



## PRESS RELEASE

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June 11, 2024

To All

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Name of Representative: Sekio Kishimoto, President and CEO

(Securities Code: 3865 (Prime Market, Tokyo Stock Exchange))

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### **Additional Explanations Related to Daio Kaiun Endorsement Release**

Hokuetsu Corporation (hereinafter, “Company”) has received shareholder proposals from the Oasis Group and Daio Kaiun for the 186th Ordinary General Meeting of Shareholders to be held on June 27, 2024. The Company has decided to restate its position in response to the release by Daio Kaiun dated June 10, 2024, titled “Exercise of Voting Rights at the Ordinary General Meeting of Shareholders of Hokuetsu Corporation [Company note: translated into English by the Company],” (hereinafter, “Daio Kaiun Endorsement Release”) in which Daio Kaiun expressed support for the proposals by the Oasis Group. Therefore, the Company would like to explain its stance, as set forth below. Defined terms and expressions used in this press release are the same as those used in the related materials below.

Related materials can be found at the links below.

Notice of the Board of Directors’ Opinion on the Shareholder Proposals (May 22, 2024)

[https://www.hokuetsucorp.com/pdf/20240522\\_release03.pdf](https://www.hokuetsucorp.com/pdf/20240522_release03.pdf) <sup>1</sup>

Supplementary Explanatory Materials: Our Efforts to Enhance Corporate Value (May 22, 2024)

[https://www.hokuetsucorp.com/pdf/20240522\\_release04.pdf](https://www.hokuetsucorp.com/pdf/20240522_release04.pdf) <sup>2</sup>

Notice of Additional Explanations Related to Proposals Made at General Meeting of Shareholders (June 3, 2024)

[https://www.hokuetsucorp.com/pdf/20240603\\_release01.pdf](https://www.hokuetsucorp.com/pdf/20240603_release01.pdf) <sup>3</sup>

Notice of Convocation of The 186th Ordinary General Meeting of Shareholders (June 10, 2024)

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<sup>1</sup> An English translation can be found at the link below.

[https://www.hokuetsucorp.com/pdf/ogm2024\\_en.pdf](https://www.hokuetsucorp.com/pdf/ogm2024_en.pdf)

<sup>2</sup> An English translation can be found at the link below.

[https://www.hokuetsucorp.com/en/pdf/releases/20240606\\_release01\\_en.pdf](https://www.hokuetsucorp.com/en/pdf/releases/20240606_release01_en.pdf)

<sup>3</sup> An English translation can be found at the link below.

[https://www.hokuetsucorp.com/en/pdf/releases/20240606\\_release02\\_en.pdf](https://www.hokuetsucorp.com/en/pdf/releases/20240606_release02_en.pdf)

## Notes

Daio Kaiun et al. claimed in the Daio Kaiun Endorsement Release that the Company is distorting facts and labeling their actions. However, all of the information the Company has disclosed to date is based on facts with objective support, and is the result of verifying the risks associated with the actions of Daio Kaiun et al., from the perspective of enhancing the interests of the Company's general shareholders. Daio Kaiun et al. claim that the Company has refused their request for a meeting with its four (4) Outside Directors. However, when the Company informed Daio Kaiun et al. that matters related to management policies should be explained by the executive directors first, Daio Kaiun declined the meeting; therefore, Daio Kaiun et al. are making claims contrary to the facts. Both Daio Kaiun et al. and the Oasis Group are major shareholders of the Company, as well as of Daio Paper, and have structural conflicts of interest with the Company's general shareholders. The Company merely is making decisions with the aim of enhancing the interests of its general shareholders.

Moreover, Daio Kaiun et al. have been asserting that the Company is trying desperately to implement the takeover defense measures, but this is not an objective claim. However, the Company is consulting the general shareholders' meeting about **whether to implement the Countermeasures if Daio Kaiun et al., which already hold 21.12% of the shares of the Company, engage in Large-Scale Acquisitions without complying with the Company's Response Policy.** If a Large-Scale Acquirer complies with the procedures set forth in the Response Policy and then conducts Large-Scale Acquisitions, the Company will hold another General Shareholders' Meeting for Confirmation of the Shareholders' Will and seek the approval of the Company shareholders. Therefore, as long as Daio Kaiun et al. comply with the procedures set forth in the Response Policy, the Countermeasures will not be implemented, and it is clear that the claim by Daio Kaiun et al. that the Company is eager to implement the Countermeasures is contrary to the facts. In addition, Daio Kaiun et al. acquired shares of the Company on a regular ongoing basis until the day before the Company introduced the takeover defense measures, and the percentage of voting rights held by Daio Kaiun et al. exceeds 20%, and in fact has reached 21.12%. In the Daio Kaiun Endorsement Release, Daio Kaiun et al. also argued that the Company's position is unreasonable because the number of additional shares acquired by Tokyo Pulp & Paper is small. However, it is not the quantity of additional shares acquired that matters, but the fact that Tokyo Pulp & Paper has acquired additional shares of the Company, which, as the Company has pointed out, raises suspicions that a joint cooperative relationship exists.

As explained in the "Notice of Additional Explanations Related to Proposals Made at General Meeting of Shareholders" dated June 3, 2024, the main reasons the Company determined that the holding situation by

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<sup>4</sup> An English translation can be found at the link below.  
[https://www.hokuetsucorp.com/pdf/ogm2024\\_en.pdf](https://www.hokuetsucorp.com/pdf/ogm2024_en.pdf)

Daio Kaiun et al. is of a coercive nature are the rapid, large-scale purchases of the shares of the Company by Daio Kaiun et al., and the holding and acquisition of shares of the Company by those who are likely to be in a joint cooperative relationship with Daio Kaiun et al. Also, the potential impact and risks to the general shareholders of the Company if the Oasis Group and Daio Kaiun act in concert already have been described in the “Notice of Additional Explanations Related to Proposals Made at General Meeting of Shareholders,” and the endorsement by Daio Kaiun of the Oasis Group’s shareholder proposals indicates that the risk of coercion in the current holding situation involving Daio Kaiun et al. remains high. The Company believes that, at this ordinary general shareholders’ meeting, it is necessary to obtain the approval of the shareholders for implementation of the Countermeasures in the event that Daio Kaiun et al. conduct Large-Scale Acquisitions without complying with the Response Policy. While Daio Kaiun has expressed support for the Oasis Group’s shareholder proposals, as stated in Daio Kaiun Endorsement Release, if all of the shareholder proposals by the Oasis Group and Daio Kaiun are approved, the Company’s Board of Directors will consist of five (5) Outside Directors nominated by the Oasis Group, and five (5) other Outside Directors nominated by Daio Kaiun, out of a total of fifteen (15) directors (the maximum number of directors permitted by the articles of incorporation is fifteen (15)). This would result in the management of the Company being controlled by the Oasis Group and Daio Kaiun et al., both of which are major shareholders of Daio Paper, and it is hard to believe that this would lead to an enhancement of corporate value and the interest of the Company’s shareholder.

In addition to the above, please refer to the related materials for an explanation of the details of the strategic business alliance between the Company and Daio Paper, the Company’s policy on the reduction of the shares of Daio Paper held by the Company, and the other matters Daio Kaiun et al. mentioned in the Daio Kaiun Endorsement Release.

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