Long-term Corporate Vision “Vision 2030”
Medium-term Management Plan 2023

May 22, 2020
Hokuetsu Corporation
Long-term Corporate Vision & Medium-term Management Plan

Long-term Vision – “Vision 2020” Business Results

<table>
<thead>
<tr>
<th>Net Sales (Hundred Million Yen)</th>
<th>3,000</th>
<th>2,500</th>
<th>2,000</th>
<th>1,500</th>
<th>1,000</th>
<th>500</th>
<th>0</th>
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<tr>
<td>G-1st</td>
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<td>C-next</td>
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<td>V-DRIVE</td>
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<tr>
<td>Operating Profit (right axis)</td>
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Vision 2020 Corporate Image
- Net Sales: Over ¥300 billion
- Overseas Sales Percentage: 25%

FY2019 Results
- Net Sales: ¥264.6 billion
- Overseas Sales Percentage: 30.5%

FY2019 Target Consolidated Management Indicators
- Net Sales: ¥300 billion
- Operating income: ¥15 billion
- Operating income Percentage: 5.0%
- ROE: 6.0%
- EBITDA: ¥40 billion
- Net D/E Ratio: Less than 0.6

FY2019 Consolidated Management Results
- Net Sales: ¥264.6 billion
- Operating income: ¥11.2 billion
- Operating income Percentage: 4.2%
- ROE: 4.3%
- EBITDA: ¥34.9 billion
- Net D/E Ratio: 0.47

Hokuetsu Corporation
2020 Corporate Image Target

- A business that promotes environmental management and places importance on the environment in its various business activities.
- A business that provides attractive products with high quality and cost-competitiveness, through advanced technology.
- A business that continues steady growth and endless challenges with passion.

Net Sales: Over ¥300 billion
(Overseas Sales Percentage: 25%)

FY2019
- Consolidated Sales: ¥264.6 billion
- Overseas Sales Percentage: 30.5%

- Gas turbine facility installed in the Niigata Mill
- Calculations of greenhouse gases begun across the entire supply chain (from FY2013)
- CO₂ emission levels (single substance)
  FY2011 437kg/CO₂/t → FY2018 398kg/CO₂/t  9% reduction
- High-efficiency Black Liquor evaporator activated at Niigata Mill
- New wood chip carrier (eco ship) introduced
- Expansion of FSC certified products lineup
- Operation of solar power generator facilities (Niigata Mill, Kanto Mill, Hokuetsu-Material)
- Exhibited at EcoPro exhibition

- Expansion of high-bulk-LWC paper products lineup
- Development and sale of paper container and paper straw material
- Development of Cellulose Nano Fiber and Carbon Fiber composite material
- Development of paper material “Panse” (Paper from New Sense)

- Acquisition of performance materials paper company Bernard Dumas (France)
- Acquisition of pulp business company Al-Pac (Canada)
- White paperboard production started at Jiangmen Xinghui Paper Mill (China)
- Containerboard business started at Niigata Mill

Business developed in line with the “Vision 2020” corporate image
By steadily implementing measures in line with the Basic Policy, we have been able to expand overseas business operations, deliver attractive products to our customers, realize the creation of a firm compliance/governance system, and establish our position as a global business.

Target Consolidated Management Indicators were not achieved due to a reduction in the amount of produced/sold paper, and other factors.
Domestic demand for printing and communication paper is expected to decrease by 3 million tons over the 10 years from 2020.

Reconstruction of production system and product mix to respond to the decrease in domestic demand is inevitable.

A stable demand for containerboard is expected.

Promotion of containerboard business

White paperboard is expected to firmly transition while the usage will change in accordance with the needs of the times.

Responding to new customers and demand

*2020 domestic demand is a prediction

(Estimated based on the Japan Paper Association domestic demand performance trends and the annual report on the aging society)
The Hokuetsu Group’s Business Environment

【Positive Factors】
Increased demand for plastic alternatives (packaging paper, paperboard for paper containers, processed paper products, vulcanized fibers etc.)
Increased demand for performance materials paper (RO membrane backings, chip carrier tape base paper)
Increased demand for containerboard

【Uncertain Factors】
Market/Price fluctuations (pulp, used paper, fuel, chemicals etc.)
Stagnation in economic activities due to the impact of the novel coronavirus disease

【Negative Factors】
Reduction in domestic demand (printing and communication paper etc.)
Slow growth in the printing and writing paper market in the East Asian region
Domestic and overseas logistics problems (lack of human resources, rising costs)
Long-term Corporate 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.

1. Name of the Vision: Vision 2030

2. Period: April 1, 2020 through March 31, 2030

3. Target Image of the Group in 2030
   ■ 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
Formulation Background: the first step towards the realization of the Group image set out in “Vision 2030.”

<table>
<thead>
<tr>
<th>Name</th>
<th>Medium-term Management Plan 2023</th>
</tr>
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<tbody>
<tr>
<td>Period</td>
<td>April 1, 2020 through March 31, 2023 (3 years)</td>
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</table>

<table>
<thead>
<tr>
<th>Target Consolidated Management Indicators (FY2022)</th>
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<tbody>
<tr>
<td><strong>Net sales:</strong></td>
</tr>
<tr>
<td><strong>Operating income:</strong></td>
</tr>
<tr>
<td><strong>Ordinary income:</strong></td>
</tr>
<tr>
<td><strong>Net income:</strong></td>
</tr>
<tr>
<td><strong>attributable to owners of parent company</strong></td>
</tr>
<tr>
<td><strong>ROE:</strong></td>
</tr>
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<td><strong>EBITDA:</strong></td>
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Premise
Exchange Rate: ¥108/USD
Dubai Crude Oil: USD50/bbl.
FY2022 Consolidated Management Profits  Factors for Fluctuation

(Hundred Million Yen)

<table>
<thead>
<tr>
<th>Factor</th>
<th>FY2019 Operating Income</th>
<th>Production/Sales Volume/Value</th>
<th>Raw material Fuel Price</th>
<th>Internal Factors</th>
<th>Risk Factors etc.</th>
<th>FY2022 Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>112</td>
<td>+35</td>
<td>+40</td>
<td>+40</td>
<td>+7</td>
<td>150</td>
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Hokuetsu Corporation  8
Medium-term Management Plan 2023 Basic Policies (1)

Shift business portfolio
Pioneer new businesses
Expand strategic investment

Expand business worldwide
- Introduce management focused on main businesses
- Strengthen profitability through collaboration within and without group
- Promote M&A

Strengthen business in Japan
- Construct an optimal production system
- Make containerboard into a core business
- Expand paper processing business

Strengthen governance management

Promote SDG-related activities
- "Group Environmental Target 2030" initiative
- Develop eco-friendly products
- Promote work-style reforms
- Respect human rights

Enhance functions of Group Governance Administration Department

Establish a new Audit & Supervisory Board Member Office

Hold Consolidated Management and Internal Control Meetings

Strengthen profitability of existing businesses
Strengthen systems for developing new materials and new products
Logistical reforms
Medium-term Management Plan 2023 Basic Policies (2)

Shift Business Portfolio
We will pioneer new core businesses in Japan and overseas and accelerate the business portfolio shift that we have promoted, with the aim of the continuous growth of the Group.

Expand Business Worldwide
We will develop a system to manage our main businesses outside Japan in a focused and collective manner for further collaboration within and without the Group and more profitability, and expand our businesses globally through investments like M&A.

Strengthen Corporate Governance
We will strengthen our internal controls by holding “Consolidated Management and Internal Control Meetings” and enhancing the functions of the Group Governance Administration Department, set up an Audit & Supervisory Board Member Office (support staff for Audit & Supervisory Board Members), and increase the effectiveness of Audit & Supervisory Board Members’ audits.

Strengthen Business in Japan
We will strengthen the profitability of our existing businesses by implementing measures such as logistic reforms and constructing an optimal production system that meets trends in demand, make our containerboard business into a core business, and further expand our paper processing business.

Promote SDG-related activities
We will promote activities that contribute to the SDGs through initiatives to reach the “Group Environmental Target 2030,” the development of eco-friendly products such as plastic alternatives, and workstyle reforms.
### Investment Plan

<table>
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<tr>
<th>Total Investment</th>
<th>¥110 billion</th>
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<table>
<thead>
<tr>
<th>Investment Allocation</th>
<th>Strategic Investment: ¥70 billion</th>
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<td>Maintenance and renewal investment: ¥40 billion</td>
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- **Strategic Investment**
  - Capital investment with the main goal of strengthening competitiveness
  - Policy investment, including M&A
  - R&D investment

<table>
<thead>
<tr>
<th>Currently Progressing Items</th>
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<tbody>
<tr>
<td>Canada Pulp Business: extension of onsite warehouses, heat recovery equipment installed in the recovery boiler (expansion of electricity sales business)</td>
</tr>
<tr>
<td>Nagaoka Mill: revision to increased production of chip carrier tape base paper</td>
</tr>
<tr>
<td>Kanto Mill (Katsuta): Measures for boiler fuel diversification</td>
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</table>
**Business Strategy (1)**

### Paper Business

**Policy**
- Create the most appropriate production system for printing and communication paper, to respond to domestic and overseas demand trends.
- Strengthen export sales ability based on a direct trade system.
- Expand sales of packaging-compatible products / plastic alternative packaging.
- Develop products for new applications by applying manufacturing technology for printing and communication paper.

*Images: Niigata Mill, Kishu Mill, Paper, plastic alternative materials, usage examples*

### White Paperboard Business

**Policy**
- Seek out potential demand for our products and improve customer satisfaction.
- Address the demand for plastic alternative containers / packaging materials.
- Address new product needs by integrating the paper processing business and Hokuetsu Paper Sales.
- Develop the Kanto Mills as bases for next-generation environmental manufacturing.

*Images: Kanto Mill (Ichikawa), Kanto Mill (Katsuta)*
Business Strategy (2)

Specialty Paper Business

■ Policy
- Build a system to produce / sell growth products from a global perspective.
- Address the demand for plastic alternative materials.
- Enter new fields and businesses for high added value products.

| PASCO products |
| Spray prevention panel |

Plastic alternative materials, usage examples

Paper Processing Business

■ Policy
- Develop a business that takes advantage of the strengths of integrated group production from base paper to processed products.
- Advance considerations of new fields / businesses while restructuring the business portfolio.
- Strengthen business through deepening cooperation between group companies.

[Image of Hokuetsu Package Co., Ltd Katsuta Production Department Eight-color rotogravure printing press]

[Image of Hokuetsu Package Co., Ltd Tokorozawa Production Department]
**Business Strategy (3)**

### Containerboard Business

**Policy**
- Deepen relationships with customers, and build the foundations of production/sales in the containerboard business.
- Promote improvements of production efficiency and improve profitability in advance.
- Address customers’ needs and link them to the future growth of the containerboard business.

![No. 6 board machine at Niigata Mill and a product](image1)

### Overseas Business

**Policy**
- Establish a system to centrally and collectively manage major overseas businesses.
- Expand overseas business and advance the development of new business domains.
- Strengthen the profitability of overseas business.

![Alberta-Pacific Forest Industries Inc.](image2)

![Jiangmen Xinghui Paper Mill Co., Ltd](image3)
Basic Policy

1) Develop and launch of plastic alternative substrates
   ► Practical commercialization of new paper material “Panse”
   ► Development of vulcanized fiber applications
   ► White paperboard with new functions and new processed paper container products

2) Develop new functional materials
   New filter media use products, CNF usable products, etc.

3) Concentrate the development/investment into products that are expected to grow in the market
   ► Packaging paper
   ► Food packaging/materials for containers/processed paper products
   ► Performance material paper section
**Basic Policy**

We will advance initiatives for each goal, as the first step of the group’s newly-established long-term environmental goal “Group Environmental Target 2030.”

### Group Environmental Target 2030

<table>
<thead>
<tr>
<th>1. Measures to combat global warming</th>
<th>4. Measures on waste</th>
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<tbody>
<tr>
<td>● Reduce CO₂ emissions by 43% compared to FY2005 (approx. 450,000t).</td>
<td>● Improve the effective utilization rate of waste.</td>
</tr>
<tr>
<td>● Promote reduction of CO₂ emissions generated from logistics.</td>
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<table>
<thead>
<tr>
<th>2. Forest management/cultivation</th>
<th>5. Compliance with environmental laws/emission management</th>
</tr>
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<tbody>
<tr>
<td>● Obtain all used wood raw materials from forests that have been certified as legal and sustainable (maintain 100% utilization).</td>
<td>● Aim to reduce environmentally hazardous substances that accompany drainage and exhaust.</td>
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<tr>
<td>● Continue forest management with the aim of improving biodiversity and multifaceted functions of forests.</td>
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<tbody>
<tr>
<td>● Advance reduction of water usage.</td>
<td>● Expand environmentally friendly products. (Development of products that contribute to solving marine plastic problems etc.)</td>
</tr>
<tr>
<td>● Promote the use of waste paper by expanding the products that use it.</td>
<td>● Use raw materials and chemicals that have a low environmental impact.</td>
</tr>
</tbody>
</table>

Applicable to all group production bases both domestic and overseas.
The contents related to the goals and other information contained in this document are based on various assumptions at the time of formulating this plan, and they do not guarantee the feasibility of this plan. In addition, we are not under any obligation to update the forward-thinking statements of this plan based on new information, future events, etc.

For inquiries regarding this document
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