



HOKUETSU GROUP
INTEGRATED REPORT 2025



Contents

The HOKUETSU GROUP's Vision

- 01 Hokuetsu Group Corporate Philosophy
Hokuetsu Group Code of Conduct
- 02 Message from the President and CEO
- 04 Creating New Value through
Decarbonization
- 06 Our Value Creation Journey
- 08 Value Creation Process

Strategies to Realize our Vision

- 10 Message from the CFO
- 12 Long-term Management Vision /
Medium-term Management Plan 2026
- 13 Our Business Portfolio
- 14 Shifting the Business Portfolio
- 16 Progress of our Business Strategy
- 24 Strengthening Competitiveness
- 26 Promoting Sustainability (ESG) Activities

Corporate Data

- 48 Financial and Non-Financial Data
- 50 Corporate Information

Editorial Policy

The Hokuetsu Corporation Group publishes the HOKUETSU GROUP INTEGRATED REPORT to provide all stakeholders with easily digested information on the Group's value creation strategy, progress toward achieving that strategy, and non-financial activities, with a particular focus on materiality-related matters. For additional details on topics in this report, please visit our website.

Companies covered by this report

Hokuetsu Corporation Group (hereinafter "the Group")
(Hokuetsu Corporation, main affiliated subsidiaries, etc.)

Period covered by the report

April 1, 2024 through March 31, 2025
(Some activities outside this period are also reported.)

Published

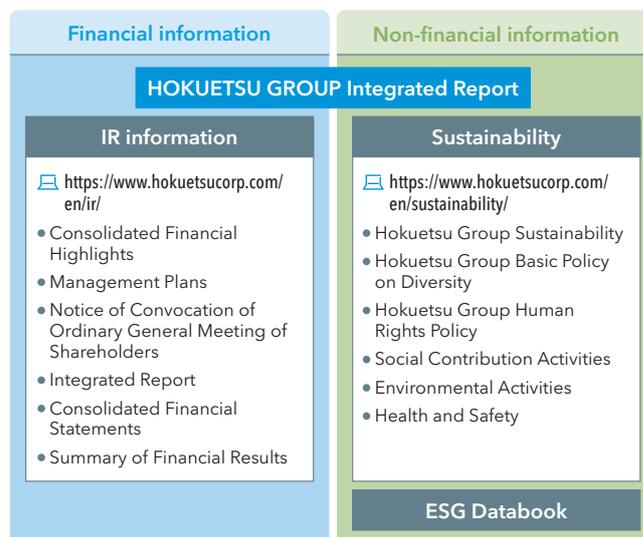
October 2025
(Previously published: October 2024; next scheduled publication:
October 2026)

Guidelines used as reference

International Integrated Reporting Framework, International
Financial Reporting Standards Foundation (IFRS)
Guidance for Collaborative Value Creation, Ministry of Economy,
Trade and Industry
GRI Standards, Global Reporting Initiative (GRI)

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Disclosure system



Caution Regarding Forward-Looking Statements

This report contains some descriptions of future performance. Such forward-looking statements are not guarantees, and are subject to risks and uncertainties. Actual results may differ from these forward-looking statements for a variety of factors, including changes in the operating environment. Key factors that may affect actual performance, etc. include, but are not limited to, domestic and overseas economic conditions pertaining to our business sectors, demand trends for our products and services, and foreign exchange and stock market trends.



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.

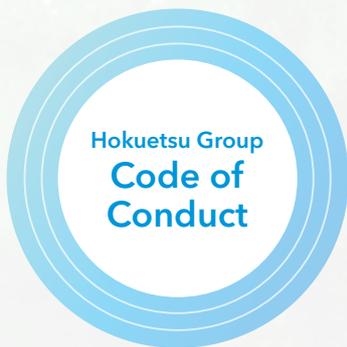
“People-focused business group” is the expression of our vision for the future, what we want to become, our goal.

- 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 impacts on the natural environment to the minimum at every 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 with the aim of 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.



The Group hereby sets forth its “Hokuetsu 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

Message from the President and CEO

Working to make Vision 2030 a reality, we will further strengthen our business foundation and achieve sustainable growth



Sekio Kishimoto
President and CEO

Introduction

At our 187th Shareholders' Meeting on June 27, 2025, we were honored to receive the trust and confidence of our shareholders. I believe that shareholders reacted positively to the results of many of our measures, starting with our FY2024 financial results and our progress toward Medium-term Management Plan 2026 from a medium- to long-term perspective, and including the emergence of results from our strategic business alliance with Daio Paper Corporation and our promotion of environmental strategies aimed at realizing Hokuetsu Group ZERO CO₂ 2050. Acting as president and CEO, I will continue forging ahead to enhance the Group's value.

Looking back on FY2024 and our business environment

Reviewing the Group's business results in FY2024, despite a decline in domestic paper demand and an increase in raw material, fuel, and other costs, increases in sales volume and prices along with recovery in overseas pulp market conditions contributed to increased revenue and profit.

Looking at the business environment in FY2025, paper demand in Japan is expected to continue its downward trend amid population decline, the advance of digitalization, and the proliferation of remote work. We foresee a resulting sales revenue decline in the paper, white paperboard, and pulp businesses. At the same time, we expect that efforts to raise product sales prices and strengthen export sales, combined with lower crude oil prices than in the previous year, will contribute to profit.

As an additional major topic, we foresee a decline in FY2025 revenue and profit at Alberta-Pacific Forest Industries

Inc. (Al-Pac), our overseas subsidiary in the pulp business, due to the significant cost of large-scale maintenance carried out for the first time in 18 months. We foresee limited impact from tariffs imposed by the U.S., as sales of Al-Pac pulp in the U.S. remain exempt from tariffs under the United States-Mexico-Canada Agreement (USMCA).

To address this business environment, in April 2025 we reorganized our sales divisions to focus on raising the added value of our products through means that include building a stronger sales structure tailored to demand characteristics, developing new products including those using cellulose nanofibers, and expanding applications for our existing products.

The goal of the reorganization includes boosting sales competitiveness as well as accelerating our business portfolio shift by developing new businesses that will be central to our future. In our top-priority strategic business alliance with Daio Paper Corporation, we undertook cost-cutting initiatives that are yielding immediate effect, including round transport using trucks and containers and the shared use of wood chip transport vessels. Through this, we achieved ¥1.3 billion in partnership effects within our FY2024 business results. We expect that broadening our areas of partnerships, including the expansion of OEM products, will enable a profit increase of over twice that amount, ¥3.0 billion, in FY2026. I myself believe that we may surpass even that.

The harsh business climate is likely to continue for some time, but we intend to accurately discern the needs of customers and expand our environmentally friendly product lineup through the low-CO₂ products that we have been promoting. Through such means, we will engage in business activities that pursue both solutions to social issues and the enhancement of our corporate value.

Our growth story leading to the realization of our Long-term Corporate Vision: Vision 2030

Our Long-term Corporate Vision: Vision 2030 sets out three images that our corporate group seeks to attain: "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," and "A business group made up of people working proactively with dreams, hopes and pride."

Under Medium-term Management Plan 2023 (FY2020-2022), we took first steps aimed at turning these corporate group images into reality. While strengthening our global business, in Japan we entered the containerboard base paper business and advanced the development of plastic-substitute materials, transforming our business portfolio into one capable of adapting to changes in the external environment. In parallel with these actions, we actively tackled the strengthening of our governance management and promotion of SDGs activities while making preparations for further leaps forward. The current Medium-term Management Plan 2026 marks a key path toward achieving Vision 2030. Its three-year period is one of strengthening our business foundation in line with the three pillars of our Basic policy of "Shifting the Business Portfolio," "Strengthening Competitiveness" and "Promoting Sustainability (ESG) Activities," without halting the momentum of the previous Medium-term Management Plan. To date, in the paper and pulp businesses we have engaged in initiatives including vertical integration of upstream to downstream fields, structural transformation through expansion of our overseas sales ratio, demonstration of cost competitiveness by leveraging the industry-leading productivity of our papermaking facilities and our mill locations adjacent to the giant Tokyo metropolitan consumer market, and strengthening of environmental competitiveness through our best-in-industry zero CO₂ energy ratio. Under our current Medium-term Management Plan, these initiatives have earned us the regard of rating agencies and international non-profit organizations such as CDP.

In FY2025, the last year of the current Medium-term Management Plan and a midway point along the path toward Vision 2030, we want to make efforts in the areas of human capital management and environmental management by deepening our sustainability activities and progressing toward the next Medium-term Management Plan, which we position as an overall finishing period.

Realizing growth through the deepening of sustainability activities

In our view, solving medium- and long-term social issues through sustainability activities will be an engine for

growth in our Group. However, although this, like GX, will connect to the realization of a carbon-neutral society, I believe that future predictability is the key to advancing initiatives in fields of high uncertainty that do not readily lead to quick profit.

Since 1995, the Group has actively made biomass-energy-related investments under the concept of minimizing negative impacts on the environment. In 2020, we launched Vision 2030, with its grounding in environmental management, and formulated a plan to achieve net-zero CO₂ emissions by 2050. Our carbon dioxide capture and storage (CCS) project is a measure aimed at enhancing the foreseeability of this plan. The project connects to a reduction in greenhouse gases that impact global warming, the equivalent of reducing atmospheric emissions of CO₂. With the aim of advanced CCS commercialization by FY2030, we have been commissioned with design and other work for facilities to separate and recover CO₂ from biomass fuel at the Niigata Mill, under a research project by the independent administrative agency Japan Organization for Metals and Energy Security (JOGMEC). We will consider concrete development of our advanced CCS project not only in Japan but also at overseas locations, making it a next-generation investment that will enhance the corporate value of our group as well as the non-price value of our products. We are also studying plans to move up our timetable for the achievement of net-zero CO₂ emissions to 2040 through research and development into GX technologies.

The carbon pricing promoted by Japan's government is also enhancing the foreseeability of added value born from paper, a bio-derived product, and from products using zero-CO₂ energy. By creating new businesses and by engaging in new product development that fully leverages the strengths of the paper and pulp industry, the Group will contribute to the advance of a sustainable society.

To continuously live up to the trust of our stakeholders

Let me note in closing that while the environment surrounding our Group continues to undergo significant changes, our medium- and long-term management policy remains unchanged. We will connect our business activities in FY2025, the last fiscal year of our current Medium-term Management Plan, to solid achievements that will serve as footholds for dramatic growth under the next Medium-term Management Plan.

Since our founding, the Group has contributed to the development of society through the heartfelt art of papermaking. We will continue to emphasize constructive dialogue so that we can remain a people-focused business group trusted by our stakeholders. At the same time, we will steadily achieve our Long-term Corporate Vision: Vision 2030 through sustainable growth.

Creating New Value through Decarbonization



The Group has actively worked toward minimizing its negative impacts on the environment. We are now advancing our ZERO CO₂ 2050 initiative to leap further ahead in cutting CO₂ emissions to net-zero by 2050.

The history of our environmental management

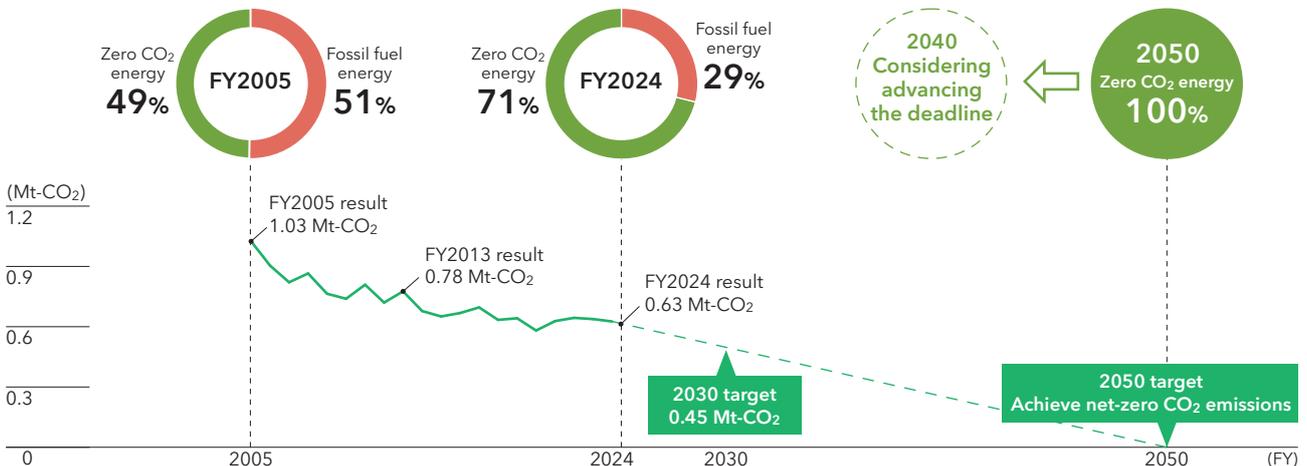
Our company has long placed importance on addressing environmental issues. Since 1986, we have led the industry in reducing CO₂ emissions through means that include transitioning from heavy oil to gas as fuel and introducing wood biomass boilers and high-temperature, high-pressure recovery boilers.

Our environment-related investments, which total about ¥50 billion to date, have raised our zero CO₂ energy rate from about 49% in 2005 to 71% in FY2024 as we steadily reduce CO₂ emissions. We are now studying plans to accelerate our GX initiatives and significantly advance our deadline for zero CO₂ emissions from 2050 to 2040.

Characteristics of our initiatives

| | |
|---|--|
|  <p>1. Introduction of high-temperature and high-pressure recovery boilers</p> <p>Black liquor is a biomass fuel created as a by-product of pulp production. High-temperature, high-pressure recovery boilers at our Niigata Mill and Kishu Mill efficiently generate electricity using black liquor as fuel.</p> |  <p>2. Introduction of wood biomass boilers</p> <p>The Niigata Mill, Kanto Mill (Katsuta), and Kishu Mill generate power from wood biomass boilers using wood biomass fuel derived from construction waste and other materials.</p> |
|  <p>3. Fuel conversion from heavy oil to gas</p> <p>Gas is a clean fuel that generates little CO₂. We initially began operating our urban Kanto Mill (Ichikawa) using gas and electricity alone, and now do so at the Nagaoka Mill and Osaka Mill as well.</p> |  <p>4. Introduction of solar power generation</p> <p>We have installed mega-solar power generation equipment at the Niigata Mill and Kanto Mill (Katsuta). This contributes to expanding the use of renewable energy as a means of combating global warming.</p> |

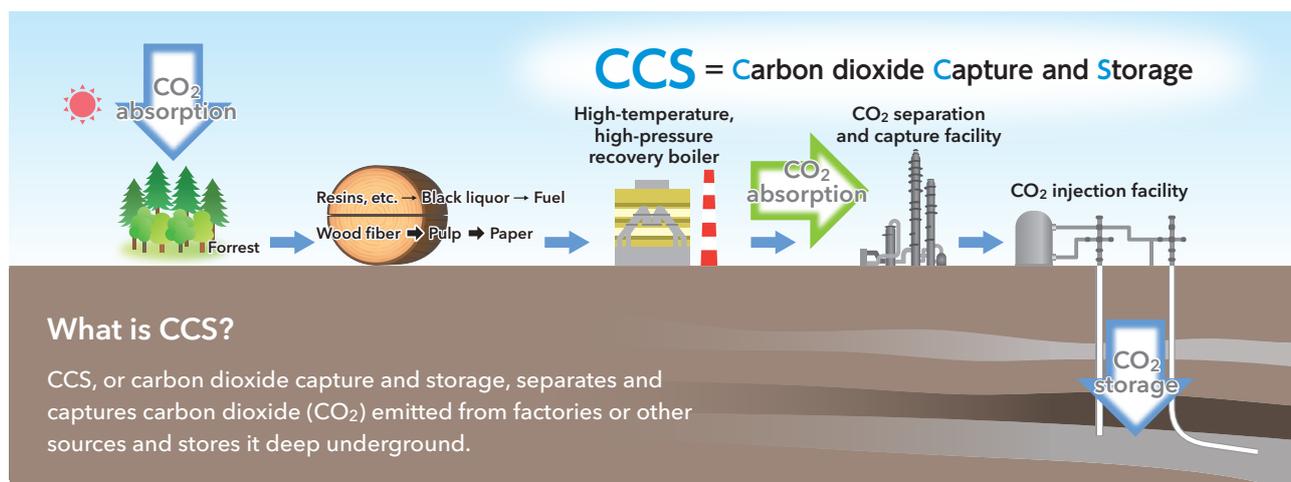
Energy composition ratio and CO₂ emissions (non-consolidated)



GX initiative: Study of CCS commercialization

Around the world, CCS is viewed as a keystone measure for combating global warming. Along with the reduction of emissions through conversion to renewable energy sources, negative emissions technology that eliminates CO₂ from the atmosphere is viewed as essential to achieving net-zero CO₂ emissions.

As a new initiative to reduce greenhouse gas emissions, in Japan and overseas we are actively studying a carbon capture and storage (CCS) project to separate and recover carbon-neutral CO₂ derived from biomass fuel emitted during the pulp production process and store it in appropriate nearby locations. Through this, we seek to achieve negative emissions that will counter global warming by reducing atmospheric CO₂.



CO₂ separation and capture demonstration project



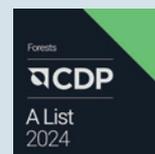
A technology demonstration project to separate and collect CO₂ emitted from a soda recovery boiler began at the Niigata Mill in November 2024. Following the installation of compact CO₂ collection equipment (CO₂ MPACT™ Mobile) from Mitsubishi Heavy Industries, Ltd., carbon-neutral CO₂ contained in soda recovery boiler exhaust gas will be separated and collected.

Through this demonstration project, we will verify the future potential for negative emissions and will contribute to the realization of a carbon-neutral society.

Recognition for highest levels of leadership in three areas in CDP 2024

The Company was recognized for high levels of leadership in CDP* 2024, receiving the highest-level "A" rating in the area of "Forest" and "A-" in "Climate Change" and in "Water Security." Looking ahead, we will actively and positively advance sustainability activities aimed at solving social issues and achieving growth for the Company.

* A leading ESG evaluation organization that evaluates the sustainability initiatives of companies and cities worldwide. Using independent methods and an eight-level "A" to "D-" score, it rates targets on the basis of information concerning comprehensiveness of information disclosure, risk management, the setting of high targets, leadership, and more. In 2024, the number of companies disclosing data through CDP increased to 24,800.



Forest A

Climate Change A-

Water Security A-

Our Value Creation Journey

In Niigata Prefecture, one of Japan's leading rice-growing regions, our Group began making paper using abundant rice straw and water from the Shinano River. Over the 118 years since then, we have unceasingly tackled challenges while growing to a scale that even encompasses overseas production sites, ever improving society through paper.

1907-1985

Founding and Stability Period

From our founding to the establishment of manufacturing infrastructure

1986-2007

Rapid Growth Period

Innovation in the paper business, move to an environmentally friendly production system

The history of our business

1907 The company is founded in Nagaoka, Niigata Prefecture. It begins producing paperboard from rice straw.



The Nagaoka Mill at the time of our founding

1914 The Niigata Mill is built in Niigata, Niigata Prefecture, initially producing lightweight paperboard.

1920 The Ichikawa Mill (now Kanto Mill Ichikawa) is constructed in Ichikawa, Chiba Prefecture. We expand sales of paper in the Tokyo metropolitan area.

1971 The Katsuta Mill (now Kanto Mill Katsuta) is constructed in Hitachinaka, Ibaraki Prefecture. We market Japan's first premium white paperboard containing waste paper.

1986 The No. 6 paper machine is introduced (Niigata Mill). (On-coat machine capable of simultaneous papermaking and coating, the first of its kind in the world for fine paper products.)



Niigata Mill No. 6 paper machine

1990 The No. 7 paper machine is introduced (Niigata Mill).

1998 The No. 8 paper machine is introduced (Niigata Mill).

2006 A hostile takeover bid by Oji Paper Co., Ltd. (current Oji Holdings Corporation) fails.

2007 We celebrate the 100th anniversary of our founding.

Responding to environmental issues ahead of the industry

1935 Production of vulcanized fiber begins (Nagaoka Mill).



Production of vulcanized fiber

1986 A high-temperature and high-pressure recovery boiler (6RB) is introduced (Niigata Mill).

1995 Power generation from natural gas begins (Kanto Mill Ichikawa).

1996 A high-temperature and high-pressure recovery boiler (7RB) is introduced (Niigata Mill).

1998 Full-scale production of chlorine-free bleached pulp (ECF) begins, a first in Japan (Niigata Mill).

1999 Power generation from natural gas begins (Niigata Mill).

2000 We fully convert the pulp bleaching process to ECF (Niigata Mill).

2002 We begin the disclosure of environment-related information.

2005 A high-temperature and high-pressure recovery boiler (8RB) is introduced (Niigata Mill). We shift to afforested wood for all imported hardwoods.

2006 A wood biomass boiler is introduced (Kanto Mill (Katsuta)). We fully transition heavy oil boilers to natural gas (Nagaoka Mill).

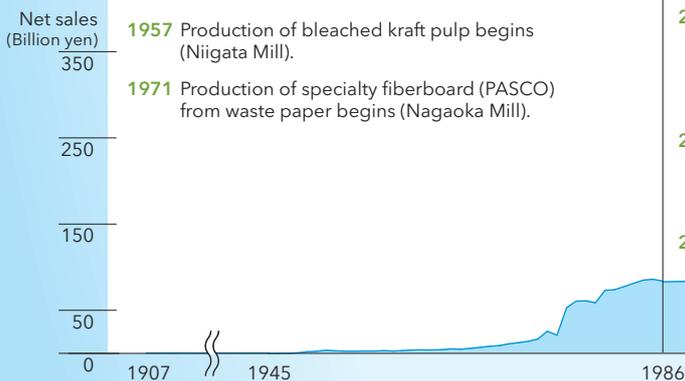
2007 A wood biomass boiler is introduced (Niigata Mill).



Natural gas power generation at Kanto Mill Ichikawa



Wood biomass boiler at Kanto Mill Katsuta



1957 Production of bleached kraft pulp begins (Niigata Mill).

1971 Production of specialty fiberboard (PASCO) from waste paper begins (Nagaoka Mill).

2008-2019

Transition Period

Strengthening of international competitiveness through overseas expansion

- 2008** The No. 9 paper machine is introduced (Niigata Mill).
- 2009** The Company's trade name is changed to "Hokuetsu Kishu Paper Co., Ltd."
- 2011** The Company merges with Kishu Paper Co., Ltd.
- 2012** Toyo Fibre Co., Ltd. becomes a wholly-owned subsidiary. Through acquisition of stock, Daio Paper Corporation is made into an equity-method affiliate. Financiere Bernard Dumas S.A.S. (now Bernard Dumas S.A.S.) becomes a subsidiary.
- 2015** Alpac Forest Products Inc. and Alpac Pulp Sales Inc. (now Alberta-Pacific Forest Industries Inc.) become subsidiaries.
- 2018** The Company's trade name is changed to "Hokuetsu Corporation".



Alberta-Pacific Forest Industries Inc.

2020 to the future

Creating New Value through Decarbonization

Shifting the business portfolio and promoting sustainability management

- 2020** Long-term Corporate Vision: Vision 2030 is established. We enter into the containerboard base paper business.



Niigata Mill's No. 6 paper machine is renovated.

- 2024** Signing of a Basic Strategic Business Alliance Agreement with Daio Paper Corporation

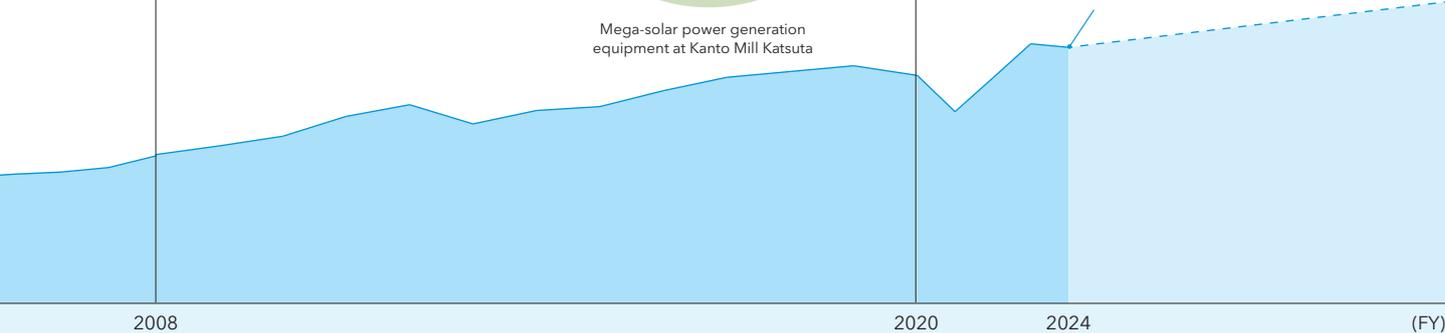
- 2008** Afforestation project starts in South Africa. A wood biomass boiler is introduced (Kishu Mill).
- 2013** Large-scale natural gas power generation equipment is introduced (Niigata Mill).
- 2014** Mega-solar power generation equipment is introduced (Kanto Mill Katsuta).



Mega-solar power generation equipment at Kanto Mill Katsuta

- 2020** "Hokuetsu Group Environmental Target 2030" is established. "Hokuetsu Group ZERO CO₂ 2050" is established.
- 2022** The Company participates in a biomass power generation project in Fukushima Prefecture. The Company begins information disclosure based on TCFD recommendations.
- 2023** Solar power generation equipment is introduced (Niigata Mill).
- 2024** The Company receives highest-level CDP evaluations in the areas of "Climate Change," "Forest," and "Water."
- 2030 or later** Advanced CCS is commercialized (planned).

Net sales **¥305.7 billion**



The HOKUETSU GROUP's Vision
Value Creation Process

Utilizing internal and external management capital with a fundamental focus on resolving social issues to realize a sustainable society, the Group aims to create value as set forth in Long-term Corporate Vision: Vision 2030.

INPUT (Sources of value creation)

Business Strategy (Drivers of management)

Social issues

Politics

Geopolitical risks
 Carbon-neutrality

Economy

Rising prices
 Rising raw material costs
 Income disparities

Society

Diversification of lifestyles
 Changes in population structure

Technology

Digitalized society
 Proliferation of AI and the IoT

Environment

Climate change
 Marine pollution

Financial capital

A robust financial position that supports growth

Grade **A** *1

| | |
|-----------------------|------------------|
| Total net assets | ¥265.8 billion*2 |
| Interest-bearing debt | ¥88.9 billion*2 |

Intellectual capital

Product development that contributes to solving social issues

| | |
|------------------|----------------|
| Patents | 385*4 |
| R&D expenditures | ¥0.8 billion*3 |

Manufacturing capital

Global business expansion

| | |
|--------------------|-----------------|
| Capital investment | ¥19.4 billion*3 |
| Offices in Japan | 24*2 |
| Overseas offices | 6*2 |

Human capital

Hiring and development of human resources

| | |
|--|----------------|
| Consolidated employees | 3,711*2 |
| Employees at overseas subsidiaries | 522*2 |
| Human capital investment | ¥1.1 billion*3 |
| Employee education and training expenses | ¥24 million*4 |

Social & relational capital

Trust-based collaboration with stakeholders

| | |
|----------------------|--------------|
| Main sales countries | Approx. 40*5 |
|----------------------|--------------|

Natural capital

Abundant forest resources at home and overseas

| | |
|---|-----------------------|
| Environmental conservation investment | ¥1.2 billion*4 |
| Owned and managed forest area | 6.05 million hectares |
| Procurement volume of legal and properly managed wood | 2,925 kt |

*1 Issuer rating by Rating and Investment Information, Inc. (R&I) (November 2024)
 *2 As of March 31, 2025
 *3 Results for FY2024 (consolidated)
 *4 Results for FY2024 (non-consolidated)
 *5 Main countries with sales results in FY2024

Medium-term Management Plan 2026

Shifting the Business Portfolio

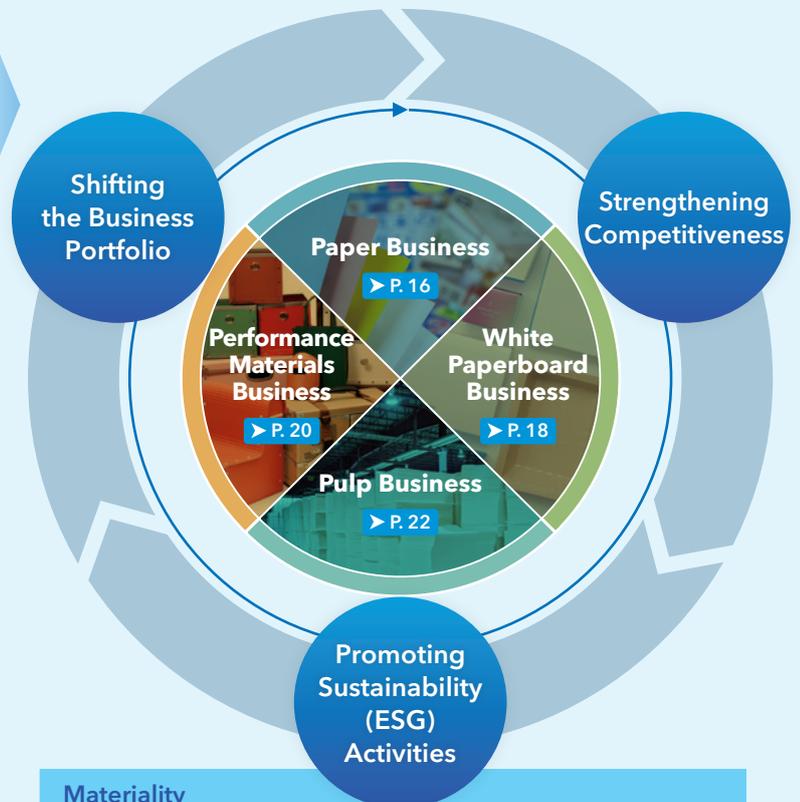
- Cultivate new businesses that will be central to our future
- Promote M&A
- Develop new products that meet customer needs

Strengthening Competitiveness

- Enhance competitiveness on the cost, environmental, and safety fronts to secure profitability
- Further improve industry-leading environmental competitiveness

Promoting Sustainability (ESG) Activities

- Address the issue of climate change and promote the development of environmentally friendly products
- Promote diversity and work style reforms, and foster business activities and human capital management that respect human rights
- Enhance corporate governance by strengthening the risk management system



Materiality

- | | |
|--|--|
| ① Response to climate change issue | ⑤ Human capital management |
| ② Responsible procurement of raw materials | ⑥ Delivering responsible product quality and new product development |
| ③ Forestry management and protection of biodiversity | ⑦ Dialogue with stakeholders |
| ④ Ensuring safety and hygiene of the workplace | ⑧ Improving corporate governance |
| | ⑨ Respect for human rights |

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.

The Value We Provide

Providing services and products that are both high quality and cost competitive through environmentally friendly business activities



Creating economic value

Medium-term Management Plan 2026

Consolidated management indicators (FY2025)

| | |
|---|--------------|
| Net sales | ¥330 billion |
| Operating income | ¥20 billion |
| Ordinary income | ¥24 billion |
| Net income attributable to owners of parent company | ¥20 billion |
| ROE | 8.0% |
| EBITDA | ¥39 billion |



Creating social and economic value

Hokuetsu Group Environmental Target 2030

- Reduction of CO₂ emissions by 43% (approximately 450,000 tons) compared to FY2005 levels
- Continuance of forest management aimed at improving biodiversity and multiple functions of forests
- Expansion of environmentally friendly products

Safety and health activity hSA25

- Zero serious accidents in FY2025
- 25 or fewer occupational accidents in the Group

Vision and Outcome



Our Vision for 2030

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.

Target image for the business group

- 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 CO₂ 2050

HOKUETSU GROUP makes active use of zero-CO₂ energy sources such as biomass to produce paper, a naturally recyclable material.

By advancing measures to address climate change, we have raised our zero-CO₂ energy ratio to an industry-leading level. We will endeavor to achieve net-zero CO₂ emissions by 2050 and thereby realize a society in which people coexist with nature.

Message from the CFO

Through continuous strategic investments and a shift in our business portfolio, we aim to further enhance our corporate value.



Makoto Yanagisawa
Director CFO

Evaluating the progress of Medium-term Management Plan 2026

The Group has formulated Medium-term Management Plan 2026 covering the three years from FY2023, and is now advancing initiatives aimed at achieving management indicators in line with our Basic Policy. In FY2024, the midway point of the plan, higher volume and prices in export sales and recovery in overseas pulp markets contributed to increased revenue and profit. In particular, we recognize the operating profit of ¥19.7 billion as significant progress toward achieving our target of ¥20.0 billion. Products handled by the Group are susceptible to market conditions and price fluctuations, and thus are readily affected by price volatility in procurement and sales. Therefore, while I do not believe that we should be overly influenced by the results of any single fiscal year, I do see the results as a sign that we have established a business foundation that is capable of generating stable earnings.

Medium-term Management Plan 2026 serves as the core period of the 10-year Long-term Corporate Vision: Vision 2030 that we established in FY2020, as well as a period of sowing seeds for future growth. During the period of the plan, we plan to make investments totaling ¥110 billion, consisting of ¥30 billion in growth & improvement investments, ¥40 billion in maintenance & renewal investments, and ¥40 billion in strategic investments. Although we foresee an increase in interest-bearing debt if all of these investments are carried out, we believe that the investments will improve our financial leverage without compromising our financial soundness.

First, in strategic investments, we are examining investment opportunities with a focus on M&A. However, the cumulative amount of our capital investments through FY2024 is about ¥35 billion, indicating that progress has not been sufficient. We will continue to tackle active, future-oriented investment under the recognition that it is the greatest issue before us.

● Management indicators under Medium-term Management Plan 2026

(Billion yen)

| | FY2023 result | FY2024 result | FY2025 target |
|---|---------------|---------------|---------------|
| Net sales | 297.1 | 305.7 | 330 |
| Operating income | 15.3 | 19.7 | 20 |
| Ordinary income | 17.8 | 18.7 | 24 |
| Net income attributable to owners of parent company | 8.4 | 15.5 | 20 |
| ROE (%) | 3.5 | 6.0 | 8.0 |
| EBITDA | 316 | 328 | 390 |

Our capital policy approach

To practice management with the cost of capital and our stock price in mind, the Group implements a capital policy based on a balance of financial soundness, capital efficiency, and shareholder return while aiming to realize ongoing strategic investment.

Maintenance of financial soundness

Our Group strives to maintain a stable financial foundation. We use net D/E ratio as an indicator of financial soundness, with a ratio of 0.23 as our guideline for sufficient financial soundness in FY2024. We also maintained a favorable credit rating in FY2024. We will continue to engage in stable financial management and strengthen our financial structure that supports sustainable growth for the Group.

● Credit rating status

| Rating company | (as of March 2025) | |
|---|---------------------------|-------------------|
| | (Long-term) issuer rating | Short-term rating |
| Rating and Investment Information, Inc. (R&I) | A Stable | a-1 |
| Japan Credit Rating Agency, Ltd. (JCR) | A Stable | – |

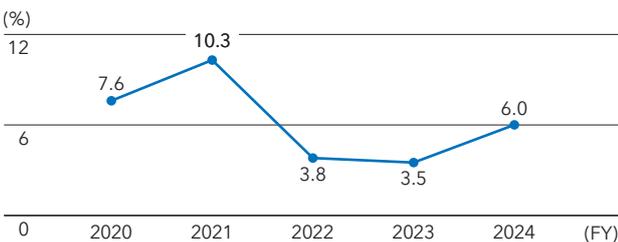
Enhancement of capital efficiency by shifting our business portfolio

In Medium-term Management Plan 2026, we set an ROE target of at least 8.0%, which exceeds our cost of shareholders' capital. We recognize our cost of shareholders' capital as about 6%, based on CAPM. Toward our ROE target, we will work to make improvements in terms of both the accumulation of profit and the optimization of our capital structure.

In particular, we will further enhance ROE through a shift in our business portfolio, one of our growth strategies. With regard to domestic printing and communication paper, for which demand is shrinking, we will work to expand exports and other business areas while maintaining our sales share and will cultivate new businesses that will be central to our future, thereby boosting the Group's profit.

The Group has also set an internal hurdle rate based on WACC for use in management and decision-making on matters including business profitability. Through this, we are working to establish a flexible and optimal production structure adapted to the needs of the market. At the same time, we are also examining the replacement of assets with efficient business assets through strategic investment.

● ROE over time



Return to shareholders

Our group has held to a policy of stable and continuous dividends, which we continue to increase without reduction. Under this policy, we increased our dividend by ¥4 to ¥22 in FY2024 and plan another increase of ¥4 to ¥26 in FY2025. We will continue working to strengthen our returns to shareholders.

Progress under the strategic business alliance with Daio Paper Corporation

In May 2024, we signed a Basic Strategic Business Alliance Agreement with Daio Paper Corporation. Both companies recognize the importance of strengthening competitiveness through business restructuring and the importance of transforming our business portfolios. By leveraging our respective strengths and complementing each other to resolve issues, Daio Paper Corporation and our Company both seek enhanced corporate value.

As a concrete initiative under the partnership, we have begun collaboration in the fields of production technology, raw material procurement, and product logistics. We plan to study even more wide-ranging cooperation, including joint research into new technologies, energy conversion, DX promotion, and utilization of forest resources.

As a target for fruits of the partnership, we have set a value of about ¥3 billion for FY2026. In FY2024, the first year of the partnership, we achieved greater-than-expected outcomes valued at ¥1.3 billion. Efficiency improvements in the field of production technologies, including the sharing of information on maintenance techniques in mill operation, made particularly significant contributions. Drawing on this achievement, we will work to achieve results that exceed our target for FY2026.

Further enhancing dialogue with stakeholders

We believe that opportunities for dialogue with shareholders and other stakeholders are vital to the sustainable growth of the Group. In FY2024, we held IR meetings 51 times and SR meetings with attendance by outside directors 23 times. In FY2025, we will continue enhancing these dialogues to deepen stakeholders' understanding of the Group. We will also internally share and discuss comments received through dialogues and will actively incorporate this feedback in our future management and corporate activities.

Our Group recognizes that we have long demonstrated a commanding presence as a paper manufacturer. Our production of environmentally friendly products and other sustainability activities have also met with success, earning acclaim from customers with high environmental awareness. Working through dialogue, we will continue to deepen stakeholders' understanding of the advantageous position and the corporate value of the Group. To all of our stakeholders, I thank you for your continued support and cooperation.

Long-term Management Vision/Medium-term Management Plan 2026

Under our Long-term Corporate Vision: Vision 2030, the Group will swiftly and resolutely implement management measures based on the three pillars of our Basic policy set forth in Medium-term Management Plan 2026 that began in April 2023. Doing so, we aim to enhance corporate value through measures such as achieving net-zero CO₂ emissions.

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.

Medium-term Management Plan 2023

Basic Policy

- Shift the Business Portfolio
- Expand business worldwide
- Strengthen business in Japan
- Strengthen governance management
- Promote SDGs-related activities

Consolidated management indicators

| | |
|---|--------------|
| Net sales | ¥280 billion |
| Operating income | ¥15 billion |
| Ordinary income | ¥20 billion |
| Net income attributable to owners of parent company | ¥20 billion |
| ROE | 7.0% |
| EBITDA | ¥35 billion |

Medium-term Management Plan 2026

Basic Policy

Core period for realizing our Vision 2030 corporate group image

- Shifting the Business Portfolio
- Strengthening Competitiveness
- Promoting Sustainability (ESG) Activities

Consolidated management indicators

| | |
|---|--------------|
| Net sales | ¥330 billion |
| Operating income | ¥20 billion |
| Ordinary income | ¥24 billion |
| Net income attributable to owners of parent company | ¥20 billion |
| ROE | 8.0% |
| EBITDA | ¥39 billion |

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

Medium-term Management Plan 2026

Overview of our Basic Policy

- Shifting the 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&A, and developing new products that meet our customers' needs.
- Strengthening Competitiveness**
 - We will further strengthen our competitiveness in costs, the environment, and safety, and 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 enhancing our industry-leading environmental competitiveness, we will solidify our position as the papermaking company group chosen by customers.
- Promoting Sustainability (ESG) Activities**
 - We will promote responses to climate change, and the development of eco-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.

Investment plans and results

| Fiscal year | (Billion yen) | | | |
|---|---------------|--------------|----------------|--|
| | 2023 results | 2024 results | 2025 (planned) | 2025 (planned) (three-year cumulative) |
| Total Investment | 15.3 | 19.4 | 19.0 | 110.0 |
| Growth & Improvement Investment | 2.9 | 4.6 | 4.0 | 30.0 |
| Maintenance & Renewal Investment | 12.4 | 14.8 | 15.0 | 40.0 |
| Key items included in Growth & Improvement Investment and Maintenance & Renewal Investment | | | | |
| Environment-related investment | 1.9 | 2.5 | 1.5 | 9.0 |
| Human capital investment | 1.1 | 1.1 | 1.0 | 6.0 |
| IT & system investment | 1.3 | 1.7 | 2.0 | 4.0 |
| Strategic Investment | – | – | 40.0 | 40.0 |

Business Portfolio

Our group’s business segments focus on paper, white paperboard, performance materials, and pulp. We meet wide-ranging needs through manufacturing that integrates the production and research locations of Hokuetsu Corporation and Group companies.

Overview of Main Businesses

Paper Business

Our main product varieties in the paper segment include printing and communication paper used in books, magazines, catalogs, and brochures. Within our lineup of high-quality and diverse products, our color woodfree paper is the top domestic brand, widely favored by customers. The Hokuetsu brand is widely recognized both domestically and internationally. In the paper segment, we boast an overwhelming export share among Japanese manufacturers.



White Paperboard Business

We offer a high-quality and diverse range of products including commercial printed materials for packaging, trading cards, and POP displays, as well as paper for publication covers, paper for text publications, and processed base paper. We are also advancing the development of primary food containers, plastic-substitute containers, and packaging materials made with white paperboard. In Packaging and Paper Processing, Hokuetsu Package Co., Ltd. manufactures and sells high-quality paper-based containers, functional paper products, cosmetic paper products, liquid containers, and more.



Performance Materials Business

In the Functional Paper sector, we are developing specialty paper and functional materials that will open up new possibilities for paper. We offer a wide range of products that meet customers’ increasingly diverse needs, including industrial paper, communication paper, specialty processed products, and specialty fiberboard. We also produce and sell corrugated medium base paper*. We are expanding sales of thin and high-strength reinforced media and are working to reduce the weight of containerboard.

* Corrugated medium base paper is the wavy piece of paper sandwiched between two flat sheets of paper when containerboard is viewed from the side.



Pulp Business

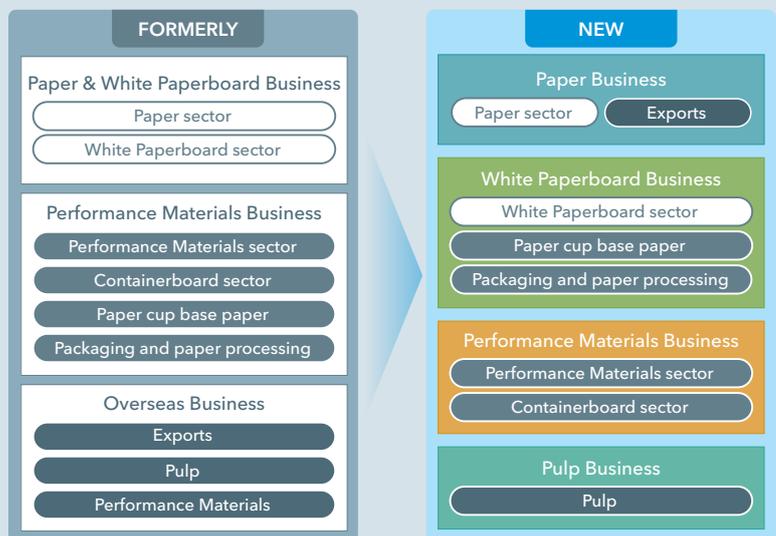
In the Pulp sector, we are constructing an international supply structure by holding core manufacturing and sales locations overseas. Canada-based Alberta-Pacific Forest Industries Inc. (Al-Pac), which mainly produces hardwood pulp, boasts a production capacity that is among the largest in North America. It also operates a power generation business that supplies and sells electricity generated from biomass to the power grid in Alberta Province.



Reorganization

To adapt to changes in the business environment of the paper and pulp industry, in April 2025 the Group reorganized the Domestic Paper & White Paperboard Sales Division and the Global Trading Division into the Paper Sales Division and the White Paperboard Sales Division, creating a structure further geared to sales channel expansion and the characteristics of demand.

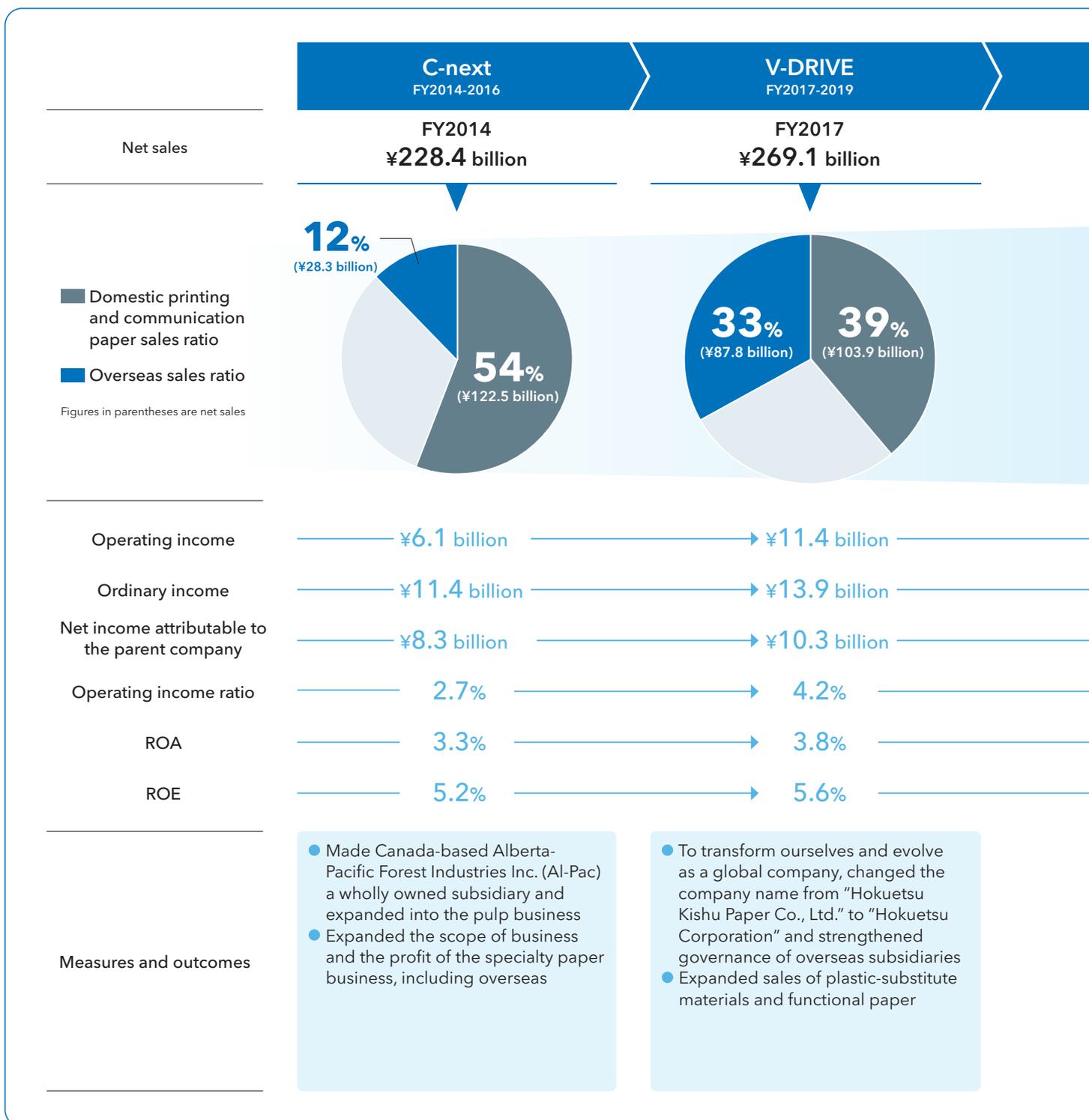
We also moved the Paper Cup Business Development Office under the White Paperboard Sales Division, with the goal of maximizing synergies between the white paperboard business and packaging business.





Shifting the Business Portfolio

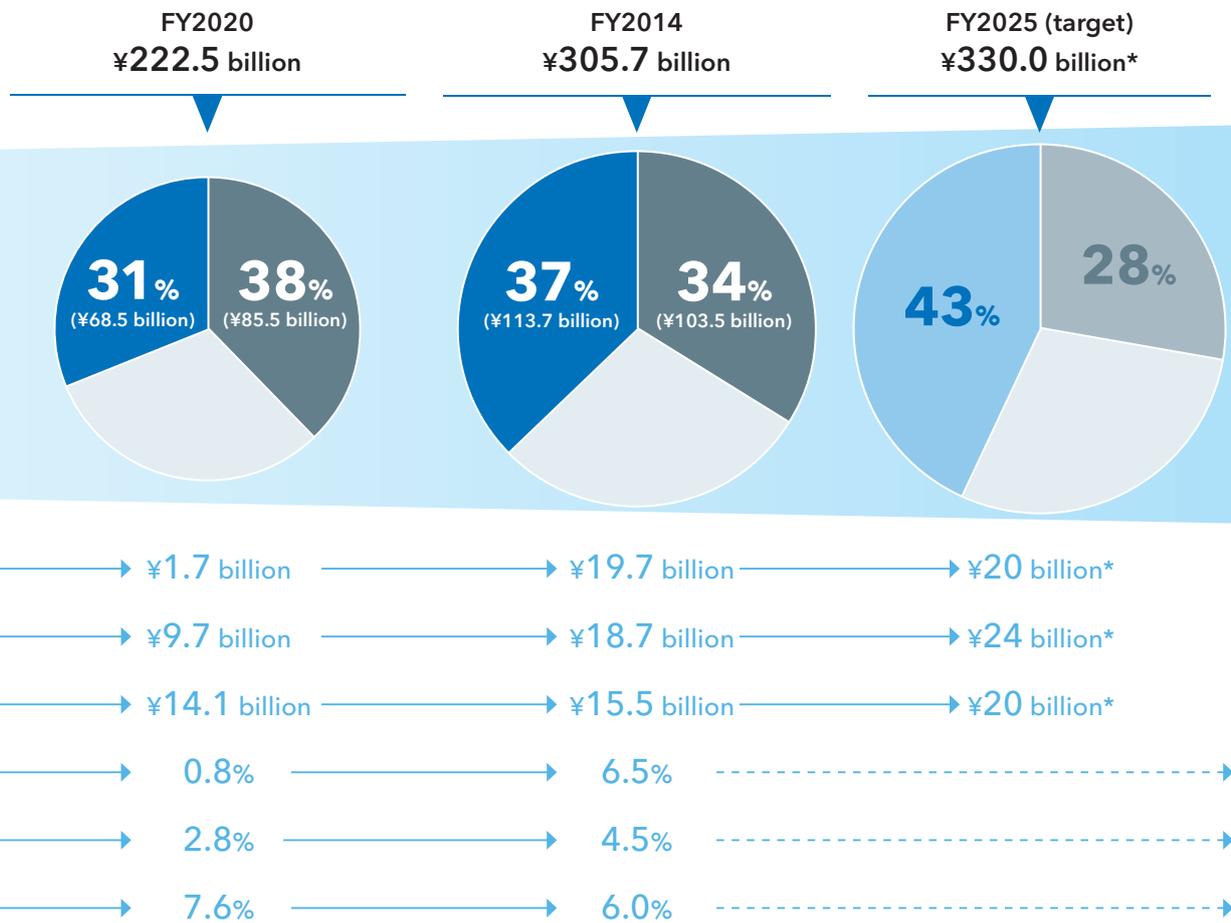
While securing stable profit on the foundation of printing, communication paper, and other areas of the paper business, the Group is actively expanding into new business domains through M&A and business alliances domestically and internationally to address contracting demand and changes in market structure under the advance of digitalization.



In recent years, along with the expansion of our overseas business we are expanding business into new growth sectors including containerboard base paper and packaging and paper processing products for use as alternatives to plastics.

Medium-term Management Plan 2023
FY2020-2022

Medium-term Management Plan 2026
FY2023-2025



*Targets value in the Medium-term Management Plan 2026

- Started production of containerboard base paper at the Niigata Mill
- Opened up new areas through the development of plastic-substitute materials and electromagnetic noise suppression sheets
- Participated in biomass power generation project through a domestic subsidiary
- Suspended initially planned measures due to the COVID-19 pandemic, etc.

- Through the reorganization into the Paper Sales Division and the White Paperboard Sales Division, established an agile action structure adapted to demand characteristics and advanced efforts aimed at strengthening sales competitiveness by product variety
- Established the new International Paper Export Department to capture growth opportunities in the global market
- Engaged in development of new products including those using cellulose nanofibers, expanded applications for existing products, focused on high value-added products, entered into new businesses through M&A, and otherwise cultivated new businesses that will be central to our future

Paper Business

Business Environment

- Shrinking domestic market under advancing digitalization, a declining birth rate, and entrenchment of the post-pandemic “new normal” era
- Foreign exchange changes and rising fuel costs
- Growth of the e-commerce market

Strengths

- Flexible production and supply structure tailored to demand fluctuations
- High-quality and varied product lineup
- Leading export volume in Japan

Risks/Opportunities

- | | |
|---------------|---|
| Risks | <ul style="list-style-type: none"> • Decline in demand for printing and communication paper • Intensification of competition with domestic and international competitors • Rising raw materials, energy, and logistics costs |
| Opportunities | <ul style="list-style-type: none"> • Global business expansion • Advantages of paper as an information medium (reliability, shelf life, texture, etc.) |

Major Initiatives and Achievements in FY2024

• Build an optimal production and supply structure

In FY2024, we experienced impacts from declining paper demand amid the digitalization of advertising, mail order catalogs, and other media. However, by ensuring consistent product quality and strict adherence to delivery schedules, and through our efforts to maintain and improve our relationships with printing companies and other key buyers, we maintained the market shares of our mainstay printing paper and color wood-free paper, resulting in higher sales. In the area of product logistics, as a part of our strategic business alliance with Daio Paper Corporation, we cooperated with our subsidiary Hokuetsu Logistics Co., Ltd. to promote enhanced transportation efficiency centered on “round transport” of trucks and 20ft containers.

• Grow share in overseas markets

Our paper export volume reached 290,000 tons in FY2024, a 20% increase year on year. This earned us the top share among Japanese paper manufacturers in the printing paper segment. Demand for our mainstay coated woodfree paper grew under economic growth in the Indian market, while active promotion of sales to the U.S. further contributed to increased exports. In uncoated woodfree paper, we have already transitioned to a sales structure focused on applications for processed base paper, with both price and volume remaining firm.

• Major products (brands)

| | | |
|-----------------|-------------------------|--|
| Paper | Coated woodfree paper | <ul style="list-style-type: none"> • Printing paper (μ Coat Neos, Hi-Alpha, Hi-Eta, μMat, Alpha Mat) |
| | Uncoated woodfree paper | <ul style="list-style-type: none"> • Printing paper (Kinmari SW, Kishu Fine Paper N, Light Cream Kinmari, Minuet Series and various book papers) • Colored woodfree paper (Kishu Colored Woodfree Paper) • Information paper (PPC, etc.) • Packaging paper |
| Specialty paper | | <ul style="list-style-type: none"> • Premium printing paper (Peacock Kent (F), Hi-Apis NEO (F)) • Fancy paper (Black & Black Series, Yayoi Color) |



The No. 9 paper machine at the Niigata Mill, a massive 223 meters in length, carries out integrated processes from base paper making to coating to produce roll paper with a width of 10m and a length of 180km.

Business Strategy Going Forward

● Recover domestic market share through the establishment of a flexible production and transport structure

In the domestic market, we aim to secure our sales share amid ongoing sluggish demand by accurately reading market trends while spotlighting our high-quality and environmentally friendly production structure as a competitive advantage. To enhance the stability of our production structure, we will also engage in production instruction, order-taking, and sales activities that fully leverage the individual characteristics and strengths of our mills.

In the area of logistics, we will advance our "round transport" partnership with Daio Paper Corporation. We will also consider new measures that include transport using containers and coastal shipping vessels and the shared use of both companies' warehouses to further boost transport efficiency and create synergies between the two partners.

● Promote new market development through efforts to further expand overseas market share

In overseas markets, we are strengthening relationships with customers with whom our products have earned strong trust, while taking advantage of the unique competitiveness of our mills in initiatives aimed at prioritizing stable supply. We will also focus on product development including processing and packaging applications as we strive to continuously expand exports and contribute to maintaining high operating rates of our mills.

Our Ho Chi Minh City office will focus on market research and information collection for direct transactions with overseas customers while undertaking structural reinforcement that encompasses the Vietnamese and Thai markets.

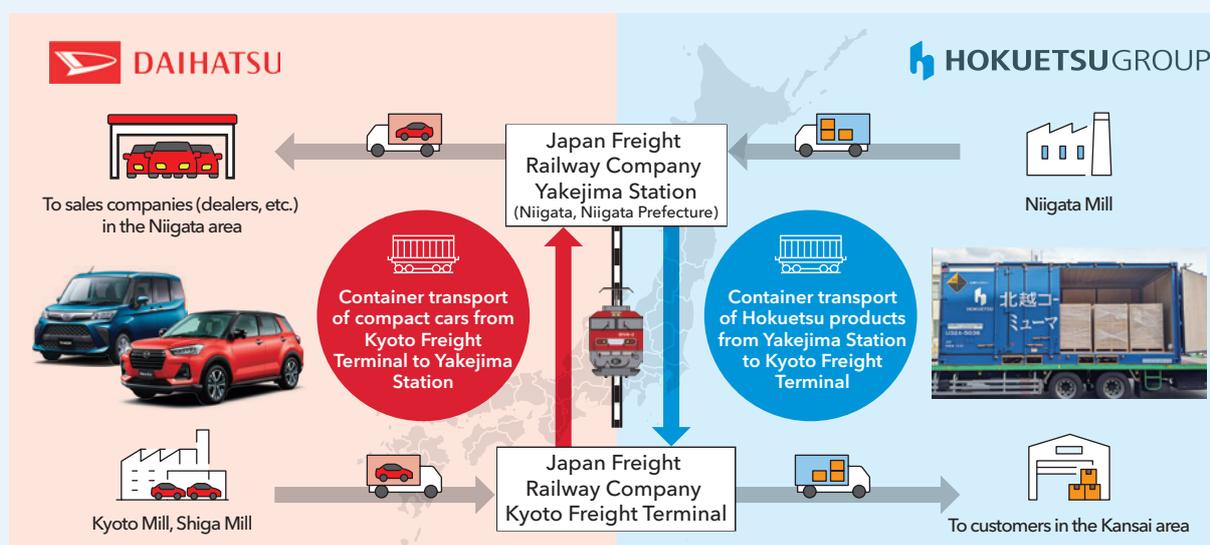
🔍 CLOSE UP

Construct a sustainable transport system through railway-based, cross-industry round matching transport

We are working to reduce the environmental impacts of our logistics through means that include a modal shift to railways for product transport. In February 2025, we began cross-industry round matching transport* utilizing our 20ft containers in cooperation with Daihatsu Motor Co., Ltd., NIPPON EXPRESS Holdings, Inc., and Japan Freight Railway Company. In the past, we had used these containers for the railway transport of roll products from the Niigata Mill to the Kansai region, but the return transport of empty containers posed

an efficiency issue. Our new trial project to carry compact automobiles from Daihatsu Motor Co., Ltd. on the containers' return route is expected to increase transport efficiency and further reduce CO₂ emissions. We will continue working to build efficient transport systems and contribute to the realization of a sustainable society.

* Round matching transport is a method of raising container loading rates on outgoing and return routes. After cargo is unloaded at its destination, the containers are not returned empty but are loaded with suitable cargo for return to the point of departure. This enables the reduction of costs and environmental impacts.



Progress of Business Strategy

White Paperboard Business



Business Environment

- Increasing demand for paper as an alternative to plastics
- Foreign exchange changes and rising fuel costs
- Growth of the e-commerce market

Strengths

- Integrated supply capacity spanning raw materials production to packaging
- New product development capabilities to meet new demand, including for plastic-free products
- Ability to meet diverse needs through a wide lineup of grades
- Flexible production structure through three production bases: Niigata Mill, Kanto Mill Ichikawa, and Kanto Mill Katsuta

Risks/Opportunities

- | | |
|---------------|---|
| Risks | <ul style="list-style-type: none"> • Rising raw materials, energy, and logistics costs • Shortage of recycled paper used as raw material |
| Opportunities | <ul style="list-style-type: none"> • Strengthening of competitiveness through collaboration within the Hokuetsu Group • Expansion of demand for products with strong environmental advantages |

Major Initiatives and Achievements in FY2024

Strengthening of our proposal and production capabilities tailored to users' needs

In FY2024, our mainstay packaging business was significantly affected as consumers restrained purchases in response to rising prices. However, through flexible product proposals and a production system tailored to the needs of printing and processing companies as well as end users, we offset much of this impact. With increased orders for new products in the food, toy, and pharmaceutical sectors, overall sales grew for the business. Our subsidiary Hokuetsu Package Co., Ltd. is expanding its receipt of orders for large-scale projects in areas of packaging materials with room for growth, including food containers and confectionery packaging, while also making capital investments. The company will also stably supply TOHEI-PAK brand containers for milk and other beverages. Through collaborations with us, the company will widen synergies in raw material procurement and in research and development.

Promotion of plastic-free container development through Group collaboration

In the field of food packaging and other paper-based containers, our company and Hokuetsu Package Co., Ltd. have engaged in end-to-end production spanning from the development of base paper and paper materials to processed products. We are now moving forward with the construction of a new Group cooperative structure for paper container base paper and processed paper. In FY2024, we advanced the development of base paper for primary food containers and frozen food containers, mainly in the Paper Cup Business Development Office, and worked to establish quality in line with user needs and expand sales channels. In addition, we secured development projects that span across the Paper, White Paperboard, and Performance Materials businesses, thereby contributing to the promotion of our Group's development activities.

Major products (brands)

| | |
|------------------|--|
| White paperboard | <ul style="list-style-type: none"> • Premium whiteboard paper (SBS) (No-Back W-F, Hi-Lucky F) • Specialty whiteboard paper (FBB) (NEW Tough Ivory, NEW DV-F) • Coated duplex board (CCNB) (Mari Coat-F) |
| Packaging | <ul style="list-style-type: none"> • Packaging materials • Processed paper • Liquid containers |



Used mainly for catalogs, pamphlets, packages, publication cover paper, etc.



Business Strategy Going Forward

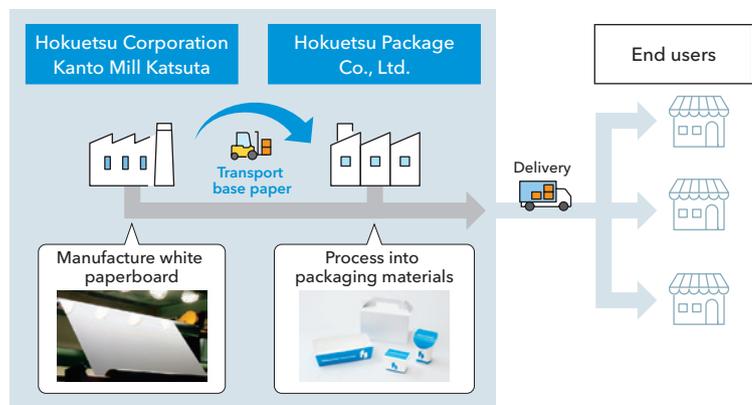
● Establishment of a production and sales structure that captures changes in markets

Amid expectations for difficult conditions in the paper and pulp industry overall, we aim to secure a higher market share year on year in the domestic industry by flexibly adapting to changes in demand trends. In the White Paperboard Business, while maintaining strong relationships with customers in areas of expected ongoing demand decline, we will expand our sales channels through active sales activities in areas of expected demand growth, such as trading cards and primary food containers. We will roll out marketing activities in overseas markets, highlighting our quality and special characteristics. In the U.S. market, we aim to build a stable sales structure to meet expected demand for white paperboard, including from overseas customers with whom we engage in the paper business.

The transition to digital media has created an urgent issue in the difficulty of obtaining recycled paper. Our Kanto Mill Ichikawa and Kanto Mill Katsuta have raw materials procurement capabilities that leverage their metropolitan suburban locations. The mills are also moving forward with equipment projects capable of adapting to a variety of recycled paper sources to maintain stable operations, while striving to create second-to-none quality and to reduce costs through operational streamlining and other means.

In the area of packaging, we will work to increase profit through strengthened in-house production, following the completed installation of printing machinery for packaging containers and other construction work to increase production at Hokuetsu Package Co., Ltd.

● Collaboration with Hokuetsu Package Co., Ltd.



● Expansion of sales channels for plastic-free containers

We will focus efforts on development and proposals for paper container base paper and processed paper that meet needs for plastic-free products, on capturing development projects through deep understanding of user needs together with printing and processing companies, and on base paper development and quality improvements aimed at adoption of our products. In the area of processed paper, we will continue advancing the development of base paper together with Hokuetsu Package Co., Ltd. By imbuing base paper with functionality through coating and lamination, we will develop plastic-free, reduced-plastic, and other packaging products based on paper materials that contribute to an environmentally friendly and sustainable society.

CLOSE UP

Development of Halopack® environmentally friendly paper packaging and expansion of sales channels

Demand for paper materials in food containers is increasing amid the need for plastic-free products. However, standalone paper materials present issues in the areas of oil resistance, water resistance, and shelf life. Hokuetsu Package Co., Ltd. has acquired exclusive manufacturing and sales rights in the Japanese market for Halopack®, a high-performance paper container that seals processed food using paper and easily removed film. This environmentally friendly packaging enhances container functionality with convenient post-use separation of the paper portion from the soiled film portion inside the container. The

full-scale commercial production of this product started in FY2024. In FY2025, we are working toward further adoption through approaches in food-related and other fields.



The specifications of the inner film material can be varied for use with ovens, microwave ovens, and other cooking methods.

Performance Materials Business



Business Environment

- Increasing demand for paper as an alternative to plastics
- Growth of the e-commerce market
- Slowing of the Chinese economy
- Foreign exchange changes and rising fuel costs

Strengths

- Development of environmentally friendly products made with plastic-free materials
- High-performance products based on paper materials
- Market adaptability and deployment in diverse use cases

Risks/Opportunities

Risks

- Risk of market environment fluctuations
- Rising transport costs

Opportunities

- Increased demand for thin base paper for containerboard base paper
- Expansion of lineup of environmentally friendly products and strengthening of branding

Major Initiatives and Achievements in FY2024

• Demand remains strong for products adapted to structural changes in market needs

In FY2024, demand recovered overseas for base paper for chip carrier tape used in electronic component transport. Sales of crimped paper for postcards and food packaging materials for convenience stores increased. Cases of adoption of PASCO, a plastic-free material that excels in workability and moldability, are expanding. Sales volume of containerboard base paper decreased under sluggish demand domestically and overseas. However, we worked to maintain export sales volume by expanding beyond general core applications to packaging applications as recycled kraft paper. In the area of vulcanized fiber, we increased sales, particularly export sales, despite soaring prices of raw materials by maintaining U.S. sales and other stable orders with existing customers.

• Applying papermaking technology in product development

Our Group is carrying out new product development and quality improvements in existing products in response to customer needs and market changes, including demand for plastic-free products. In FY2024, our electromagnetic noise suppression sheets made with nanocarbon were adopted for use in industrial equipment noise countermeasures. We also developed a new electromagnetic wave absorber through the application of papermaking technology. We are also continuing the development of biodegradable filters.

• Major products (brands)

| | | | |
|---------------------------|------------------------------|--|--|
| Functional paper | Industrial paper | <ul style="list-style-type: none"> • Chip carrier tape (HOCTO) • Abrasive base paper • Reverse osmosis (RO) membrane supports • Process papers (metal-laminated paper, etc.) | <ul style="list-style-type: none"> • Filter paper for liquid filtration • Filter paper for air purifiers |
| | Specialty processed products | <ul style="list-style-type: none"> • Heavily coated/Kira coated products • Water- and oil-resistant paper (Poem) • Inkjet paper | <ul style="list-style-type: none"> • Base paper for paper spoons |
| | Specialty fiber-board | <ul style="list-style-type: none"> • PASCO (electrical insulating materials, packaging materials, paper hanger materials, etc.) | |
| | Communication paper | <ul style="list-style-type: none"> • Form paper • Crimped paper | <ul style="list-style-type: none"> • OCR paper • Inkjet offset common paper |
| Containerboard base paper | | <ul style="list-style-type: none"> • Corrugated medium base paper • Recycled kraft paper | |
| Vulcanized fiber | | | |



- 1 Hanger hooks made with PASCO
- 2 Paper cups made of Panse environmentally friendly paper packaging material
- 3 Electromagnetic noise suppression sheet



Business Strategy Going Forward

Shift to a supply structure matched to needs for environmentally friendly products

With demand and markets for traditional products expected to contract, we face a pressing need to shift to a production and supply structure capable of adapting to new needs. We will expand sales activities with renewal of product lineups in mind, while continuing our efforts to explore new applications including plastic-free products that meet the needs of the times. Furthermore, demand for environmentally friendly products remains strong. Our water- and oil-resistant paper Poem, free of fluorine-based agents, is attracting attention as a paper-based barrier material amid growing movements to regulate PFAS substances. We intend to add a thick grade to the product to expand into packaging applications. To reduce environmental impacts from containerboard base paper, we will focus efforts on the production and sale of thin and high-strength reinforced media that maintain strength even at unchanged thickness and weight.

Development of higher-added-value products

In our existing products, we will work to enhance product value through the improvement of quality and addition of high functionality. We will undertake the development of Panse, oxygen barrier paper, and other environmentally friendly paper materials aimed at bringing plastic-free and reduced-plastic products to every field. In the area of containerboard base paper, we will take advantage of the features of the Niigata Mill's No. 6 paper machine to continue developing products that meet needs beyond corrugated medium applications, including heavy packaging, light packaging, and impregnation applications.

In new fields, we will tackle the development of higher-level functions and new applications for electromagnetic wave absorbers. We also engage in joint research with universities. While analyzing the electromagnetic wave absorption mechanisms of our developed products, we are conducting research that can be presented externally so as to appeal to engineers at electronic equipment manufacturers and others.

In one of our industry-academia collaborations, we are working with the Center for Disaster Medicine and Education at the Niigata University Faculty of Medicine to develop paper products that incorporate feedback from disaster-related medical care practitioners. Our aim is to use products including our PASCO special fiber board, which is used even in stretchers, and Poem, which is resistant to oil as well as water, in the development of products that are friendly to disaster victims and medical care practitioners alike.



Rescue Board, a lightweight, durable emergency stretcher made from paper

CLOSE UP

Adoption of our cellulose vulcanized fiber in the Shizuoka Mokumaru electric vehicle

Our subsidiary Hokuetsu Toyo Fibre Co., Ltd. produces vulcanized fiber made from natural cellulose, handling all processes from base paper to finished products. Vulcanized fiber has characteristics of paper but is partially converted to cellulose nanofiber (CNF) through chemical treatment. Exhibiting far greater strength than paper, it has been adopted in numerous industries for applications including electrical insulators and polishing substrates. In 2024, it was also adopted for use in the cargo space and floor materials of the Shizuoka Mokumaru electric concept vehicle made using wood from Shizuoka Prefecture. In February 2025, the material received Fuji CNF Brand Certification (6th Round) from the city of Fuji in

Shizuoka Prefecture. Amid modern-day demands for plastic-free products and growing attention toward plastic alternatives, we will continue to advance the development of environmentally friendly products while enhancing our corporate value.



Vulcanized fiber used in the cargo bed of the Shizuoka Mokumaru vehicle

Progress of Business Strategy

Pulp Business



Business Environment

- Intensification of competition in overseas markets

Strengths

- High pulp production capacity domestically and overseas
- Stable production structure at overseas bases
- Strong relationships with overseas customers

Risks/Opportunities

- | | |
|---------------|---|
| Risks | <ul style="list-style-type: none"> • Pulp price fluctuations • Tighter environmental regulations • Increased logistics costs involving procurement and sales |
| Opportunities | <ul style="list-style-type: none"> • Expansion of overseas business and strengthening of competitiveness • Creation of synergies through business alliances |

Major Initiatives and Achievements in FY2024

• Establishment of a stable pulp production structure and material procurement

In FY2024, amid recovering overseas pulp market conditions, we achieved growth in both sales and profit, driven by Canada-based Alberta-Pacific Forest Industries Inc. (Al-Pac) increasing the share of coniferous pulp in its production, along with steady production and optimized sales. Al-Pac also engages in the sale of electricity produced with maximum use of biomass. As an initiative to expand electricity sales and further reduce CO₂ emissions, the company is undertaking energy conservation projects that include the expansion of its power generation capacity through the installation of water-cooled condensers and upgrades to facilities to reduce the use of steam in the chip production process.

Our pulp business in Japan procures raw materials from multiple countries and suppliers to build a sustainable supply chain. By securing multiple transport systems - trucks, railway freight cars, coastal shipping vessels, etc. - to address business continuity planning (BCP), we deliver products in the quantities and at the arrival times requested by customers.



Business Strategy Going Forward

• Further strengthening of our production and procurement structure

Al-Pac is working to improve and reform its organizations and management structure to eradicate production problems and stabilize operations. Furthermore, the company continuously investigates conversions to high-efficiency equipment and drafts and implements medium- and long-term capital investment plans to combat the aging of production equipment. Although the company foresees a decline in profit in FY2025 due to the first scheduled repairs made in 18 months, it aims to maximize profit through stable production enabled by the performance of assured maintenance.

Our pulp business in Japan strives to maintain a robust raw material supply chain while achieving synergies such as reduced costs and greater production efficiency. We do so by sharing logistics know-how and papermaking technology with Daio Paper Corporation under our strategic business alliance.

Major Initiatives and Achievements by Our Overseas Group Companies in FY2024

Bernard Dumas S.A.S.

Major Initiatives and Achievements in FY2024

In FY2024, the proliferation of AGM batteries* in Europe and associated battery replacement demand supported strong sales of battery separators. Bernard Dumas maintained its market share and expanded sales in the U.S. While maintaining its European market share, the company aims to expand its share outside of Europe by enhancing production efficiency.

* AGM battery: A type of storage battery used for applications including uninterruptible power supplies in automobiles.



Business Overview

France-based Bernard Dumas S.A.S. primarily produces AGM battery separators made from glass fiber, as well as air purification filter paper. In 2012, the company became a wholly owned subsidiary of Hokuetsu Corporation.

Initiatives to Promote Sustainability (ESG) Activities

Bernard Dumas S.A.S. has obtained certifications including ISO 9001, ISO 14001, and IATF 16949 as it strives to preserve the environment and maintain product quality.

AGM battery separators

AGM battery separators are storage battery separators made from glass fiber. Storage battery types include flooded batteries in which plates are inserted into an encasement filled with electrolyte and sealed batteries in which electrolyte is absorbed into and retained by a glass fiber sheet separator. Bernard Dumas manufactures the AGM separators used in sealed storage batteries.



Shanghai Toh Tech Co., Ltd.

Major Initiatives and Achievements in FY2024

In FY2024, Shanghai Toh Tech's sales volume recovered as inventory drawdown progressed in the market and the company's shipments aligned with real demand. The company also worked to diversify its customer base, and has had some success. In FY2025, the company will advance the development of new products in cooperation with our Nagaoka Mill and will develop new sales channels.



Business Overview

Shanghai Toh Tech processes base paper produced at our Nagaoka Mill and other sites to produce chip carrier tape used for transporting electronic components such as capacitors and resistors.

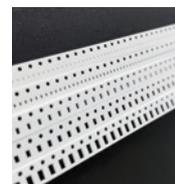
Initiatives to Promote Sustainability (ESG) Activities

In recognition of its initiatives to improve the workplace environment, Shanghai Toh Tech Co., Ltd. was commended by the Shanghai Municipal Health Commission as an outstanding exemplar of support for workplace health by a small and medium-sized enterprise in Shanghai in FY2024.



Chip carrier tape

Chip carrier tape is used on resistor and capacitor chip manufacturing lines for the transport of chips from the manufacturer to the mounter. Chips are loaded into the cavities formed on the tape. The processed base paper enables precise workability that can accommodate all manner of chips, from the ultra-small to the large.





Strengthening Competitiveness

Under Medium-term Management Plan 2026, our Group is strengthening its competitiveness in the three fields of the environment, cost, and safety, while building a management foundation that achieves sustainable growth and the enhancement of corporate value.

● Progress in FY2024



Environmental competitiveness

For over 30 years, our Group has made addressing environmental issues a core component of our management. To date, we have carried out over ¥50 billion in strategic capital investments aimed at CO₂ reductions. In 2021, we established the Hokuetsu Group ZERO CO₂ 2050 policy that seeks to achieve virtually zero CO₂ emissions by 2050. Within the paper industry, we maintain a competitive advantage in the field of the environment.

This has allowed us to obtain leadership-level evaluations in all areas, including ratings of A- in the category of Climate Change, A- in Water Security, and A in Forest from CDP in FY2024.

With the aim of achieving Hokuetsu Group Environmental Target 2030, our Group will undertake improvements to address environmental issues such as climate change and will further strengthen our environmental competitiveness.

▶ P.30 Response to climate change issue



Cost competitiveness

To compensate for the raw material and fuel cost increases of recent years, in FY2024 we revised our prices of paper, white paperboard, and performance materials. We also worked to enhance production efficiency through an optimized production system adapted to changes in the external environment, to actively introduce low-cost raw materials, and to further strengthen cost competitiveness in our production and sales divisions.

Our stable management grounded in this strengthened environmental competitiveness and cost competitiveness have earned recognition outside the Group. Our credit rating by Rating and Investment Information, Inc. increased from A- Stable to A- Positive in 2023, and further to A Stable in 2024.

Under the strategic business alliance that we began with Daio Paper Corporation in May 2024, committees involved in production technology, raw material procurement, and product logistics, along with subcommittees of these, are actively engaging with each other, yielding outcomes that are exceeding our targets in areas including manufacturing costs and transportation costs.

We have launched concrete actions such as round transport of products, shared use of dedicated vessels for wood chip transport, sharing of spare parts for mills, and OEM production of coated woodfree paper, with the outcome of ¥1.3 billion in economic effect for our company during the first year of the partnership.

By deepening exchanges between the two companies and by improving and strengthening our earnings position, we aim to achieve economic effects from the partnership that surpass our target of ¥3 billion in FY2026.



Safety competitiveness

Recognizing safety and health as a foundation of the Group's management, acting under a structure headed by the President and CEO we make the assurance of health and safety the highest priority in everything we do.

To shift from reactive safety activities focused on preventing the recurrence of accidents to proactive safety activities that prevent accidents from occurring, in April 2020 we began taking action under our medium-term safety and health activity plan hSA25 (hokuetsu Safety Action 2025).

Our establishment of an ISO 45001-certified occupational safety and health management system and our efforts toward safety education (including education on risk assessment and the priority issue of preventing rotating body accidents) are lowering the incidence of occupational accidents, reducing risks, and contributing to stable operations and enhanced productivity.

▶ P.34 Ensuring safety and hygiene of the workplace

Specific initiatives at workplaces



Niigata Mill

Cost competitiveness

By increasing the use of low-cost chips, which we had previously avoided for their negative impacts on pulp quality, manufacturing cost, and production efficiency, we seek to reduce log costs. We are also tackling reductions in container loading costs through the building of vanstages (container slopes), along with work reform at production sites and in sales divisions through the introduction of labor-saving tools.



Kishu Mill

Cost competitiveness

To strengthen sales in food-related applications, we will work toward cost improvements by establishing quality that meets demands for thicker cup base paper for export, while also making capital investments in environmental and health measures aimed at expanding domestic sales.



Kanto Mill (Ichikawa)

Environmental competitiveness

To coexist harmoniously with residents around this urban mill, we will use city gas to reduce CO₂ and SO_x emissions and will use voluntary environmental surveying and continuous monitoring through environmental sensors to remediate noise, vibration, and odor issues.



Kanto Mill (Katsuta)

Environmental competitiveness

In preparation for reduced volumes of construction waste materials used as fuel in biomass boilers, we will study alternative fuels. At the same time, we gradually reduce our use of coal as an auxiliary fuel, and work to reduce CO₂ emissions.



Nagaoka Mill

Safety competitiveness

While continuing safety measures related to work in proximity to rotating bodies, we hold risk assessment training by lecturers from the Japan Industrial Safety & Health Association. We are working to make risk assessment methods understood and widespread, undertaking activities with an emphasis on the containment of sources of danger.



Osaka Mill

Safety competitiveness

We actively undertake autonomous maintenance, with operational staff performing construction work involving safety measures, environmental improvements, and stable operation. Learning about the workings of the mill's machinery through this construction work also contributes to raising the level of safety.



Promoting Sustainability (ESG) Activities

Recognizing sustainability as a management priority in Long-term Corporate Vision: Vision 2030 and the long-term enhancement of our corporate value, the Group engages in sustainability (ESG) activities under Medium-term Management Plan 2026.

To realize our Group Corporate Philosophy, we carry out work in accordance with the Group Code of Conduct, a compilation of rules to be followed by officers and employees in all activities. Following the Hokuetsu Group Basic Sustainability Policy, we identify our materiality (important issues) and undertake initiatives aimed at solving issues.

Hokuetsu Group Basic Sustainability Policy

In order to be "socially and environmentally responsible," as stated in the Hokuetsu 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 CO₂ 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.

Governance

To promote concrete sustainability efforts as a unified group, we have established the Group Sustainability Committee, its subordinate Group Sustainability Secretariat Meeting, and sustainability committees within our workplaces and Group companies. Meetings of the Group Sustainability Committee, attended by the President and CEO, directors, executive officers, and Group company presidents, engage in annual inspections and in deliberation and decision-making on next-year targets concerning group sustainability activities, everyday risk management activities, and environmental conservation activities. The Group Sustainability Committee's deliberations are reported to the Board of Directors, ensuring effective oversight of sustainability activities by the Board.

The Group also established the Sustainability Promotion Division on April 1, 2025 to deepen sustainability activities and enhance information disclosure.

Main topics examined by the Group Sustainability Committee (FY2024)

- **Group sustainability activities**
 - Reduction of CO₂ emissions, enhancement of CDP score, study of CCS business
 - Initiatives to improve external evaluations of our sustainability
- **Group risk management activities**
 - Initiatives to eradicate mill equipment accidents
 - Initiatives in accordance with our human rights due diligence process

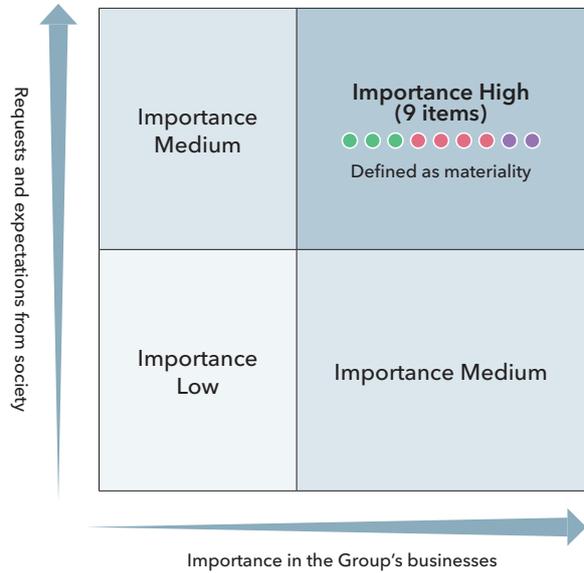
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graph TD
    Board[Board of Directors] <--> GSC[Group Sustainability Committee  
President and CEO  
Chair (General Manager, Sustainability Promotion Division)  
Members (appointed by the President and CEO)  
Secretariat (Sustainability Promotion Department)]
    GSC <--> GSM[Group Sustainability Secretariat Meeting  
Chair (General Manager, Sustainability Promotion Department)  
Members (appointed by the chair)  
Secretariat (Sustainability Promotion Department)]
    GSM --> WSC[Workplace Sustainability Committee  
Chair (head of workplace)  
Members (appointed by the chair)  
Secretariat (General Affairs Dept. of workplace)]
    GSM --> GSC[Group Company Sustainability Committee  
Chair (Group company president)  
Members (appointed by the chair)  
Secretariat (appointed by the chair)]
    WSC --> Employees[Group employees]
    GSC --> Employees
    
```

Strategy

In our sustainability (ESG) activities, we identify nine items of materiality related to the three areas of ESG, based on their degree of importance to the Group's business and on the requests and expectations of society, with international standards serving as additional reference. Within these activities, our initiatives to address environmental strategy-related materiality form a source of competitiveness for the Group. We are now strengthening our efforts to achieve Hokuetsu Group ZERO CO₂ 2050. Our main sustainability activities in FY2024 were as follows.

- E** Environment-related: Continuation of initiatives to reduce CO₂ emissions and other responses to climate change issues; procurement based on the Group Fundamental Policy for Raw Materials Procurement; proper management of company-owned and managed forests
- S** Society: Promotion of safety and health activity hSA25; promotion of human capital management; provision of responsible quality; adoption of environmentally friendly products; strengthening of engagement with stakeholders through the enhancement of IR and SR meetings
- G** Governance: Promotion of initiatives in accordance with our human rights due diligence process



Risk management

To properly manage business risks and preserve our corporate value, every year the Group evaluates its surrounding risks on the basis of their level of impact and probability of occurrence. As a result of risk assessments, we set those key risks that involve the Group's sustainability as issues to be addressed

through shared initiatives. The Sustainability Promotion Division acts to advance measures for the avoidance, transfer, and mitigation of these risks, while the Group Sustainability Committee manages the status of these measures and of risk control.

Internal promotion of sustainability awareness

In advancing sustainability activities, we work to promote sustainability throughout the company in the belief that all officers and employees should act autonomously with an awareness of how their everyday work connects to the Group's vision and materiality.

Main results in FY2024

- Messages from the President and CEO to promote sustainability activities
- Introductions to sustainability activities in the Group's internal newsletters
- Internal auditing of sustainability activities

Promoting Sustainability (ESG) Aactivities

Materiality and targets/results

| | Materiality | Risks | Opportunities | Sustainability activity implementation targets |
|-------------|---|---|---|--|
| Environment | ① Response to climate change issue | <ul style="list-style-type: none"> ● Mill shutdowns and logistics disruptions due to extreme weather (heavy rain, floods, typhoons, heavy snow, droughts, etc.) or natural disasters (earthquakes, tsunamis, volcanic eruptions, forest fires, etc.) ● Companies that do not consider ESG in their supply chains ● Environmental destruction; collapse of biodiversity, including decrease in wildlife, due to destruction of nature | <ul style="list-style-type: none"> ● Growing need for renewable energy ● Identification with advanced environmental considerations (climate change measures, etc.) ● Enhancement of evaluation by society through promotion of green transformation (GX) ● Construction of sustainable supply chains ● Enhancement of image by promoting Company-owned forest management | <ul style="list-style-type: none"> ● Achieve ZERO CO₂ 2050 to reduce CO₂ emissions to net zero by 2050 through the use of biomass energy and the latest technology |
| | ② Responsible procurement of raw materials | | | <ul style="list-style-type: none"> ● Promote CSR-aligned raw materials procurement that considers the environment and society based on the Hokuetsu Group Fundamental Policy for Raw Materials Procurement |
| | ③ Forestry management and protection of biodiversity | | | <ul style="list-style-type: none"> ● Leveraging the multiple functions of forests, maintain proper and sustainable management of Hokuetsu-owned and managed forests ● Preserve the biodiversity of owned and managed forests, and strive for community interaction through owned and managed forests |
| Society | ④ Ensuring safety and hygiene of the workplace | <ul style="list-style-type: none"> ● Business stagnation due to mill and other equipment accidents ● Occurrence of serious accidents, overwork, etc. ● Loss of motivation due to mental health, harassment, etc. ● Decline in sales due to product complaints | <ul style="list-style-type: none"> ● Reduction in occupational accidents through improved safety performance ● Enhancement of employee satisfaction through better systems for human resource development, health management, and work style reform ● Enhancement of revenues by increasing the number of environmentally friendly products ● Development of new customers and strengthening of relationships with existing customers ● Earning of stakeholder trust | <ul style="list-style-type: none"> ● Promote safety and health activity hSA25 (hokuetsu Safety Action 2025) to create accident-free workplaces |
| | ⑤ Human capital management | | | <ul style="list-style-type: none"> ● Promote human capital management to accelerate talent hiring and training and increase the competitiveness of the Group as a whole |
| | ⑥ Delivering responsible product quality and new product development | | | <ul style="list-style-type: none"> ● Ensure product quality and safety ● Develop new, environmentally friendly products |
| | ⑦ Dialogue with stakeholders | | | <ul style="list-style-type: none"> ● Continue good relationships with stakeholders (shareholders/investors, sellers/suppliers, consumers, employees, communities) |
| Governance | ⑧ Improving corporate governance | <ul style="list-style-type: none"> ● Loss of public trust due to violations of regulations, laws, etc. ● Manifestation of human rights issues due to poor supplier management | <ul style="list-style-type: none"> ● Maintenance and strengthening of management systems to enhance corporate value ● Gain of trust from society through approach to human rights | <ul style="list-style-type: none"> ● Continuously improve corporate governance ● Strive to enhance risk management activities |
| | ⑨ Respect for human rights | | | <ul style="list-style-type: none"> ● Implement approaches to respect for human rights |

| Group-wide KPIs | FY2024 result |
|--|---|
| Reduction of CO ₂ emissions in 2030 by 43% compared to FY2005 | Reduced by 38.7% |
| Procurement of paper raw materials produced with consideration for the environment, society, and human rights | Procured only raw materials produced legally in the forests where resources are protected, forests are cultivated, and properly managed. |
| Maintenance and expansion of CO ₂ absorption capacity of company-owned and managed forests | Absorbed approx. 7,018 kilotons/year |
| Strengthening regional exchanges related to biodiversity | Carried out forest operations that take biodiversity into consideration, and regional exchanges |
| Zero serious accidents | 1 accident |
| 25 or fewer occupational accidents (including minor accidents) | 32 accidents (0 fatal accidents, 12 lost-time accidents, 20 non-lost-time accidents) |
| Doubling of the percentage of women, non-Japanese, mid-career hires, etc. in management and executive ranks from the current level of approximately 10% (FY2021) by 2030 | Percentage of women, non-Japanese, and mid-career hires in management and executive ranks (non-consolidated): Approx. 10% |
| Enhancement of retention rate of new graduates and mid-career hires | Retention rate of new graduate new employees in the third year: 70% (non-consolidated) |
| Increase in per-employee education and training investment amount | Approx. 16,000 yen (non-consolidated) |
| Aggregation of training participant numbers | Approximately 7,000 participants (non-consolidated) |
| Enhancement of the proportion of women in management positions | 0.7% (non-consolidated) (approx. 3%, excluding some Group companies) |
| Enhancement of the proportion of men taking childcare leave | 28.5% (non-consolidated) (of which, day-shift workers: 100%; rotating shift workers: 23.0%) |
| Zero product liability accidents (non-consolidated) | 0 accidents (non-consolidated) |
| Expansion of environmentally friendly products | Developed plastic-free containers through Group collaboration |
| Development of products harnessing nanotechnology | Adopted electromagnetic noise suppression sheets for industrial equipment, provided samples of new electromagnetic wave absorber products |
| Enhancement of stakeholder engagement (IR and SR meetings, mill tours and internships, employee awareness surveys, etc.) | IR/SR meetings: 74 times/year |
| Responses to various questionnaire surveys | Responded to Nikkei Sustainability Comprehensive Survey, Toyo Keizai CSR Survey, etc. |
| Continuation of social contribution activities | Continued mill tours and supported various organizations and events |
| Enhancement of content of disclosure | Enhanced of sustainability information in securities reports |
| Continuation of risk reduction activities | Implemented initiatives to eradicate equipment accidents at our workplaces and domestic Group companies |
| Signing up to the United Nations Global Compact | January 2023: Signed the United Nations Global Compact |
| Establishment of a human rights policy | April 2023: Establishment of the Hokuetsu Group Human Rights Policy |
| Establishment of approaches for respecting human rights | Engaged in human rights due diligence and identification/evaluation of negative impacts |



Materiality ①

Response to climate change issue

Reason to emphasize

The Group has taken the lead in reducing CO₂ emissions to reduce climate change risks. We reflect risks and opportunities in our management strategy based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and engage in environmental management with the aim of achieving net zero CO₂ emissions by 2050.

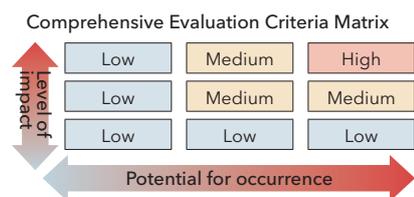
Disclosure of information based on TCFD recommendations

We have endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We are now conducting analyses of the risks and opportunities posed by climate change under 1.5°C to 2°C scenarios (the Sustainable Development Scenario of the IEA, etc.) and 4°C scenarios (the RCP8.5 scenario of the IPCC, etc.).

Climate change-related risks, opportunities, strategies, and actions based on TCFD recommendations (partial excerpt)

| Classification | | Risk | Risk details | Evaluation* | Strategies and measures to reduce risk | |
|------------------|--------------------------------|---|--|-------------|--|---|
| Transition risks | Policy/ legal regulation | Tighter CO ₂ emission regulations | Introduce and enhance carbon pricing such as carbon taxes and emissions trading systems | High | <ul style="list-style-type: none"> Realize "Hokuetsu Group ZERO CO₂ 2050" and "Hokuetsu Group Environmental Targets 2030" Promote further energy conservation Use biomass energy such as black liquor Use carbon-neutral fuels Promote modal shifts Introduce high-efficiency chip carriers Examine the adoption of advanced CCS | |
| | | Tighter regulations for the spread of renewable energy | Increase in unit price of levy to promote power generation with renewable energy | Medium | | |
| | Market | Soaring fossil energy prices | Soaring prices of energy derived from fossil fuels due to the decrease in investment in oil development toward the realization of a decarbonized society | Low | | |
| Physical risks | Acute | Impact on business due to increased extreme weather | Damage to the Company's mills and equipment, damage to infrastructure, and disruption of supply chains due to extreme weather | Medium | | <ul style="list-style-type: none"> Assess natural disaster risk and countermeasures in mills Review business continuity plan (BCP) based on Emergency Response Regulations Promote profitable and stable procurement by diversifying suppliers, etc. |
| Opportunities | Products and service | Growing need for environmentally friendly products and services | Increase in need for environmentally friendly products and services due to heightened consumer awareness | High | | <ul style="list-style-type: none"> Develop and expand sales of plastic alternatives Develop composite materials of cellulose nanofiber and carbon fiber Develop and expand sales of battery separators |

* The magnitude of risk/opportunity is evaluated by "size of impact on business" x "probability of occurrence" and is expressed as high, medium, or low.



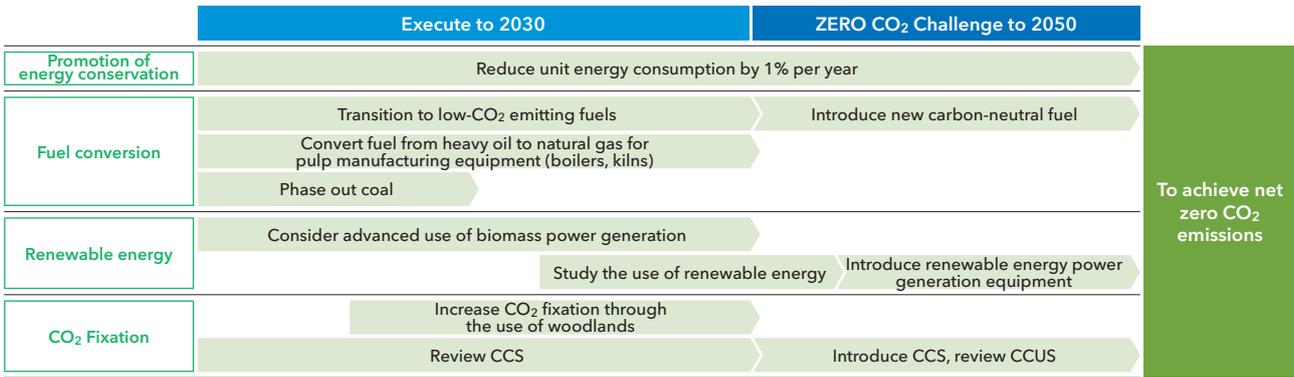
| | | Criteria for impact | |
|-----------------|--------|---------------------|---------------------------|
| | | Level | Monetary value of impacts |
| Level of impact | High | 10 points | Over 1 billion yen |
| | Medium | 5 points | 0.1-1.0 billion yen |
| | Low | 1 point | Less than 0.1 billion yen |

| | | Criteria for potential for occurrence | |
|--------------------------|--------|---------------------------------------|-------------------------|
| | | Level | Guideline for frequency |
| Potential for occurrence | High | 10 points | Year-round occurrence |
| | Medium | 5 points | Once or twice per year |
| | Low | 1 point | Once per several years |

Disclosure of Information Based on TCFD Recommendations (Only available in Japanese)
<https://www.hokuetsucorp.com/environment/manufacture.html>

▶ P.4 Creating New Value through Decarbonization

Hokuetsu Group ZERO CO₂ 2050 Roadmap



Utilization of renewable energy

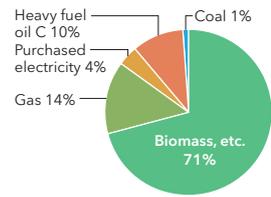
Wood biomass is a renewable energy source that absorbs CO₂ during its growth process. Emitted CO₂ is considered to be offset by CO₂ absorbed during growth and thus not a contributor to total atmospheric CO₂.

The Kanto Mill (Katsuta), Kishu Mill, and Niigata Mill conduct production activities using mainly biomass energy. All mills have achieved a zero CO₂ energy ratio of over 70% using biomass energy, waste energy, etc.

In particular, the Kanto Mill (Katsuta) has achieved a zero CO₂ energy ratio of 91% by using a large wood biomass boiler that uses construction waste and other biomass materials as fuel. We will continue to take on the challenge of increasing our biomass energy ratio and aim for CO₂ emission-free mills ahead of schedule.

We will expand the possibilities of using biomass energy, take further measures to reduce CO₂ emissions, and continue our challenge of achieving net zero emissions by 2050.

FY2024 Energy composition (non-consolidated)



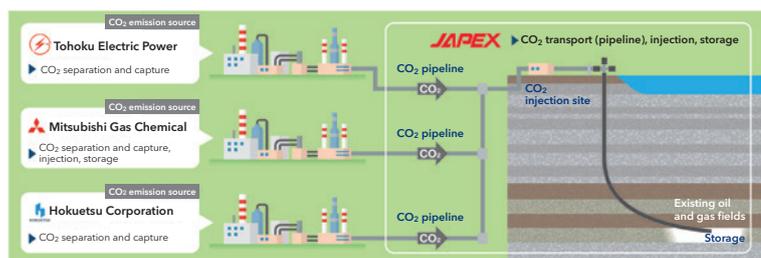
FY2024 Energy composition at mills (%)

| | Niigata | Kishu | Katsuta | Ichikawa | Nagaoka | Osaka |
|-----------------------|---------|-------|---------|----------|---------|-------|
| Biomass, etc. | 71 | 80 | 91 | 0 | 0 | 0 |
| Gas | 14 | 0 | 0 | 98 | 66 | 49 |
| Purchased electricity | 2 | 7 | 2 | 2 | 34 | 51 |
| Heavy fuel oil C | 13 | 11 | 2 | 0 | 0 | 0 |
| Coal | 0 | 2 | 6 | 0 | 0 | 0 |

Initiatives to commercialize the first advanced CCS in Japan

Together with three other companies*, the Company was selected again in FY2025 to participate in the FY2024 "Engineering Design for Japanese Advanced CCS Project," which was publicly solicited by the independent administrative agency Japan Organization for Metals and Energy Security (JOGMEC). The Company 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 CO₂ emitted from existing mills and power plants, CO₂ injection and storage points, and the construction of transportation pipelines that connect these venues. Based on initial design and other outcomes of surveying in FY2024, our company will work to further detail project plans and realize a biomass fuel-based CO₂ separation and capture facility at the Niigata Mill.

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





Materiality ②

Responsible procurement of raw materials

Reason to emphasize

Our Group engages in raw material procurement domestically and overseas. We promote procurement with an awareness of the environment, society, and human rights under our raw material procurement policy, to aid in preventing environmental, social, and human rights issues that could occur in the supply chain.

Sustainable raw material procurement

In accordance with the Hokuetsu Group Fundamental Policy for Raw Materials Procurement, our Group procures only wood produced in compliance with the laws and regulations of producing regions and for which the sustainability of source forests has been confirmed.

Toward that end, we regularly conduct due diligence that includes obtaining and confirming attestations of legality and sustainability, information on producing regions, applicable laws and regulations, forest certifications, and other information. We also undergo annual audits by third-party bodies regarding our methods of verifying the legality and sustainability of wood, to confirm the absence of problems or errors in our due diligence.

In FY2024, we underwent a traceability report audit by SGS Japan Inc. and an audit by the Illegal Logging Measures Committee of the Japan Paper Association. These confirmed the absence of issues in our verification methods. We further undertook extension of our registration as a Class 1 wood-related business entity under the Act on Promoting the Distribution and Use of Legally Harvested Wood and Wood Products.

[Hokuetsu Group Fundamental Policy for Raw Materials Procurement](https://www.hokuetsucorp.com/en/environment/procurement.html)
<https://www.hokuetsucorp.com/en/environment/procurement.html>

[Policy on Procurement of Wood Material](https://www.hokuetsucorp.com/en/environment/policy.html)
<https://www.hokuetsucorp.com/en/environment/policy.html>

● Procurement of wood chips from abroad (FY2024)

| Wood chips | | | | | | | |
|--------------|--------------|-----------------------|-----------|-----------------------------|--|--|--|
| Country | Name of wood | 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 | ● | – | ● | ● | ● | 1,603 |
| South Africa | Acacia | ● | – | ● | ● | ● | |
| | Eucalyptus | ● | – | ● | ● | ● | |
| Australia | Eucalyptus | ● | – | ● | ● | ● | |
| Vietnam | Acacia | ● | – | ● | ● | ● | |

| Wood pulp | | | | | | | |
|------------------------|---|---|-----------------------------|--|--|----------------------------|--|
| Country of procurement | Name of wood | Confirmation of raw material composition | Means of verifying legality | | | Import volume (1,000 ADMT) | |
| | | | Traceability report | Declaration of legality of timber for material of wood chips | Forest certification approved by third party | | |
| US | Pine | Afforestation, Sawn timber residue | ● | ● | ● | 54 | |
| Canada | Hemlock, fir, spruce, pine, aspen, poplar | Afforestation, Sawn timber residue, Low-grade wood from natural forests | ● | ● | ● | | |
| Chile | Pine, eucalyptus | Afforestation, Sawn timber residue | ● | ● | ● | | |
| Brazil | Eucalyptus | Afforestation | ● | ● | ● | | |
| Finland | Pine, spruce | Low-grade wood from natural forests | ● | ● | ● | | |
| Sweden | Spruce, pine, larch | Low-grade wood from natural forests | ● | ● | ● | | |
| Japan | Chestnut, Japanese oak, Japanese beech, Japanese horse-chestnut, prickly castor oil tree, birch, cedar, zelkova, Japanese red pine, black pine, Japanese cypress, Douglas fir | Afforestation, Sawn timber residue, | ● | ● | ● | | |
| | | Regrown wood | | | | | |



Materiality ③

Forestry management and protection of biodiversity

Reason to emphasize

Our Group manages a total of approximately 6,053 thousand hectares of company-owned and managed forests in Japan, Canada, and South Africa (as of the end of FY2024). Protecting our irreplaceable nature is the responsibility of our Group, which is able to do business receiving the bounty of nature.

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 forests where we produce softwood logs but growth is not as good as expected, and softwood is invaded by hardwood, we aim to manage them to naturally become mixed species forests of planted softwood and natural hardwood, and eventually be dominated by natural hardwood.

Al-Pac of Canada has entered into a forest management agreement with the government of Alberta, managing a vast forest area of approximately 6 million hectares, which is about the same size as Japan's Kanto-Koshinetsu region. This area consists of diverse landscapes, including not only forested areas but also wetlands and lakes, supporting a wide range of flora and fauna. Al-Pac collaborates with government agencies, industry

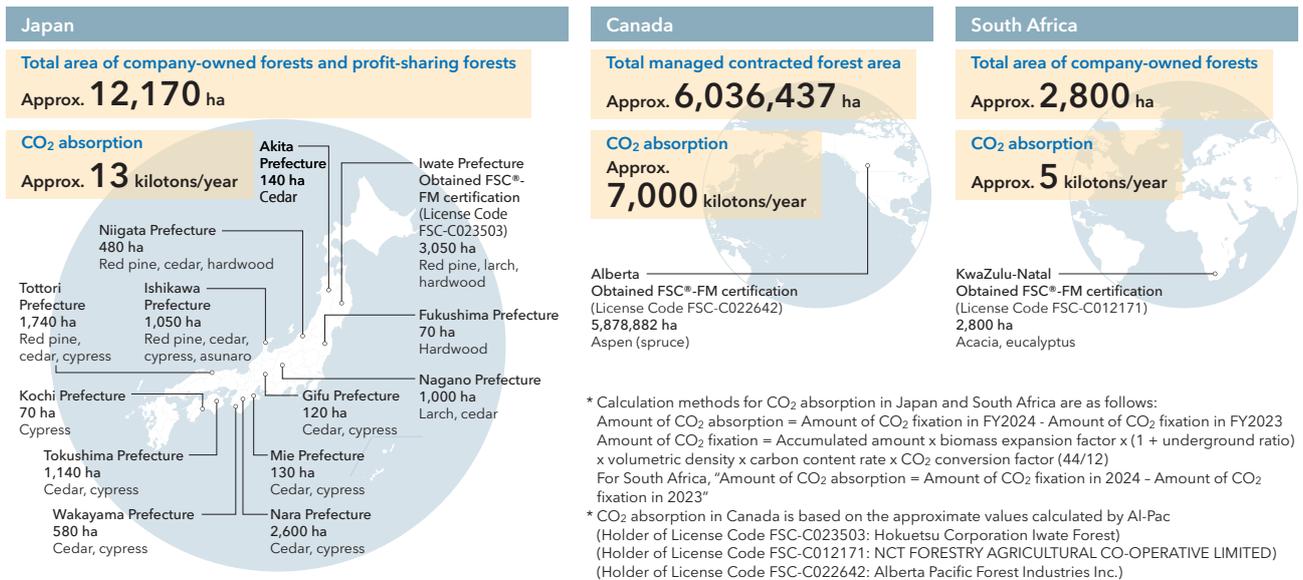
organizations, and environmental conservation groups to participate in various surveys and improvement activities.

In our owned forests in South Africa, we designate protected forests (unlogged) by setting aside conservation areas for natural forests and riparian zones. We also perform regular animal and plant monitoring and collaborate with the Wildlife and Environment Society of South Africa, WWF, the FSA Environmental Committee, and local conservation organizations to ensure forest management practices that prioritize the preservation and improvement of biodiversity.



Al-Pac is involved in conservation efforts targeting the endangered caribou (northern reindeer).

Managed forest area of the Group (as of the end of FY2024)



Disclosing information according to TNFD recommendations

The Group discloses the disclosure items outlined in TNFD's Final Recommendations v1.0, in line with the four pillars of "governance," "strategy," "risk and impact management," and "metrics and targets."

<https://www.hokuetsucorp.com/environment/tnfd.html>
Disclosing information according to TNFD recommendations (Only available in Japanese)



Materiality ④

Ensuring safety and hygiene of the workplace

Reason to emphasize

The 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.

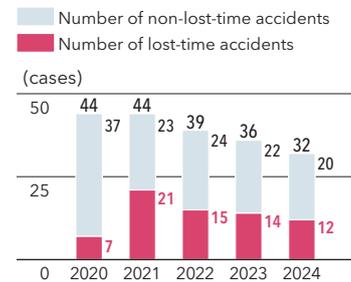
Creating a safe workplace through safety and health activities, called "hSA25"

Under our safety and health promotion structure headed by the President and CEO, we formulated a safety and health activity plan, hSA25, aimed at achieving our target of zero serious accidents and 25 or fewer occupational accidents in the Group by FY2025. We are rolling out activities for the creation of safe workplaces under the three approaches of "Mechanisms," "Objects," and "People."

During the period, we steadily decreased the number of occupational accidents through active investments in equipment safety measures and initiatives to enhance safety management. Although the 32 occupational accidents (12 lost-time accidents, 20 non-lost-time accidents) that occurred in FY2024 were four fewer than in the previous fiscal year, we did not meet our target. To address serious lost-time occupational accidents caused by contact with operating equipment, we implemented

engineering measures such as the installation of safety covers on rotating parts as well as administrative measures based on risk assessments of the relevant tasks. After confirming the effectiveness of these measures in preventing recurrence, we deployed them throughout the Group.

Number of accidents



hSA25

https://www.hokuetsucorp.com/en/environment/health_safety.html

▶ P. 24 Strengthening Competitiveness

hSA25 Roadmap



FY2024 major activity results

| Activity | Details |
|---|---|
| Safety-related networking session between workplaces | Conducted inter-workplace meetings on the theme of rotating equipment accidents to promote engineering-based countermeasures at workplaces |
| Heat stroke prevention measures | Introduction of wearable devices for the early detection of heat stroke and prevention of aggravation |
| Risk assessment training session | Training session for all managers at mills to instill understanding of the importance of risk assessment and promote its practice in the workplace |
| Introduction of safety-oriented human resource development training | Introduction of safety-oriented human resource development training using outside organizations for four site overseers (section chiefs) at the Kanto Mill |
| Safety activities at Bernard Dumas | Preparation for ISO 45001 certification and safety-related equipment investments |
| Safety activities at Al-Pac | Development of S.T.E.P (Safe. Training. Evaluate. Prepare) safety activity campaign to strengthen safety education and training and to promote safety awareness |



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.

Overview of human capital management

Under the recognition of its importance to enhancement of the Group's medium- and long-term corporate value, we undertake human capital management under the Hokuetsu Group Basic Policy on Diversity.

In Medium-term Management Plan 2026, we promote priority measures to enable 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.

Priority measures

- ① Development and promotion of human resources
 - ② Improvement of internal environment to secure diversity
 - Realization of flexible work styles
 - Enrichment of support structure for balancing childcare, nursing care, and work
 - Promotion of health management
- Total investment of 6.0 billion yen is planned under Medium-term Management Plan 2026.

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

[Hokuetsu Group Human Resource Development Policy \(Only available in Japanese\)](https://www.hokuetsucorp.com/sustainability/development.html)
<https://www.hokuetsucorp.com/sustainability/development.html>

FY2024 major activity results

| Major measures | Details |
|---|---|
| Development and promotion of human resources | Implementation of regular evaluator training aimed at establishing a new personnel structure focused on human resource development and capacity development |
| | Promotion of acquisition of qualifications and licenses necessary for work |
| | Establishment of an internal recruitment structure |
| | Securing and promotion of diverse human resources (for full-time DX promotion, etc.) |
| Improvement of the internal environment to secure diversity | Utilization of temp-to-perm for the recruitment of experienced and qualified personnel |
| | Training on women's health issues (women's health issues training for managers and female employees at Group companies) |
| | Establishment of wellness leave (available for reasons including menstruation, infertility treatment, and health check-up follow-up examinations) |
| | Revision of the annual paid leave program (increase in number of days granted and introduction of hour-based annual leave) |
| | Measures to prevent loss of motivation due to mental health, harassment, etc. |
| | Certified as an Outstanding Health and Productivity Management Organization for FY2025 (Large enterprise category) |

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. While promoting the creation of workplaces that prioritize the peace of mind and safety of all employees, we reworked our leave program, including the establishment of women's health issues training and wellness leave, to achieve work-life balance and improve mental health. In recognition of our initiatives to prevent declining motivation due to mental health issues or harassment, in 2025, the Company maintained its certification for the fourth year in a row as an Outstanding Health and Productivity Management Organization (Large enterprise category).

[Hokuetsu Group Health Declaration \(Only available in Japanese\)](https://www.hokuetsucorp.com/sustainability/healthcare.html)
<https://www.hokuetsucorp.com/sustainability/healthcare.html>

Progress of individual initiatives (non-consolidated)

| Initiative | FY2024 target | FY2024 result |
|----------------------------------|---------------|---------------|
| Annual health checkup rate | 100% | 100% |
| Smoking rate | 30% or less | 32.3% |
| Employees who exercise regularly | 30% or more | 31.0% |
| Employees taking stress checks | 95% or more | 96.7% |



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. This includes developing environmentally friendly products that meet customer needs, creating products using advanced nano-materials, and focusing on expanding applications and adding higher value to existing products.

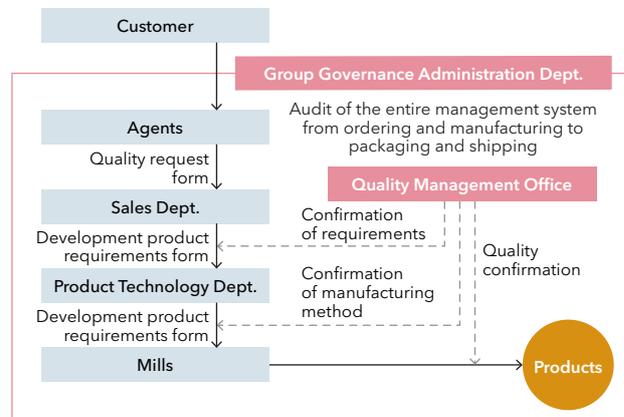
Quality control system to ensure product safety

The Production Technology Department and the Quality Management Office have created a monitoring structure related to quality control for our products, conducting checks in line with our internal regulations. The Quality Management Office regularly conducts internal quality audits to ensure compliance with various regulations. This includes checking the safety of raw materials, ensuring compliance with self-imposed standards for products intended for food applications, and implementing quality control based on product specifications. Furthermore, the Group Governance Administration Department conducts audits on the management system from receipt of orders to shipment, ensuring that the products meet customer requirements.

We also regularly conduct quality control training through workplaces' quality control departments to strengthen compliance awareness.

[Quality control system \(Only available in Japanese\)](https://www.hokuetcorp.com/sustainability/activitymanagement.html)
<https://www.hokuetcorp.com/sustainability/activitymanagement.html>

Quality control system



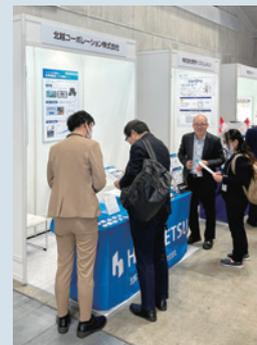
Developing products that contribute to the realization of a sustainable society

As seen in the proliferation of smartphones and wearable devices and the advance of autonomous driving in automobiles, the use of electronic devices is becoming increasingly intensive and the importance of mobile communications is growing. In line with this, equipment malfunctions and deterioration of communication quality due to electromagnetic noise are emerging as social issues. To aid in solving this issue, we focused on carbon nanotube (CNT)* material to develop a noise suppression sheet that demonstrates efficacy near IC chips and other sources of noise. We are also working to develop an innovative electromagnetic wave absorber that fuses our proprietary papermaking technologies with electromagnetic environmental control technologies. These materials are expected to help improve the increasingly saturated communication environment and enhance equipment stability. We will continue developing products that leverage advanced technologies with the aim of contributing to the realization of a sustainable society.

* Carbon nanotubes are highly resistant to corrosion and do not contain metallic powders or magnetic materials. A primary feature of carbon nanotube material is the ability to shield radiation noise in the kHz to GHz bands with little impact on transmission signals.

TOPIC Development of electromagnetic wave absorbers that leverage papermaking technologies

We exhibited our newly developed electromagnetic wave absorber at the "Microwave Workshops & Exhibition 2024," the largest event in Japan related to microwave technology, held at PACIFICO Yokohama in November 2024. This material is created through the application of our papermaking technologies and electromagnetic environmental control technologies. Combining light-weight, heat-resistant, and flame-retardant properties, the material is expected to be used in the aerospace field.





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 stakeholders such as investors and shareholders, we strive for harmonious coexistence with local communities.

Initiatives for stakeholders

The Group strives to disclose corporate information in a timely and appropriate manner and to respond courteously to inquiries from stakeholders. Seeking to earn the trust of shareholders, investors, customers, business

partners, employees, local communities, and other diverse stakeholders, we engage in collaborations aimed at solving social issues and enhancing our corporate value.

● Overview of initiatives for stakeholders

| Stakeholder | Initiative | Initiative underway |
|-------------------------------|--|---|
| Shareholders and investors | <ul style="list-style-type: none"> • Hosting of a Shareholders' Meeting • Mid-term and full-year Financial Results Briefings in May and November (2 briefings/year) • Small meetings for analysts (sell side) with each quarterly earnings announcement (4 meetings/year) • Individual IR/SR meetings for institutional investors (buy side) (FY2024: 74 meetings) | <ul style="list-style-type: none"> • Individual debt IR for major financial institutions and corporate bond investors (FY2024: 20 sessions) • Issuance of IR-related reports and disclosure of information on our website's IR information section • Response to inquiries (ongoing basis)  <p>Shareholders' meeting</p> |
| Customers (end users) | <ul style="list-style-type: none"> • Hosting of factory tours for customers (FY2024: 1,962 participants) • Exhibit at "Microwave Workshops & Exhibition 2024" and other exhibitions related to performance materials (FY2024: 4 times) • Release of "KINKON" environmental activities newsletter (2 times/year) • Information disclosure through our website (ongoing basis) | <ul style="list-style-type: none"> • Cooperation with studies and surveys (ongoing basis) • Response to inquiries (ongoing basis)  <p>"KINKON" environmental activities newsletter</p> |
| Business partners (suppliers) | <ul style="list-style-type: none"> • Announce "Group Fundamental Policy for Raw Materials Procurement" and "Fundamental Policy on Procurement of Wood Material" to suppliers • Announce revisions to the Declaration of Partnership Building • Implementation of traceability for wood suppliers | <ul style="list-style-type: none"> • CSR procurement survey targeting about 50 primary suppliers of primary raw materials • Response to inquiries (ongoing basis)  <p>Loading of wood chips</p> |
| Employees | <ul style="list-style-type: none"> • Personnel evaluation feedback and performance evaluation target interviews (2 times each/year) • Interviews with superiors under the self-assessment system (1 time/year) • Stress checks (1 time/year) • Training (ongoing basis) • Commendations (ongoing basis) | <ul style="list-style-type: none"> • Discussions between employees and management concerning working conditions and occupational health and safety (regularly) • Establishment of the Compliance Hotline • Release of information through the Group's internal newsletters (3 times/year) and intranet (ongoing basis)  <p>Training</p> |
| Local communities | <ul style="list-style-type: none"> • Hosting of factory tours, internships, etc. (FY2024: 1,237 participants) • Cooperation in funding activities by WWF Japan • Sponsorship of the Zero Carbon Challenge Cup • Sponsorship of the Niigata Decarbonization Project • Sponsorship of music competitions | <ul style="list-style-type: none"> • Cleanup and beautification activities around mills (FY2024: 1,747 employees participated) • Exhibits at environmental fairs, etc. hosted by local governments • Cooperation in events conducted by local communities around our mills • AI-Pac: Scholarships for indigenous people as well as local high school and university students (FY2024: approx. ¥4,287 thousand)  <p>Mill tour</p> |



Materiality 8

Improving corporate governance

Reason to emphasize

We have established the “Hokuetsu Group Corporate Philosophy” and “Hokuetsu Group Code of Conduct” to ensure that the Group’s officers and employees thoroughly comply with laws, the Articles of Incorporation, and internal regulations, thereby strengthening and enhancing internal controls.

Basic Perspective on Corporate Governance

In order to achieve long-term stable improvement of our corporate value, our most important management issue, we are 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 a separately established basic policy to support the enhancement of our stable, long-term corporate value.

Basic Policy on Corporate Governance <https://www.hokuetsucorp.com/en/company/governance.html>

Corporate Governance Report (Only available in Japanese) https://www.hokuetsucorp.com/company/pdf/governance_report2506.pdf

Efforts to strengthen corporate governance



The composition of the Board of Directors

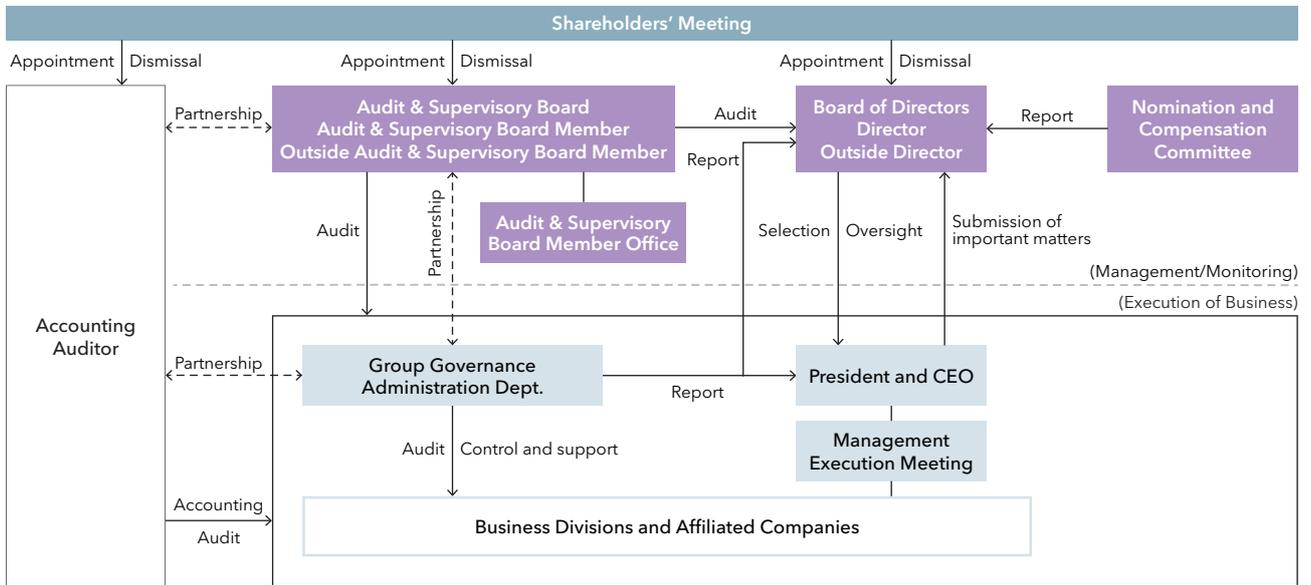
The Board of Directors strives to increase corporate value and the common interests of shareholders, and aims to enhance long-term stable corporate value by strengthening corporate governance. It is responsible for monitoring overall management, including the execution of duties by the corporate management, and decides important matters prescribed by laws and regulations, our articles of incorporation, and our Rules for the Board of Directors.

Our directors consist of six inside directors and four independent outside directors (of which one is a woman), ensuring diversity and expertise on the Board of Directors.

Corporate governance system overview (as of June 27, 2025)

| | |
|--|--|
| Form of organizational design | Company with an Audit & Supervisory Board |
| Chair of the Board of Directors | President and CEO |
| Number of directors (number and percentage of outside directors) | 10 (outside: 4 [40%]) * One outside director is a woman |
| Number of Audit & Supervisory Board Members (number and percentage of outside Audit & Supervisory Board members) | 3 (outside: 2 [66%]) |
| Percentage of women among directors | 10% |
| Directors' terms of office | 1 year |
| Audit & Supervisory Board Members' terms of office | 4 years |
| Number of corporate officers | 15 |
| Advisory bodies to the Board of Directors | Nomination and Compensation Committee |
| Chair of the Nomination and Compensation Committee | Outside Director (Mitsuyasu Iwata) |
| Number of Nomination and Compensation Committee members (number/percentage of outside directors) | 3 (outside: 2 [66%]) |
| Accounting Auditor | KMPG AZSA LLC |

● Corporate governance system



Analysis and evaluation of the effectiveness of the Board of Directors

To ensure that the Board of Directors is fully able to exert its supervisory functions, we are working to strengthen our corporate governance system. We are doing so on the basis of in-depth verification of the skills required of outside directors and optimal levels of gender and background diversity within the composition of the Board of Directors, with input received from stakeholders through dialogues.

In our evaluation of the effectiveness of the Board of Directors in FY2024, we verified the appropriateness of the composition of the Board as well as the degree of improvement to the Board's operation and discussions. Specifically, we surveyed all directors, including outside directors, through an anonymous questionnaire and held Board discussions on identified issues and the execution of improvements.

Through this process, we confirmed that the members of the Board of Directors possess the knowledge, experience, and abilities necessary to effectively fulfill their roles and responsibilities, and that sufficient time in meetings is devoted to constructive discussions of management strategy and other agenda items. We further confirmed that, as the Board performs effective supervision of status of sustainability activities, it demonstrates appropriate strategic, decision-making, and oversight functions, and that its effectiveness overall is ensured.

Based on the results of the analysis and evaluation, we will continue working to deepen deliberations by the Board of Directors and further strengthen its functions.

| | |
|---|---|
| <p>1 Composition of the Board of Directors</p> | <ul style="list-style-type: none"> • Is the size of the Board of Directors appropriate? • Does the Board of Directors have the knowledge, experience, ability, and diversity (expertise, professional experience, age, gender, etc.) appropriate to its management strategy? • Are the number and proportion of outside directors appropriate? |
| <p>2 The Board of Directors operation and agenda</p> | <ul style="list-style-type: none"> • Are the content and volume of materials used for explanations, reports, etc., at Board of Directors meetings, and is the timing of prior distribution of materials, appropriate? • Does the Board of Directors operate effectively in an atmosphere that encourages frank, free, and vigorous discussion? • Are the frequency and time of Board of Directors meetings appropriate? • Are the scope and number of proposals submitted to the Board of Directors appropriate? • Are risks for individual proposals appropriately verified by the Board of Directors, and are the decision-making process and authority clear? • Is the Board of Directors proactively addressing issues surrounding sustainability from the perspective of improving corporate value over the medium to long term? |
| <p>3 Others</p> | <ul style="list-style-type: none"> • Is the Nomination and Compensation Committee appropriately operating in accordance with our policies and standards for director nominations and compensation (including succession planning) and explaining and reporting its findings to the Board of Directors? • Have issues identified in previous Board of Directors evaluations been appropriately remedied? |

 **Materiality**®
Improving corporate governance

List of officers (as of June 27, 2025)

10 directors (4 outside)

Sekio Kishimoto
 President and CEO
 Years in office 26
 Number of shares held 328,600
 Joined Mitsubishi Corporation. Attended the Harvard Business School Advanced Management Program (AMP) in 1992. Served as a general manager overseeing papermaking raw materials and paper products at Mitsubishi Corporation from 1995. Joined the Company in 1999. Has served as president and CEO since 2008.



Shigeru Wakamoto
 Senior Managing Director
 Years in office 6
 Number of shares held 69,721
 Possesses extensive technical department experience and knowledge gained through work at the Niigata Mill, Kanto Mill, and Kishu Mill, and has contributed to stable operation and the improvement of quality and production efficiency. Was appointed a Senior Managing Director of the Company in 2023.



Shigeharu Tachibana
 Senior Managing Director
 Years in office 8
 Number of shares held 85,213
 Possesses extensive experience earned through work in the sales department and overseas, and has contributed to improving performance as the head of the sales department. Was appointed a Senior Managing Director of the Company in 2023.



Makoto Yanagisawa
 Director CFO
 Years in office 2
 Number of shares held 25,224
 Possesses extensive experience and knowledge gained through work at financial institutions. Has overseen a number of corporate departments of the Company since joining in 2010. Was appointed Director CFO of the Company in 2023.



Yutaka Ishizuka
 Director
 Years in office 2
 Number of shares held 21,289
 Possesses extensive experience and knowledge gained through work in technical departments, and served as mill manager at the Niigata Mill and Kishu Mill. Was appointed a Director of the Company in 2023.



Tomoyuki Iida
 Director
 Years in office 2
 Number of shares held 18,445
 Possesses extensive knowledge and overseas experience gained through work in the pulp department of a general trading company. Has contributed to improving performance in purchasing and procurement departments of the Company since joining in 2020. Was appointed a Director of the Company in 2023.



Abilities ideally possessed by directors, and those currently possessed

The Board of Directors is appropriately composed of members with industry expertise and specialized knowledge in their respective fields, ensuring a balance in terms of scale, skill sets, and diversity. The Board of Directors carries out its executive duties under the guidance and supervision of the outside directors.

| Name/ Current title | | 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 | Hiromitsu Kuramoto Outside Director | Hiroko Nihei Outside Director |
|---|--|--------------------------------------|--|---|-----------------------------------|-----------------------------|---------------------------|-------------------------------------|----------------------------------|--|----------------------------------|
| Management skills for engaging in corporate management | Corporate management | ● | ● | ● | | | ● | ● | ● | ● | |
| | Finance and accounting | ● | | | ● | | | ● | | | |
| | Human resources and labor | ● | | | ● | | | | | | ● |
| | ESG/Sustainability | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Functional skills for advancing business/management plans and connecting them to business performance | Internationally minded | ● | | ● | | | ● | ● | | ● | ● |
| | Industry knowledge | ● | ● | ● | ● | ● | ● | | ● | | |
| | Technology/IT (production technology, R&D) | | ● | | | ● | | | | | |
| | Sales and marketing | ● | | ● | | | | | ● | | |
| | Purchasing and procurement | ● | | | | | ● | | | ● | |

Mitsuyasu Iwata

Outside Director

Years in office 10
 Number of shares held 0
 Served in key positions in the Ministry of Economy, Trade and Industry (former Ministry of International Trade and Industry). Was appointed a vice president of The Kansai Electric Power Company, Incorporated, in 2007. Was appointed an Outside Director of the Company in 2015.



Kazuo Nakase

Outside Director

Years in office 8
 Number of shares held 0
 Joined Mitsubishi Paper Mills Limited and was appointed a senior executive director and general manager of the paper division in 2009. Was appointed an Outside Director of the Company in 2017.



Hiromitsu Kuramoto

Outside Director

Years in office 4
 Number of shares held 2,000
 Joined NYK Line and was appointed a vice president and management committee member in 2008. Was appointed an Outside Director of the Company in 2021.



Hiroko Nihei

Outside Director

Years in office 3
 Number of shares held 0
 Possesses high-level and extensive legal knowledge as an attorney, specializing in legal areas including international commercial affairs. Was appointed an Outside Director of the Company in 2022.



Purpose/Reason for selection

To broadly provide compelling products and services to society and achieve sustainable growth and enhancement of corporate value as a corporate group trusted by stakeholders, experience and knowledge gained at global companies and manufacturers are vital. Accordingly, we specify "corporate management" as a key management skill related to management.

With sustainable growth and maximization of shareholder value as our aim, our Group faces the needs to expand applications for our existing products, focus on high-value-added products, and actively promote M&A and other investments for growth. As financial strategy is essential in the realization of corporate strategy, we specify "finance and accounting" as key management skill.

The Hokuetsu Group Philosophy respects diversity in people as a people-focused business group and has set forth a vision of empowering people. Knowledge of human resources development and utilization, along with experience with and knowledge of domestic and foreign legal systems and regulations, is vital in advancing innovation and shifting the business portfolio. Accordingly, we specify "human resources and labor" as key management skill related to management.

We recognize that, in enhancing medium- to long-term corporate value, undertaking sustainability activities is a management priority. To advance initiatives that address climate change issues and otherwise contribute to the realization of a sustainable society, capabilities related to the environment, society, and governance are vital. Accordingly, we specify "ESG/sustainability" as a key management skill related to management.

Consideration of the laws, regulations, cultures, and business customs specific to countries and regions is vital to the Group in carrying out global business expansion aimed at sustainable growth. Accordingly, we specify "internationally minded" as a key functional skill related to management.

Experience, knowledge, and expertise related to the paper and pulp industry are vital to the skills required to take a high-level view of the Group's business domains as a whole, promote discussions from an elevated perspective concerning the future of the market and business, and thereby effectively supervise the execution of the business. Accordingly, we specify "industry knowledge" as a key functional skill related to management.

To create high-quality, high-value-added products from a grounding in our Corporate Philosophy of "improve society globally, by providing socially and environmentally responsible products through innovative manufacturing on a global scale," we face the need to build an optimal production structure and develop new businesses that will be central to our future. Accordingly, we specify "technology/IT" as a key functional skill related to management.

Aptly responding to major changes in the business environment and the diversification of customer needs requires experience in marketing, brand strategy, or sales, or, alternatively, expertise in inter-company transactions and marketing. Accordingly, we specify "sales and marketing" as a key functional skill related to management.

To fulfill our social responsibilities as a company, it is vital that we continuously engage in the stable procurement of raw materials and in CSR procurement that takes the environment, society, and human rights into account. Accordingly, we specify "purchasing and procurement" as a key functional skill related to management.



Materiality ③

Improving corporate governance

List of officers

3 Audit & Supervisory Board Members (2 outside)

Manabu Ueno

Standing Audit & Supervisory Board Member

Years in office 4
Number of shares held 9,215

Possesses extensive experience and knowledge gained primarily through work in accounting and finance departments of the Company. Was appointed a Standing Audit & Supervisory Board Member of the Company in 2021 in the expectation that he will serve to strengthen auditing functions with regard to management overall.



Toraki Inoue

Outside Audit & Supervisory Board Member

Years in office 1
Number of shares held 0

Possesses extensive experience and professional knowledge as a certified public accountant. Was appointed an Outside Audit & Supervisory Board Member of the Company in 2024 in the expectation that he will serve to strengthen auditing functions with regard to management overall.



Go Kondo

Outside Audit & Supervisory Board Member

Years in office 1
Number of shares held 0

Possesses high-level and extensive legal knowledge as an attorney, with extensive experience in the field of international corporate legal matters. Was appointed an Outside Audit & Supervisory Board Member of the Company in 2024 in the expectation that he will serve to strengthen auditing functions with regard to management overall.



Corporate officers (as of September 30, 2025)

Kunihiko Kashima

White Paperboard Sales Division
General Manager, Business
Development Office

Kiyoshi Iizuka

Osaka Branch Manager

Hisashi Abe

COO, White Paperboard Sales Division
Profit Management Office

Kunihiro Ando

Kanto Mill Manager
General Manager, Ichikawa
Product Department

Maou Sugimoto

COO and CDO, Sustainability
Promotion Division
General Manager, Group Governance
Administration Dept.
In charge of the Information
Systems Department

Satoshi Okamoto

COO, Performance Materials Sales Division
Profit Management Office

Katsuhide Nishikata

Nagaoka Mill Manager
General Manager,
Administration Department

Shigetaka Kato

General Manager, International Paper
Export Department, Paper Sales Division
Staff General Manager, CEO Office

Takashi Kasahara

In charge of Personnel Department
(General Manager) and
Executives' Secretariat (General Manager)
General Manager, CEO Office
Profit Management Office

Naoto Ooba

General Manager, Domestic Paper Sales
Department, Paper Sales Division
General Manager in charge of
Publication Paper
General Manager in charge of
administration of business
Niigata Office Manager

Kazuhiro Takasumi

Kishu Mill Manager

Keiichi Kobayashi

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

Yoshiharu Togawa

In charge of General Affairs Department
(General Manager)
General Manager, Public Relations Office

Mitsumasa Takeda

Developer, White Paperboard Sales Division
Hokuetsu Package Co., Ltd.
Managing Director; General Manager,
Sales Development Division

Yasushi Ichiki

General Manager,
Corporate Planning Department

* For information on reasons for the appointment of directors and Audit & Supervisory Board members, see "Notice of Convocation of Ordinary General Meeting of Shareholders."

[Notice of Convocation of Ordinary General Meeting of Shareholders](https://www.hokuetsucorp.com/en/ir/notice.html)
<https://www.hokuetsucorp.com/en/ir/notice.html>

Activity status of the Nomination and Compensation Committee

To ensure objectivity and transparency in procedures for the nomination and compensation of directors, the Company has established a Nomination and Compensation Committee.

The Nomination and Compensation Committee consists of three members, including two outside directors and the President and CEO. The majority of the committee's members, including the committee chair, are outside directors, ensuring independence and objectivity.

Acting under a policy of nominating director candidates who possess outstanding character and insight and who can contribute to the enhancement of the Company's medium- and long-term corporate value, two outside directors conduct evaluations of directors and propose selections for new director candidates to ensure a balanced allocation of the skills necessary for the realization of the Company's medium- and long-term management strategy. Then, the committee seeks input from the President and CEO before compiling a proposal by the Nomination and Compensation Committee and reporting to the Board of Directors.

With regard to succession plans, two outside directors take the lead in evaluating the current President and CEO and selecting successor candidates from talent

who possess the high-level ethics and character that are requirements for the President and CEO as a responsible manager, as well as the high-level expertise concerning the Group's business and the strong leadership to realize the Group's management strategies and growth strategies. Currently, the succession structure comprises two managing directors, one with a technical background and one with a sales background.

With regard to remuneration for directors, every year we examine whether remuneration of individual directors is determined in accordance with the policy for decisions concerning details of individual remuneration for directors, and whether our remuneration structure is an appropriate one for the realization of management strategy.

The number of times the Nomination and Compensation Committee was convened, committee members' attendance at meetings, and other information is shown in the table below.

| Title | Status | Name | Attendance status (FY2024) |
|------------------|-------------------|-----------------|--|
| Committee chair | Outside Director | Mitsuyasu Iwata | 100% (7 times of attendance/ 7 meetings) |
| Committee member | Outside Director | Kazuo Nakase | 100% (7 times of attendance/ 7 meetings) |
| | President and CEO | Sekio Kishimoto | 100% (7 times of attendance/ 7 meetings) |

Remuneration of directors and Audit & Supervisory Board members

Remuneration, etc. of directors functions fully as an incentive for working to enhance long-term, stable corporate value. Our remuneration structure comprehensively reflects company performance and individual performance. The remuneration consists of basic remuneration as fixed remuneration, annual incentive remuneration (performance-linked bonuses) as performance-linked remuneration, and medium- and long-term incentive remuneration (stock option remuneration). Performance-linked remuneration, etc. consists of performance-linked bonuses as cash remuneration linked to corporate performance and degree of contribution to performance, and stock option compensation as non-monetary remuneration. Performance-linked remuneration, etc. is structured to comprehensively reflect degree of contribution to consolidated net sales, consolidated operating profit, consolidated ordinary profit, and ESG (environment, social, and corporate governance) factors. Remuneration for outside directors and Audit & Supervisory Board members consists only of basic remuneration as fixed remuneration.

● Total amount of remuneration by type (FY2024)

| Category of officers | Total amount by type of remuneration (Millions of yen) | | | Total amount of remuneration (Millions of yen) | Number of eligible directors (Persons) |
|--|--|---------------------------------|----------------------------|--|--|
| | Fixed remuneration | Performance-linked remuneration | | | |
| | | Basic remuneration | Performance-linked bonuses | | |
| Director | 183 | 39 | 22 | 244 | 10 |
| Of which are Outside Directors | 28 | – | – | 28 | 4 |
| Audit & Supervisory Board Member | 27 | – | – | 27 | 5 |
| Of which are Outside Audit & Supervisory Board Members | 14 | – | – | 14 | 4 |

* As of the end of the fiscal year, there are six directors (excluding outside directors), one Audit & Supervisory Board member (excluding outside Audit & Supervisory Board member), and six outside officers (four outside directors and two outside Audit & Supervisory Board members).

Round-Table Discussion by Outside Directors



Kazuo Nakase
Outside Director

Hiromitsu Kuramoto
Outside Director

Hiroko Nihei
Outside Director

Mitsuyasu Iwata
Outside Director

A Governance Structure that Supports Sustainable Corporate Growth

The Group's outside directors held a discussion on the roles that the Board of Directors should shoulder in enhancing corporate value and on the ideal form of our governance structure.

Tell us your impressions of the atmosphere at Board of Directors meetings. Also, please put forth any thoughts you have about the composition, operation, and content of deliberations of the Board of Directors and the evaluation of the Board's effectiveness.

Kuramoto The Board of Directors of the Company consists of 13 members. These are six inside directors, four outside directors, one standing Audit & Supervisory Board member, and two outside Audit & Supervisory Board members. Kishimoto, our President and CEO, serves as the chair of the board.

I think the most important point concerning Board of Directors meetings is the vigorousness of deliberations. On this point, I believe that the board engages in free and open deliberations under appropriate leadership by Chairman Kishimoto. Prior to meetings, preliminary briefings are held on proposals and other agenda

items and sufficient discussions are carried out. At the board meetings, time for questions and answers is properly set aside.

Nihei The Company also provides opportunities for outside directors to discuss key proposals among themselves. Outside directors are able to summarize their opinions and issue recommendations to the Board of Directors. There is also cooperation with the Audit & Supervisory Board and the Internal Audit Division. Detailed audit finding reports for all audit targets during the fiscal year are provided to the directors, who discuss responses and improvements concerning the issues and findings in the reports. As such, I think improvements are being made in terms of governance as well. Issues identified through evaluations of the effectiveness of the Board of Directors are discussed by the Board, which works to effect improvements. Based on this, I deem the Board to be engaging in appropriate action.

In FY2024, what matters did the Nomination and Compensation Committee address? Also, please tell us about future issues.

Iwata The Nomination and Compensation Committee consists of three members, including two outside directors and Kishimoto, the President and CEO. I serve as the committee chair. The committee aims to enhance the supervisory function of the Board of Directors and further strengthen corporate governance by ensuring objectivity and transparency in the procedures for the nomination and compensation of directors. In FY2024, the committee met seven times, more times than in the previous fiscal year. Main matters for deliberation included evaluation of the President and CEO, a review of the succession structure, the selection of candidates for director, the selection of officers with assigned duties, the preparation of a draft proposal for remuneration of directors, and changes to the terms of office of directors. Details of the discussions were reported to the Board of Directors. Based on criteria for the exercise of voting rights by institutional investors, we determined through careful consideration that changes to the terms of office of directors will contribute to strengthening the Company's corporate governance. After receiving approval from the Board of Directors, we submitted the matter to the 187th Shareholders' Meeting in June of this year and received approval from shareholders.

What thoughts did you have upon attending SR meetings?

Nakase In FY2024, I attended 20 SR meetings with institutional investors. I felt that the meetings provided beneficial opportunities to hold dialogues on the progress of the strategic business alliance with Daio Paper Corporation, the status of purchases of shares of the Company by major shareholders, environmental strategies and other sustainability initiatives, and corporate governance, and to communicate the policies of the Group, as well as to assess the thinking of institutional investors.

To regularly refine standards for the exercise of voting rights by institutional investors, I intend to continue engaging in dialogues, reporting to the Board of Directors as appropriate, and connecting these actions to the enhancement of the Company's corporate value.

What future expectations do you hold for Hokuetsu Corporation?

Kuramoto In FY2024, regarding the strategic business alliance concluded with Daio Paper Corporation in May, active exchanges of opinions were held in groups and subcommittees. Steady results were achieved in the first year. From here on out, I expect the two companies to engage in deeper interactions and deliver significant results.

FY2025 is the last year of Medium-term Management Plan 2026. In terms of sales, I expect the Company will achieve its targets through the active expansion of sales under the new reorganization into the Paper Sales Division and the White Paperboard Sales Division.

Looking ahead, I expect the Company will globally expand the business it has built through M&A and other new business development, and will further achieve sustainable growth.

Nihei As Japan's declining birthrate accelerates, labor shortages have become an issue shared across the country's manufacturing industry. Hokuetsu is no exception. To make the Company's business enduring, I expect the Company to turn labor shortages into an opportunity and introduce environmentally friendly and labor-saving production lines, as well as expand diversity through the creation of workplaces that are comfortable for women as well as foreigners. I expect Hokuetsu Corporation to grow in appeal and prosper as a more sustainable, global, and inclusive company.

Nakase In the fiscal year ended March 2018, when I became an outside director of the Company, consolidated net sales were ¥269 billion, operating profit was ¥11.4 billion, and the dividend per share was ¥12. Since then, following a period of stagnation under the COVID-19 pandemic, the Company has steadily enhanced its corporate value, with consolidated net sales of ¥305.7 billion, operating profit of ¥19.7 billion, and a dividend per share of ¥22 for the fiscal year ended March 2025. I also believe that the Company is steadily achieving results in its strengthening of corporate governance. From here on out, I would like the company to work toward further trust from stakeholders by advancing decarbonization measures and contributing to the creation of a sustainable society.

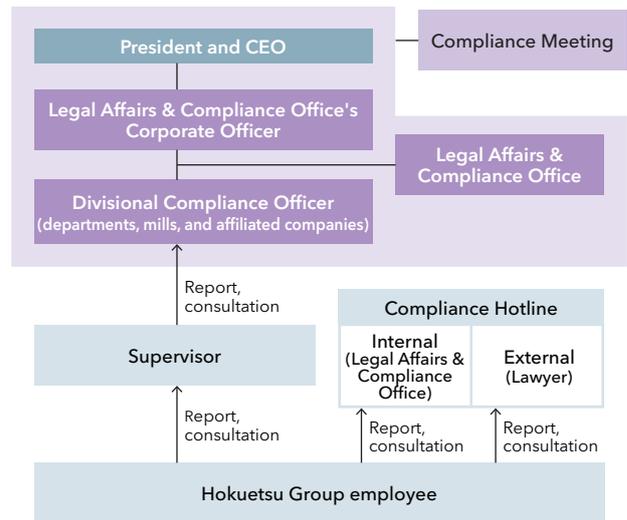


Materiality ③

Improving corporate governance

Compliance

The Group has 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 FY2024, the Company conducted training, primarily for managers, aimed at the enforcement of compliance with the Subcontract Act to ensure fair dealings with business partners. The Company also conducted “Waste Compliance Training” through invited lecturers to teach basics of the Industrial Waste Disposal Act, etc. to persons involved with industrial waste disposal in the Company and its domestic group companies. Moving forward, we will continue to provide training related to compliance to further enhance compliance awareness within the Group.



📄 Compliance structure (Only available in Japanese)
<https://www.hokuetsucorp.com/sustainability/activitycompliance.html>

Risk management

Risk management structure

The Group engages in risk management activities with the General Manager of the Sustainability Promotion Division serving as the responsible executive under the President and CEO. Through this, we oversee the accurate assessment and management of risks that affect the Group’s management and business activities. To supervise the business operations and internal management of Group companies, we appoint and oversee risk management officers in divisions, and examine this structure at twice-yearly Consolidated Management Internal Control Meetings.

● Major processes of risk management activities



Risk management activities

In FY2024, we engaged in elimination of equipment-related accidents in the Group’s domestic production sites, identified and evaluated negative impacts in line with our human rights due diligence system, and conducted examination and maintenance of our BCP as in the previous fiscal year. We are also advancing efforts to minimize management risks throughout the Group through risk prevention measures based on self-inspection checklists at all divisions, workplaces, and Group companies.

▶ P. 47 Respect for human rights



Governance

Materiality 9

Respect for human rights

Reason to emphasize

Through business activities that respect human rights, we aim to build a strong trust-based relationship with stakeholders, which will contribute to the expansion of business opportunities and the stable supply of products.

Human rights policy

The Group established the "Hokuetsu Group Human Rights Policy" in April 2023, in line with international norms including the "International Bill of Human Rights", "ILO Declaration on Fundamental Principles and Rights at Work", "UN Global Compact Principles", and the "Guiding Principles on Business and Human Rights." The Group will

make this policy known to directors and officers throughout the Group and continue its efforts to implement actions based on the policy.

[Hokuetsu Group Human Rights Policy](https://www.hokuetsucorp.com/en/sustainability/humanrights.html)
<https://www.hokuetsucorp.com/en/sustainability/humanrights.html>

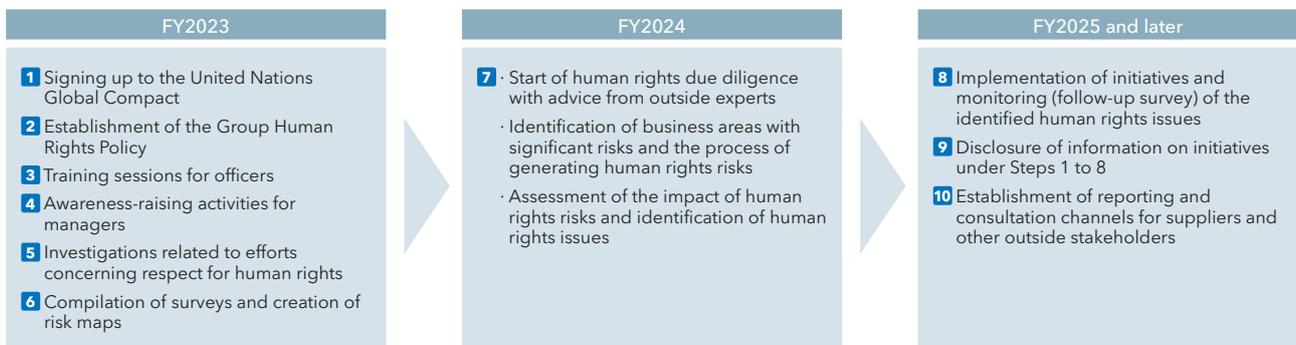
Initiatives related to respect for human rights

The Group Sustainability Committee, which is attended by the President and CEO, reports on and manages the status of initiatives related to respect for human rights.

We launched full-scale initiatives aimed at respecting human rights in FY2023. From FY2024, with reference to the "Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains" published by Japan's Ministry of Economy, Trade and Industry, we have identified human rights issues specific to raw materials and to producing regions, and have identified and assessed potential negative impacts on human rights in the Group and its supply chains.

Subsequently, we used CSR self-assessment tools to conduct a questionnaire survey of 53 suppliers of wood chips, pulp, and other materials, as well as 26 companies in our Group. While the questionnaire did not reveal occurrences of specific human rights violation risks, issues concerning the setting of guidelines, responsible departments, and other matters were identified. Drawing on advice from outside experts, we will continue to engage in human rights due diligence, including efforts to correct the identified issues.

Steps of initiatives for respecting human rights



Financial and Non-Financial Data

| | C-next | | | V-DRIVE | |
|---|----------|----------|----------|----------|----------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Financial data | | | | | |
| Net sales | ¥228,400 | ¥246,849 | ¥262,398 | ¥269,100 | ¥275,807 |
| Operating income | 6,140 | 9,236 | 12,900 | 11,414 | 10,130 |
| Ordinary income | 11,463 | 10,588 | 14,056 | 13,908 | 13,015 |
| Net income attributable to owners of parent company | 8,359 | 7,477 | 10,381 | 10,327 | 9,156 |
| EBITDA*2 | 30,582 | 31,125 | 33,938 | 33,871 | 32,313 |
| Research and development expenses | 735 | 710 | 778 | 713 | 784 |
| Depreciation & Amortization | 19,006 | 19,553 | 19,094 | 19,065 | 18,390 |
| Capital expenditures | 11,128 | 9,425 | 12,751 | 14,710 | 16,089 |
| Total assets | 351,033 | 363,658 | 362,205 | 366,448 | 368,082 |
| Net assets | 168,573 | 169,529 | 181,035 | 191,977 | 192,861 |
| Interest-bearing debt | 123,724 | 129,586 | 116,754 | 108,240 | 109,726 |
| Cash flows from operating activities | 27,858 | 20,944 | 28,918 | 19,742 | 21,627 |
| Cash flows from investing activities | -16,261 | -3,628 | -13,649 | -14,158 | -19,275 |
| Cash flows from financial activities | -16,772 | -12,302 | -14,447 | -10,645 | -934 |
| Per share data (Yen/U.S. dollars) | | | | | |
| Earnings per share (EPS) | 44.39 | 39.69 | 55.09 | 54.68 | 48.44 |
| Book value per share (BPS) | 888.16 | 894.74 | 956.63 | 1,011.58 | 1,016.16 |
| Dividends per share | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |
| Key ratios | | | | | |
| EBITDA/Net sales (%) | 13.4 | 12.6 | 12.9 | 12.6 | 11.7 |
| Operating income ratio (%) | 2.7 | 3.7 | 4.9 | 4.2 | 3.7 |
| Net income ratio (%) | 3.7 | 3.0 | 4.0 | 3.8 | 3.3 |
| Equity ratio (%) | 47.7 | 46.4 | 49.8 | 52.2 | 52.2 |
| ROA (%)*3 | 3.3 | 3.0 | 3.9 | 3.8 | 3.5 |
| ROE (%) | 5.2 | 4.5 | 6.0 | 5.6 | 4.8 |
| Debt equity ratio (times) | 0.74 | 0.77 | 0.65 | 0.57 | 0.57 |
| Price Earnings Ratio (PER) (times) | 12.12 | 16.91 | 14.09 | 12.55 | 13.36 |
| Price Book-value Ratio (PBR) (times) | 0.61 | 0.75 | 0.81 | 0.68 | 0.64 |
| Non-Financial Data | | | | | |
| GHG emissions (1,000 tons-CO ₂)*4 | | | | | |
| Scope 1 | - | - | - | - | - |
| Scope 2 | - | - | - | - | - |
| Scope 3 | - | - | - | - | - |
| Scope 3 (Category 1-7) | - | - | - | - | - |
| Industrial waste generated (1,000 tons)*4 | - | - | - | - | - |
| Effective utilization amounts (1,000 tons)*4 | - | - | - | - | - |
| Water intake (1,000m ³)*4 | - | - | - | - | - |
| Number of employees (people) | 4,394 | 4,801 | 4,769 | 4,779 | 4,714 |
| Frequency rate of occupational accidents*5 | - | - | - | - | - |

*1. Amounts in US dollars were converted at ¥151.40 to one dollar, the currency exchange rate prevailing in the Tokyo Foreign Exchange Market as of March 31, 2024.

*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.

*4. Non-consolidated performance.

*5. Including affiliated subsidiaries as well as partner companies.

Third-party verification has been conducted

* 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.

| V-DRIVE | Medium-term Management Plan 2023 | | | | Medium-term Management Plan 2026 | | |
|---------|----------------------------------|----------|----------|---|---|---|---------------------------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 (Millions of yen) | 2025 (Thousands of U.S. dollars)*1 |
| | ¥264,618 | ¥222,454 | ¥261,617 | ¥301,205 | ¥297,056 | ¥305,718 | \$2,044,526 |
| | 11,209 | 1,702 | 20,456 | 17,288 | 15,267 | 19,727 | 131,927 |
| | 15,652 | 9,757 | 29,515 | 11,472 | 17,757 | 18,759 | 125,453 |
| | 8,073 | 14,173 | 21,207 | 8,326 | 8,387 | 15,529 | 103,852 |
| | 34,883 | 24,802 | 43,255 | 24,263 | 31,617 | 32,836 | 219,595 |
| | 682 | 666 | 615 | 702 | 745 | 805 | 5,384 |
| | 18,451 | 14,482 | 13,213 | 11,854 | 12,864 | 13,142 | 87,889 |
| | 16,231 | 14,136 | 13,462 | 12,532 | 15,313 | 19,356 | 129,446 |
| | 344,731 | 363,075 | 376,956 | 388,445 | 415,692 | 418,882 | 2,801,324 |
| | 180,862 | 195,419 | 216,974 | 225,950 | 252,464 | 265,870 | 1,778,038 |
| | 106,832 | 113,991 | 99,088 | 103,726 | 104,362 | 88,972 | 595,011 |
| | 43,975 | 23,761 | 20,186 | 1,747 | 22,320 | 40,932 | 273,738 |
| | -20,199 | -19,575 | -1,648 | -12,753 | -15,494 | -18,816 | -125,834 |
| | -17,262 | 4,358 | -19,188 | -2,100 | -3,801 | -19,121 | -127,874 |
| | 43.45 | 84.40 | 126.22 | 49.54 | 49.89 | 92.34 | 0.62 |
| | 1,073.08 | 1,159.49 | 1,286.82 | 1,339.89 | 1,496.93 | 1,575.90 | 10.54 |
| | 12.00 | 14.00 | 24.00 | 18.00 | 18.00 | 22.00 | 0.15 |
| | 13.2 | 11.1 | 16.5 | 8.1 | 10.6 | 10.7 | - |
| | 4.2 | 0.8 | 7.8 | 5.7 | 5.1 | 6.5 | - |
| | 3.1 | 6.4 | 8.1 | 2.8 | 2.8 | 5.1 | - |
| | 52.3 | 53.6 | 57.4 | 58.0 | 60.5 | 63.3 | - |
| | 4.4 | 2.8 | 8.0 | 3.0 | 4.4 | 4.5 | - |
| | 4.3 | 7.6 | 10.3 | 3.8 | 3.5 | 6.0 | - |
| | 0.59 | 0.59 | 0.46 | 0.46 | 0.41 | 0.34 | - |
| | 9.30 | 6.14 | 5.51 | 17.91 | 38.56 | 13.23 | - |
| | 0.38 | 0.45 | 0.54 | 0.66 | 1.29 | 0.78 | - |
| | 694 | 657 | 680 | 697 <input checked="" type="checkbox"/> | 646 <input checked="" type="checkbox"/> | 636 <input checked="" type="checkbox"/> | - |
| | 79 | 57 | 64 | 62 <input checked="" type="checkbox"/> | 64 <input checked="" type="checkbox"/> | 63 <input checked="" type="checkbox"/> | - |
| | 1,511 | 1,210 | 1,397 | 1,341 | 1,278 | 1,512 | - |
| | - | - | - | - | - | 1,139 <input checked="" type="checkbox"/> | - |
| | 264 | 224 | 257 | 302 | 287 | 295 | - |
| | 257 | 219 | 252 | 298 | 284 | 292 | - |
| | 94,700 | 88,800 | 95,700 | 94,900 | 94,800 | 110,400 <input checked="" type="checkbox"/> | - |
| | 4,688 | 4,545 | 4,270 | 4,163 | 3,749 | 3,711 | - |
| | 0.97 | 0.79 | 2.45 | 1.74 | 1.63 | 1.43 | - |

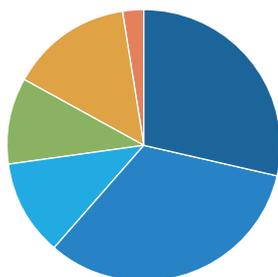
Corporate Information (As of March 31, 2025)

Corporate data

| | |
|--|---|
| Corporate name | Hokuetsu Corporation |
| Established | April 27, 1907 |
| Head office | 3-5-1, Nishizao, Nagaoka City, Niigata Prefecture |
| Capital | 42,020,940,239 yen |
| Fiscal year ending | March 31 |
| Number of consolidated subsidiaries | 16 (13 in Japan, 3 overseas) |
| Number of affiliated companies accounted for under the equity method | 4 |
| Number of consolidated employees | 3,711 (consolidated) 1,472 (non-consolidated) |

Distribution of shares by shareholders

| | |
|---------------------------|-------|
| Financial institutions | 25.9% |
| Japanese corporations | 39.5% |
| Treasury stock | 10.3% |
| Individuals and others | 9.2% |
| Non-Japanese corporations | 13.0% |
| Securities companies | 2.1% |



| Owner category | Number of shares held (thousands of shares) | Number of shareholders |
|---------------------------|---|------------------------|
| Financial institutions | 48,760 | 41 |
| Japanese corporations | 74,337 | 382 |
| Treasury stock | 19,281 | 1 |
| Individuals and others | 17,288 | 8,837 |
| Non-Japanese corporations | 24,361 | 176 |
| Securities companies | 4,022 | 47 |

Stock information

| | |
|------------------------------------|------------------------------------|
| Securities code | 3865 |
| Number of shares authorized | 500,000,000 |
| Number of shares issued | 188,053,114 (including own shares) |
| Number of shareholders | 9,484 |
| Listed Stock Exchange | Tokyo |
| Share unit number | 100 shares |
| Shareholder registry administrator | Mizuho Trust & Banking Co., Ltd. |
| Independent audit firm | KMPG AZSA LLC |

Major shareholders

| Name | Number of shares held (thousands of shares) | Shareholding ratio (%) |
|--|---|------------------------|
| Misuga Kaiun Co., Ltd. | 18,806 | 11.14 |
| DAIO KAIUN CO., LTD. | 16,820 | 9.97 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 10,666 | 6.32 |
| Daishi Hokuetsu Bank, Ltd. | 8,332 | 4.94 |
| Company's Agent Stockholding | 6,994 | 4.14 |
| Sumitomo Realty & Development Co., Ltd. | 6,066 | 3.59 |
| OASIS JAPAN STRATEGIC FUND LTD. | 5,615 | 3.33 |
| Sompo Japan Insurance Inc. | 4,499 | 2.67 |
| The Norinchukin Bank | 3,554 | 2.11 |
| OASIS INVESTMENTS II MASTER FUND LTD. | 3,330 | 1.97 |

* In addition to the above, Hokuetsu holds 19,281,000 shares of treasury stock. The shareholding ratio is calculated excluding treasury stock.

Stock-related data

| | 2021/3 | 2022/3 | 2023/3 | 2024/3 | 2025/3 |
|--|-------------|-------------|-------------|-------------|-------------|
| Number of shares issued | 188,053,114 | 188,053,114 | 188,053,114 | 188,053,114 | 188,053,114 |
| Market capitalization at end of period (millions of yen) | 97,411 | 130,696 | 166,803 | 361,814 | 229,800 |
| Price earnings ratio (PER) (multiple) | 6.14 | 5.51 | 17.91 | 38.56* | 13.23 |
| Price book-value ratio (PBR) (multiple) | 0.45 | 0.54 | 0.66 | 1.29 | 0.78 |

* Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter "2022 Revised Accounting Standard") has been applied from the beginning of the fiscal year ended March 2025. Primary business indicators, etc. pertaining to the fiscal year ended March 2024 are those after the retroactive application of the accounting standard, etc. The transitional treatment specified in the proviso of paragraph 20-3 in the 2022 Revised Accounting Standard has been applied. As a result, primary management indicators, etc. pertaining to the fiscal year ended March 2025 are those after the application of the accounting standard, etc.

Main Group companies

| | | | |
|---|--|---|--|
| Head office / branch office / production / research locations | | Tokyo Head Office / Osaka Branch / Nagoya Office / Niigata Mill / Kishu Mill / Kanto Mill Ichikawa / Kanto Mill Katsuta / Nagaoka Mill / Osaka Mill / Central Research Laboratory | |
| Consolidated subsidiaries | Domestic | Paper and pulp business | 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 business | Hokuetsu Package Co., Ltd. |
| | | Timber business | Hokuetsu Material Co., Ltd. |
| | | Construction industry, machine manufacturing/sales/maintenance | Hokuetsu Engineering Co., Ltd. |
| | | Transportation/warehousing business | Hokuetsu Logistics Co., Ltd. / Hokuetsu Suiun Co., Ltd. |
| | | Others | Hokuetsu Pallet Co., Ltd. |
| | Overseas | Paper and pulp business | Alberta-Pacific Forest Industries Inc. / Bernard Dumas S.A.S. |
| | | Packaging and paper processing business | 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. |
| | 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. |

Initiatives & External Evaluations

Endorsed Initiatives

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



We participate in the 30by30 Alliance for Biodiversity, a volunteer coalition volunteers aiming to achieve the 30by30 Target of the Ministry of the Environment. Through our participation in this alliance, the Group will visualize the importance of biodiversity and our conservation activities, thereby contributing to achieving the 30by30 Target.



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 will contribute to the transformation of economic and social systems overall in cooperation with participating companies and organizations.



We have endorsed the aims of the Council on Promoting Partnership Building for the Future, members of which 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. Under an initiative of the council, we have released our "Declaration of Partnership Building," which we updated it in 2025 in response to revisions of the template.



External Evaluation

We have been selected as a constituent of the FTSE Blossom Japan Sector Relative Index, a global ESG investment index. Created to promote the transition to a low-carbon economy, this index is composed of Japanese companies that have demonstrated outstanding performance in the ESG field and have been recognized through the TPI Management Quality Score for their efforts to improve greenhouse gas emissions. The index is also used as an ESG investment index by GPIF, the world's largest institutional investor.



FTSE Blossom Japan Sector Relative Index

The Company has received top-level leadership ratings of "A-," "A," and "A-" in the areas of "Climate Change," "Forest," and "Water Security," respectively, from CDP, an international non-profit organization that promotes the disclosure of environmental information.



We have received Eco-Rail Mark activity and product certifications from the Eco-Rail Mark Management and Operating Committee, an initiative certified 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 CO₂ emissions.



We were certified in 2025 by the Ministry of Economy, Trade and Industry as a Health & Productivity Management Outstanding Organization (large enterprise category), our fourth consecutive year of certification.





Hokuetsu Corporation

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