Service Co., Ltd. (currently  
Yusen Logistics Co., Ltd.)  
President and Representative Director  
Chairman and Representative Director; Chairman,  
Executive Officer  
Chairman; Representative Director  
Executive Board Counselor  
Outside Director, the Company (current position)



**Hiroko Nihei**  
Director

Outside  
Independent

**Profile**  
April 1999  
March 2008  
September 2009  
October 2009  
September 2014  
January 2016  
March 2019  
June 2019  
January 2020  
June 2022  
March 2023

Joined The Fuji Bank, Limited (currently Mizuho  
Bank, Ltd.)  
Retired from Mizuho Bank, Ltd.  
Completed the legal apprentice training program,  
admitted to the bar (Dai-ichi Tokyo Bar Association)  
Joined O'Melveny & Myers LLP, Associate Attorney  
Magister Juris, University of Oxford  
Counsel Attorney, O'Melveny & Myers LLP  
(current position)  
Master of Advanced Law, LL.M. in Intellectual  
Property Law, Graduate School of Law,  
Waseda University  
Outside Corporate Auditor, SEED Co., Ltd.  
(current position)  
Supervisory Director, Invesco Office J-REIT, Inc.  
Outside Director, the Company (current position)  
Outside Audit & Supervisory Board Member, JUKI  
Corporation (current position)

### Audit & Supervisory Board Members



**Profile**  
 April 1992 Joined Hokuetsu Corporation  
 February 2015 Group Manager, Jiangmen Group; Group Manager, AI-Pac Promotion Group  
 October 2015 Leave of absence and seconded, Director, Deputy General Manager, Jiangmen Xinghui Paper Mill Co., Ltd.  
 April 2017 Leave of absence and seconded, Director, Deputy General Manager (General Manager), Jiangmen Xinghui Paper Mill Co., Ltd.  
 June 2021 Standing Audit & Supervisory Board Member, Hokuetsu Corporation (current position)

**Manabu Ueno**  
 Standing Audit & Supervisory Board Member



**Profile**  
 April 1964 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)  
 June 1995 Managing Director (in charge of Asia, Latin America, and M&As)  
 June 1999 Senior Managing Director, Executive Officer, Kogin Lease Kabushiki Kaisha (currently Mizuho Leasing Co., Ltd.)  
 June 2000 Director, Executive Vice President  
 July 2004 Advisor, Dai-ichi Mutual Life Insurance Company (currently Dai-ichi Life Insurance Co., Ltd.)  
 June 2007 President, Rikkyo Educational Corporation  
 June 2012 Outside Audit & Supervisory Board Member (current position)  
 January 2014 Chairman of the Board of Trustees, Keep, Inc.  
 April 2016 President, St. Luke's International University  
 September 2018 President, St. Margaret's School

**Jun Itoigawa**  
 Audit & Supervisory Board Member

Outside Independent



**Profile**  
 October 1975 Joined Price Waterhouse Accounting Firm (currently PwC PricewaterhouseCoopers Aarata LLC)  
 July 1987 Representative Partner, Aoyama Audit Corporation (currently PwC PricewaterhouseCoopers Aarata LLC)  
 Partner, Price Waterhouse (currently PwC PricewaterhouseCoopers Aarata LLC)  
 August 1995 Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)  
 April 1996 Representative Partner  
 June 2000 Outside Director, Ichiyoshi Securities Co., Ltd.  
 July 2003 Deloitte Touche Tohmatsu Global Middle Market Leader  
 June 2008 Outside Director, Asahi Kogyosha, Co., Ltd.  
 June 2010 Outside Director, SBI Holdings, Inc.  
 March 2011 Outside Director, Aoyama Zaisan Networks Co., Ltd.  
 June 2017 Outside Audit & Supervisory Board Member, Hokuetsu Corporation (current position)  
 Outside Director, SBI Insurance Group Co., Ltd. (current position)  
 June 2018 Outside Director, Ukai Co., Ltd.

**Keiji Watanabe**  
 Audit & Supervisory Board Member

Outside Independent

### Corporate Officers

**Koji Goto**  
 COO, Performance Materials Sales Division;  
 General Manager,  
 Containerboard Sales Department;  
 Profit Management Office

**Kunihiko Kashima**  
 COO, Group Business Investment Division

**Satoshi Miyake**  
 President, CEO & CAO  
 Alberta-Pacific Forest Industries Inc.

**Hisashi Abe**  
 General Manager, White Paperboard Sales Department,  
 Paper & White Paperboard Sales Business Division;  
 General Manager in charge of administration of  
 White Paperboard Business;  
 Staff General Manager, ZERO CO2 Promotion Office,  
 Production Technology Division

**Kunihiro Ando**  
 Kanto Mill Manager;  
 General Manager,  
 Ichikawa Product Department

**Maou Sugimoto**  
 COO, Safety, Environment &  
 Quality Management Division;  
 In charge of Group Governance Administration  
 Department (General Manager);  
 Information System Department

**Shu Mizuguchi**  
 Deputy Division Manager,  
 Performance Materials Sales Business Division;  
 General Manager,  
 Performance Materials Sales Department;  
 General Manager, Sales Division

**Satoshi Okamoto**  
 Chairman, Jiangmen Xinghui Paper Mill Co., Ltd.

**Katsuhide Nishikata**  
 Nagaoka Mill Manager;  
 General Manager,  
 Administration Department

**Takashi Kasahara**  
 In charge of Personnel Department  
 (General Manager);  
 Executives' Secretariat (General Manager);  
 General Manager, CEO Office;  
 Profit Management Office

**Kazuhiro Takasumi**  
 Kishu Mill Manager

### Discussion with Outside Directors



**Under the new management structure, how has the governance of Hokuetsu evolved? We asked the outside directors to speak about the role that the board of directors should play in enhancing corporate values.**

**Hiromitsu Kuramoto**  
 Outside Director

**Hiroko Nihei**  
 Outside Director

**Mitsuyasu Iwata**  
 Outside Director  
 Chair of the Nomination and Compensation Committee

**Kazuo Nakase**  
 Outside Director  
 Member of the Nomination and Compensation Committee

### Active involvement of outside directors to oversee corporate management and achieve sustainable growth

—A new executive structure has been put in place with approval by shareholders at the 185th Ordinary General Meeting of Shareholders on June 29, 2023. First of all, Outside Director Iwata, as the chair of the Nomination and Compensation Committee, will you speak about how the Board of Directors and the Nomination and Compensation Committee operates?

**Iwata** Since 2015, I have been attending meetings of the Board of Directors as an outside director and have been involved in the company's management issues. As a member of the Nominating and Compensation Committee, I have worked with Outside Director Nakase and President

Kishimoto to formulate and submit committee proposals regarding plans for director succession and compensation structures to the Board of Directors.

With respect to the operation of board meetings, the chair (president) frequently takes the initiative in supplementing the agenda explanation by clarifying the point of issues. In response, each director actively expresses his or her opinions based on their experience and knowledge to improve our corporate value, which I believe deepens discussions. I would like to maintain this operating structure of welcoming frank discussions.

Touching on the Nomination and Compensation Committee, at the time of selecting directors, myself and

Outside Director Nakase interview candidates based on an essay written by them and prepare a draft report to be submitted to the Board of Directors.

I believe that the active involvement of outside directors will contribute to strengthen governance and to invigorate the board meetings.



“Active involvement of outside directors will contribute to strengthen governance and invigorate the board meetings.”  
Mitsuyasu Iwata

———Outside Director Nihei has been instrumental in overseeing the Company’s management since June 2022. Could you tell us about the process leading up to your appointment as an outside director?

**Nihei** As Outside Director Iwata explained earlier about how directors are selected, I also had an interview with Outside Director Iwata and Outside Director Nakase before assuming office. At that time, President Kishimoto, who is a member of the Nomination and Compensation Committee, was not present. Through frank discussions with both of them, I strongly felt that my knowledge and experience as an attorney could be put to good use at Hokuetsu Corporation.

It has been about a year since I assumed my post. We have been sincerely addressing the various demands of the era, checking the progress of each measure toward the realization of the Medium-term Management Plan 2026 and taking steps to strengthen our governance.

I try to engage in constructive discussions from diverse perspectives at Board of Directors meetings, including my own experience and areas of expertise. As the only woman on our Board of Directors, I make a conscious effort to express my opinions with a view to promoting the advancement of women in our company.



“I make a conscious effort to express my opinions with a view to promoting the advancement of women in our company.”  
Hiroko Nihei

———Outside Director Nihei just touched on the topic of the Medium-term Management Plan. In April of this year, Hokuetsu newly formulated its Medium-term Management Plan and Sustainability Activity Implementation Targets. Outside Director Nakase, could you tell us about the challenges of the management strategy to enhance the Company’s corporate value over the medium- to long-term?

**Nakase** We understand the requirement of outside directors is to contribute to the expectations of shareholders and other stakeholders, and to enhance corporate value from a medium- to long-term perspective, while keeping a little distance from the executive position.

In April of this year, we renewed the two pillars of our business activities, namely the “Medium-term Management Plan 2026” and the “Sustainability Activity Implementation Targets.” As a company, we naturally aim to achieve the Medium-term Management Plan 2026, which is our management strategy, but we also believe that we should focus our efforts on sustainability activities, as set forth in the Corporate Governance Code.

From the perspective of integrating financial and non-financial activities, our group’s sustainability activities have been revised into nine materiality items. Among the materiality, I believe that environmental initiatives, such as “response to climate change,” are of paramount importance. Our group has traditionally promoted the introduction of gas turbines and biomass boilers to produce environmentally friendly paper through the use of clean energy with low CO<sub>2</sub> emissions, which has been an advantage for us. In the

Medium-term Management Plan 2026, we plan to invest approximately 9 billion yen in environment-related investments to decarbonization efforts, and we will monitor implementation and provide feedback through the Board of Directors if necessary.



“I believe that environmental initiatives, such as “response to climate change,” are of paramount importance.”  
Kazuo Nakase

———As explained by Outside Director Nakase, our group is working to survive in the industry by differentiating ourselves from other pulp and paper companies based on our environmental strategy. Outside Director Kuramoto, are there any issues required of our group, other than the “E” (environment) of ESG? Also, based on your knowledge and experience, could you tell us how you plan to oversee the management of the company using your expertise?

**Kuramoto** As an outside director of Hokuetsu, I have attended Board of Directors meetings for about two years since June 2021 to offer various opinions hoping that my previous experience would encourage the company to grow further.

Whenever an important agenda is brought up for discussion at a meeting of the Board of Directors, a briefing session is held in advance for outside directors and outside audit & supervisory board members to ensure that sufficient information is provided and that a forum is created for frank discussion. The board meeting also serves to provide opportunities for frank exchange of opinions.

Outside directors are responsible for improving corporate value and the common interests of shareholders from an independent standpoint. From that perspective, we believe that an environment is in place to properly judge and

respond to the appropriateness of each agenda, and as other outside directors have said, we believe that the Board of Directors is operating well.

As for medium- to long-term challenges, earlier Outside Director Nakase spoke about strengthening our environmental competitiveness, and I believe the foundation for our future growth is in the realization of a shift in our business portfolio, which is both a financial goal and very much related to our sustainability activity goals.

Our core business is the manufacture and sale of paper and pulp. During the three years of the Medium-term Management Plan 2026, we will need to push forward with measures that will contribute to enhancing our corporate value from a medium- to long-term perspective, rather than being limited to a short-term perspective, such as expanding our business portfolio by developing new products including environmentally friendly products and entering new businesses, and holding Daio Paper shares and how to use them.



“I believe the foundation for our future growth is in the realization of a shift in our business portfolio.”  
Hiromitsu Kuramoto

———Thank you for sharing with us today your thoughts on management strategy and some of the activities undertaken by the Nominating and Compensation Committee.

In order to respond to changes in the business environment surrounding our group, and to grow and meet the expectations of our stakeholders, we ask you for your continued appropriate oversight and advice.

Thank you for your time today.

# Financial and Non-financial Highlights

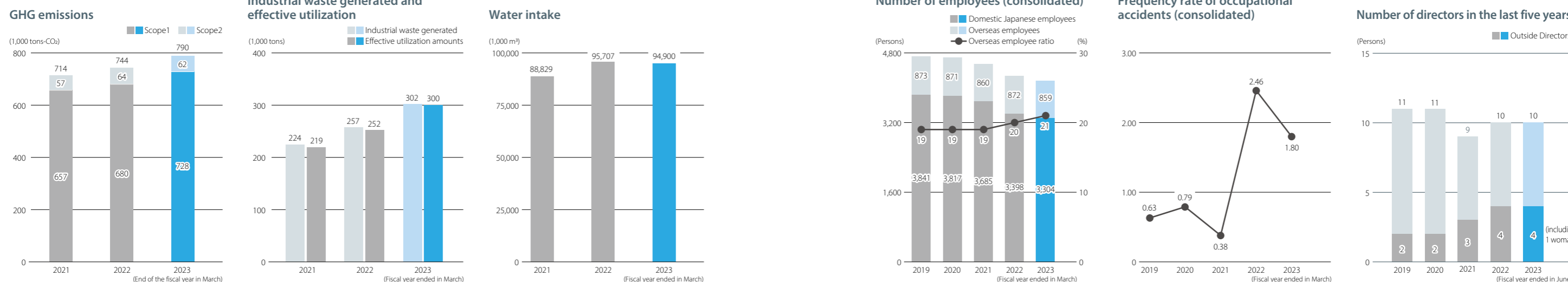
## Financial Highlights

Financial data	G-1st		C-next			V-DRIVE		Medium-term Management Plan 2023			
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2023
Net sales	¥223,865	¥228,400	¥246,849	¥262,398	¥269,100	¥275,807	¥264,618	¥222,454	¥261,617	¥301,205	\$2,255,541
Operating income	3,308	6,140	9,236	12,900	11,414	10,130	11,209	1,702	20,456	17,288	129,462
Ordinary income	8,481	11,463	10,588	14,056	13,908	13,015	15,652	9,757	29,515	11,472	85,904
Net income attributable to owners of parent company	6,105	8,359	7,477	10,381	10,327	9,156	8,073	14,173	21,207	8,326	62,345
EBITDA <sup>(Note 2)</sup>	26,974	30,582	31,125	33,938	33,871	32,313	34,883	24,802	43,255	24,263	181,695
Capital expenditures	23,919	11,128	9,425	12,751	14,710	16,089	16,231	14,136	13,462	12,532	93,844
Total assets	350,808	351,033	363,658	362,205	366,448	368,082	344,731	363,075	376,956	388,445	2,908,825
Net assets	158,824	168,573	169,529	181,035	191,977	192,861	180,862	195,419	216,974	225,950	1,692,002
Interest-bearing debt	136,387	123,724	129,586	116,754	108,240	109,726	106,832	113,991	99,088	103,726	776,738
<b>Cash flows</b>											
Cash flows from operating activities	18,676	27,858	20,944	28,918	19,742	21,627	43,975	23,761	20,186	1,747	13,081
Cash flows from investing activities	-22,805	-16,261	-3,628	-13,649	-14,158	-19,275	-20,199	-19,575	-1,648	-12,753	-95,500
<b>Per share data (Yen/U.S. dollars)</b>											
Earnings per share (EPS)	30.54	44.39	39.69	55.09	54.68	48.44	43.45	84.40	126.22	49.54	0.37
Book value per share (BPS)	834.44	888.16	894.74	956.63	1,011.58	1,016.16	1,073.08	1,159.49	1,286.82	1,339.89	10.03
Dividends per share	12.00	12.00	12.00	12.00	12.00	12.00	12.00	14.00	24.00	18.00	0.13
<b>Key ratios</b>											
EBITDA/Net sales (%)	12.0	13.4	12.6	12.9	12.6	11.7	13.2	11.1	16.5	8.1	
Operating income ratio (%)	1.5	2.7	3.7	4.9	4.2	3.7	4.2	0.8	7.8	5.7	
Net income ratio (%)	2.7	3.7	3.0	4.0	3.8	3.3	3.1	6.4	8.1	2.8	
Equity ratio (%)	44.8	47.7	46.4	49.8	52.2	52.2	52.3	53.6	57.4	58.0	
ROA (%) <sup>(Note 3)</sup>	2.4	3.3	3.0	3.9	3.8	3.5	4.4	2.8	8.0	3.0	
ROE (%)	3.9	5.2	4.5	6.0	5.6	4.8	4.3	7.6	10.3	3.8	
Debt equity ratio (times)	0.87	0.74	0.77	0.65	0.57	0.57	0.59	0.59	0.46	0.46	

Notes  
 1. Amounts in US dollars were converted at ¥133.54 to one dollar, the currency exchange rate prevailing in the Tokyo Foreign Exchange Market as of March 31, 2023.  
 2. EBITDA = Ordinary income + interest expenses + depreciation and amortization costs + depreciation of goodwill - depreciation of negative goodwill  
 3. ROA = Ordinary income ÷ average total assets at the beginning and end of the fiscal year × 100

\* The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued on February 16, 2018) has been applied from the beginning of FY2019. The primary business indicators, etc. pertaining to FY2018 are those after the retroactive application of the relevant accounting standards.

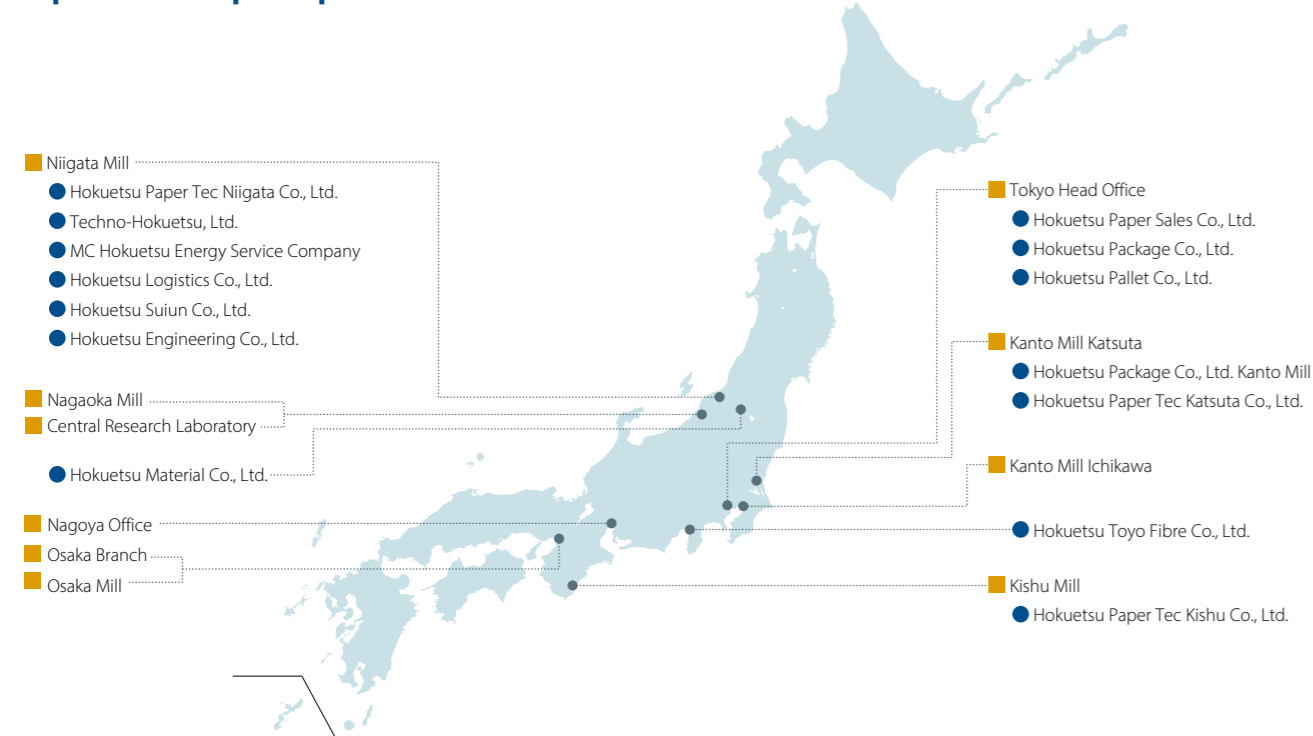
## Non-financial highlights [PDF ESG Data 2023](https://www.hokuetcorp.com/pdf/esg2023_en.pdf) [https://www.hokuetcorp.com/pdf/esg2023\\_en.pdf](https://www.hokuetcorp.com/pdf/esg2023_en.pdf)



# Corporate Information

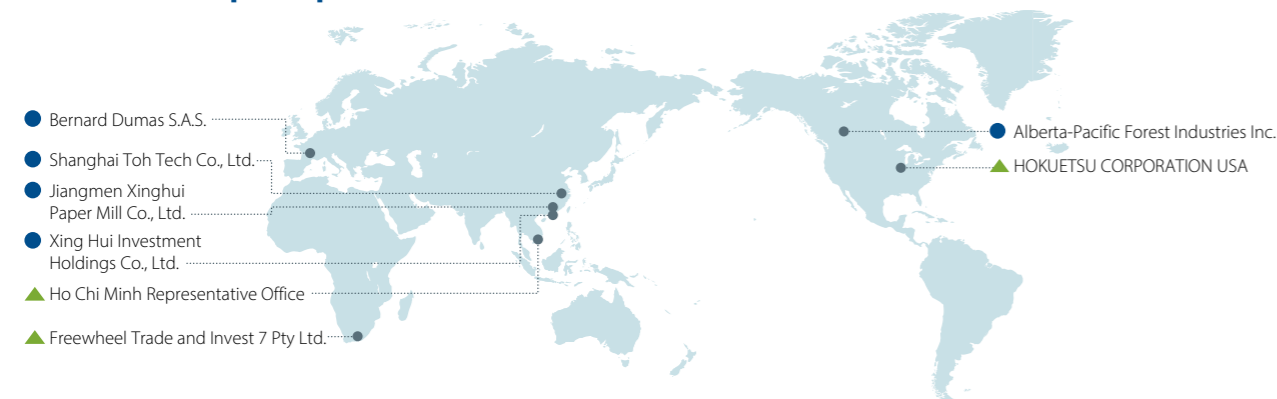
## Japanese Group companies

Main locations ■ Head office / branch office / office / production / research locations ● Japanese Group company



## Overseas Group companies

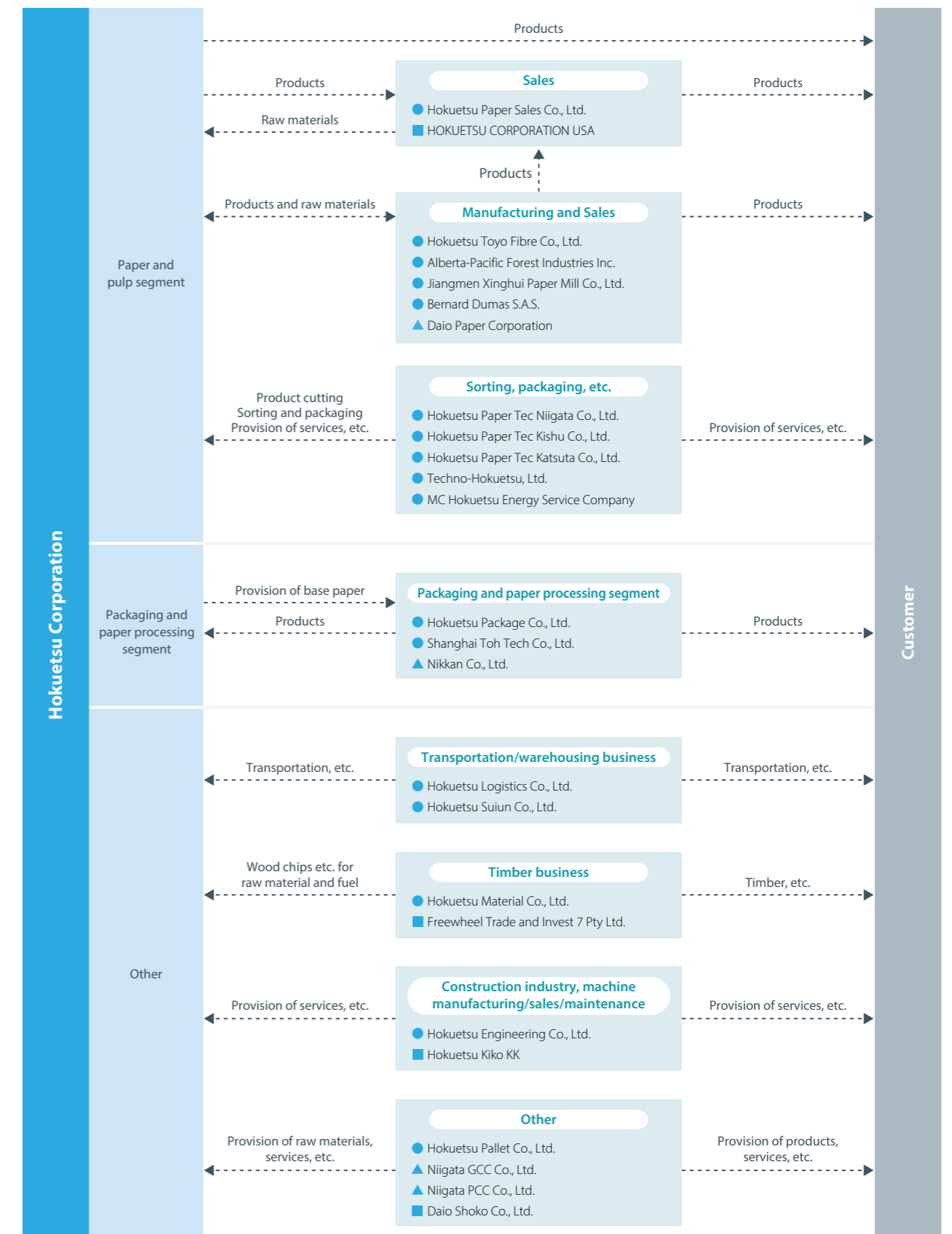
Main locations ● Overseas Group company ▲ Overseas location



Production/research locations		Niigata Mill/Kishu Mill/Kanto Mill Ichikawa/Kanto Mill Katsuta/Nagaoka Mill/Osaka Mill/Central Research Laboratory	
Consolidated subsidiaries	Japan	Paper and pulp segment	Hokuetsu Paper Sales Co., Ltd./Hokuetsu Toyo Fibre Co., Ltd./Hokuetsu Paper Tec Niigata Co., Ltd. Hokuetsu Paper Tec Kishu Co., Ltd./Hokuetsu Paper Tec Katsuta Co., Ltd. Techno-Hokuetsu, Ltd./MC Hokuetsu Energy Service Company
		Packaging and paper processing segment	Hokuetsu Package Co., Ltd.
		Timber business	Hokuetsu Material Co., Ltd.
		Engineering business	Hokuetsu Engineering Co., Ltd.
		Transportation/ warehousing business	Hokuetsu Logistics Co., Ltd./Hokuetsu Suiun Co., Ltd.
	Other	Hokuetsu Pallet Co., Ltd.	
Overseas	Paper and pulp segment	Alberta-Pacific Forest Industries Inc./Xing Hui Investment Holdings Co., Ltd. Jiangmen Xinghui Paper Mill Co., Ltd./Bernard Dumas S.A.S.	
	Packaging and paper processing segment	Shanghai Toh Tech Co., Ltd.	
Affiliated companies accounted for under the equity method		Daio Paper Corporation/Nikkan Co., Ltd./Niigata GCC Co., Ltd./Niigata PCC Co., Ltd.	
Affiliated companies not accounted for under the equity method		HOKUETSU CORPORATION USA/Freewheel Trade and Invest 7 Pty Ltd. Hokuetsu Kiko KK/Daio Shoko Co., Ltd.	

## Organization

● Group companies (consolidated subsidiaries) ▲ Affiliated companies accounted for under the equity method  
■ Affiliated companies not accounted for under the equity method



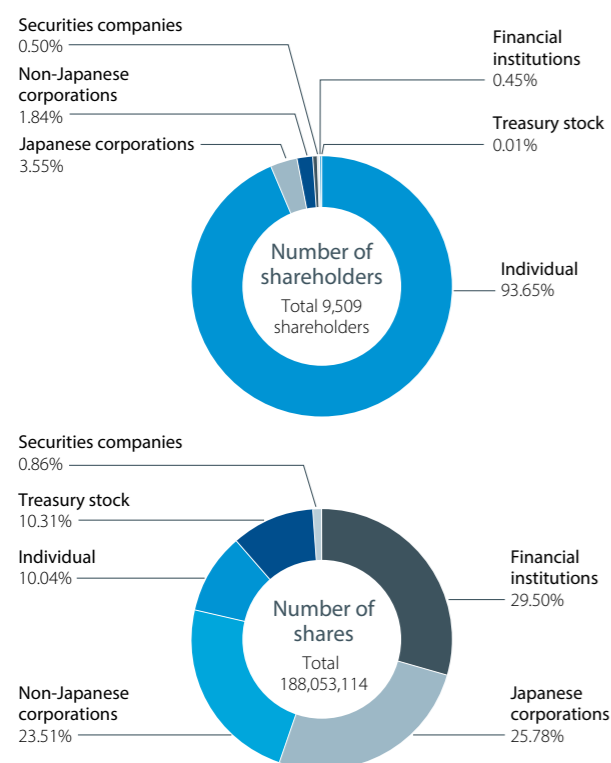
## Corporate Information

### Equity Data

#### Stock Information (as of March 31, 2023)

Securities code	3865	Listed Stock Exchange	Tokyo
Number of shares authorized	500,000,000	Share unit number	100 shares
Number of shares issued (including own shares)	188,053,114	Shareholder registry administrator	Mizuho Trust & Banking Co., Ltd.
Number of shareholders	9,509	Independent audit firm	KPMG AZSA LLC

#### Distribution of shares by shareholders (as of March 31, 2023)



#### Major Shareholders (as of March 31, 2023)

Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Misuga Kaiun Co., Ltd.	18,806	11.15
The Trust Bank of Japan, Ltd. (Trust Account)	13,281	7.87
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	11,963	7.09
Daishi Hokuetsu Bank, Ltd.	8,332	4.94
Hokuetsu Corporation's Agent Stockholding	6,884	4.08
NOMURA CUSTODY NOMINEES LIMITED OMNIBUS-FULLY PAID (CASHPB)	6,476	3.84
Sumitomo Realty & Development Co., Ltd.	6,066	3.60
CGML PB CLIENT ACCOUNT/COLLATERAL	5,997	3.56
OASIS JAPAN STRATEGIC FUND LTD.	5,615	3.33
Custody Bank of Japan, Ltd. (Trust Account)	4,903	2.91

\* In addition to the above, Hokuetsu holds 19,393,000 shares of treasury stock. The shareholding ratio is calculated excluding treasury stock.

#### Stock related data

	March 2020	March 2021	March 2022	March 2023
Number of shares issued	188,053,114	188,053,114	188,053,114	188,053,114
Market capitalization at end of period (millions of yen)	75,973	97,411	130,696	166,803
Price earnings ratio (PER) (times)	9.30	6.14	5.51	17.90
Price book-value ratio (PBR) (times)	0.38	0.45	0.54	0.66

### Corporate Data (as of March 31, 2023)

Corporate Name:	Hokuetsu Corporation
Established:	April 27, 1907
Head office:	3-5-1, Nishizao, Nagaoka, Niigata Prefecture
Capital:	42,020,940,239 yen
Fiscal year ending:	March 31
Number of consolidated subsidiaries:	18 (13 in Japan, 5 overseas)
Number of affiliated companies accounted for under the equity method:	4
Number of employees:	4,163 (consolidated); 1,503 (non-consolidated)

### Initiatives & External Evaluation

#### Endorsed Initiatives



We have signed the United Nations Global Compact as of January 24, 2023. The Group is committed to implementing and continuously improving the 10 principles of the UN Global Compact.



We have joined the GX League, an initiative of the Ministry of Economy, Trade and Industry. The Group will promote our efforts to achieve carbon neutrality and contribute to the transformation of the entire economic and social system in cooperation with participating companies and organizations.



We are participating in the "30by30 Alliance for Biodiversity," a coalition of volunteers aiming to achieve the "30by30 Target" promoted by the Ministry of the Environment. Through our participation in this alliance, the Group will visualize the importance of biodiversity and conservation activities, and contribute to achieving the 30by30 goal.



We endorsed and announced the "Declaration of Partnership Building" established by the "Council on Promoting Partnership Building for the Future," whose members include the Chairman of Japan Business Federation, the President of The Japan Chamber of Commerce and Industry, the President of Japanese Trade Union Confederation, and relevant ministers.

#### External Evaluation



We have been recognized by the Ministry of Economy, Trade and Industry as a 2023 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category). The Health & Productivity Management Outstanding Organization certification program recognizes companies that practice particularly outstanding health management.



In the "Climate Change Program" by CDP, an international non-profit organization that addresses environmental information disclosure, we received an "A-" rating, the highest level of leadership.



We have been certified as an Eco-Rail Mark products by the 42nd Eco-Rail Mark Management and Operating Committee, which is authorized by the Ministry of Land, Infrastructure, Transport and Tourism and operated by the Railway Freight Association. The Group will further promote rail freight transportation, an environmentally friendly means of transportation, to reduce CO<sub>2</sub> emissions.





## Hokuetsu Corporation

3-2-2, Nihonbashihongoku-cho, Chuo-ku,  
Tokyo 103-0021 Japan

[www.hokuetsucorp.com/en](http://www.hokuetsucorp.com/en)



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