



PRESS RELEASE

June 18, 2024

To All

Name of Company: Hokuetsu Corporation

Name of Representative: Sekio Kishimoto, President and CEO

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

Inquiries: Yoshiharu Togawa, General Manager, Public Relations Office

Tel: +81 3-3245-4500

Notice Concerning the Company's Perspective on a Major Proxy Advisory Firm (Glass Lewis)'s Recommendations For or Against Certain Shareholders' Meeting Proposals

Hokuetsu Corporation ("Company") has confirmed that on June 17, 2024, major proxy advisory firm Glass, Lewis & Co. LLC ("Glass Lewis") issued a report ("Report") containing recommendations for or against the proposals made at the 186th Annual General Meeting of Shareholders to be held on June 27, 2024. The Company hereby explains and gives notice of the Company's views on the contents of the Report, as explained in more detail below.

The Company asks its shareholders and investors to review this notice, as well as the contents of the "Notice of Convocation of The 186th Ordinary General Meeting of Shareholders," and to grant their understanding of the Company's proposals.

Notes

In the Report, **Glass Lewis recommends voting "For" all of the Company's proposals except for Proposal 4** ("Approval of Implementation of Countermeasures in the Event that Daio Kaiun *et al.* Engage in a Large-scale Acquisition Without Complying with the Company's Response Policy"). Additionally, **Glass Lewis recommends voting "Against" all seven (7) shareholder proposals, including Proposals 5 to 9 from the Oasis Group and Proposals 10 and 11 from Daio Kaiun.** The Company is positive about the fact that Glass Lewis, in line with the opinion of Institutional Shareholder Services Inc. ("ISS"), recommended voting "For" all of the Company proposals except one, and "Against" all shareholder proposals, which means that Glass Lewis generally supports the Company's statements.

1. Reasons Behind the Glass Lewis Recommendations to Vote "For" All Company Proposals (Except Proposal 4), and "Against" All Shareholder Proposals

Although the Oasis Group and Daio Kaiun made strong assertions, through the media, about the legitimacy of their shareholder proposals for changes to the composition of the Company's board of directors, including removal of the Company's President and CEO, Sekio Kishimoto, removal of the incumbent Outside Directors, and the appointment of new candidates as Outside Directors, **Glass Lewis** made an evaluation that the Company, as operating under the current board and management teams, appears to be performing adequately, including through the consistent generation of significantly greater shareholder value, and **believes that shareholders would be best served by rejecting all of the shareholder proposals by the Oasis Group and Daio Kaiun relating to changes to the composition of the Company's Board of Directors**, on the grounds that (i) the Oasis Group and Daio Kaiun have not been able to disprove that the company is well-served by the current board and management and consistently delivers substantial shareholder value, (ii) the recent announcement of the alliance with Daio Paper represents a possibility for a positive shift in what previously seemed to be an interminably static and listless relationship, which had continued for more than ten years, and (iii) the shareholders have been afforded the opportunity to express their opinions about the Company's defense measures directly, through a proposal for this Annual General Meeting of Shareholders.

Moreover, Glass Lewis recommended voting "Against" each of the proposals from the Oasis Group and Daio Kaiun that relate to the remuneration of Outside Directors, including those that relate to determination of basic remuneration for each Outside Director, determination of remuneration for granting restricted stock to Outside Directors, and determination of the amount of fixed compensation for each Outside Director, because Glass Lewis believes that shareholders should not be involved in the approval and negotiation of directors' remuneration, and the Company should retain the flexibility to create compensation packages for its directors that are in line with their peers and commensurate with their services.

2. Reason Why Glass Lewis Is Against the Company's Proposal 4, and the Company's Perspective

In the Report, Glass Lewis recommended voting "Against" the Company's Proposal 4 ("Approval of Implementation of Countermeasures in the Event that Daio Kaiun *et al.* Engage in a Large-scale Acquisition Without Complying with the Company's Response Policy") due to Glass Lewis's concerns that: (i) the exceptions clause contains certain questionable provisions, beyond what the Tokyo High Court has approved, (ii) the Response Policy can be renewed by the board resolution, (iii) the information required is unreasonable, and additional information can be requested within an undisclosed time frame, and (iv) the board of directors is not majority independent.

However, the reasons above are based on certain misunderstandings. The Tokyo High Court does not require the acquirer to meet the "four exceptional requirements" if the countermeasures are implemented after being approved by a general meeting of shareholders, as proposed in Proposal 4. Japanese precedent

(The NIPPO LTD. case (Nagoya High Court decision)) also allows for implementation of countermeasures against those who intend to engage in large-scale acquisitions without complying in all material respects with the rules requiring the provision of information, etc., set forth in a response policy, as approved by a general meeting of shareholders, based only on the decision of the board of directors, with a recommendation from the independent committee.

Based on the precedents following the BULL-DOG SAUCE CO.,LTD. case (Supreme Court), the important question is whether or not the approval of a general meeting of shareholders is required for implementation of countermeasures, as is the case with Proposal 4, not whether that approval is required for the introduction or continuation of the response policy.

In addition, the Company's Response Policy states that the Company should determine to hold a General Meeting of Shareholders for Confirmation of the Shareholders' Will within sixty (60) business days (with no extensions permitted) after receipt of a Statement of Intent for Large-scale Acquisitions and it is not possible to extend that period. Moreover, the information that must be provided by the large-scale acquirer is exactly the same as that required in the TOKYO KIKAI SEISAKUSHO, LTD case (Supreme Court), which was approved legitimately by the Supreme Court, and is within a reasonable range; therefore, **the Company believes that the reasons for Glass Lewis's recommendations to oppose the Company's Proposal 4 are not based on accurate facts and are not necessary for the shareholders to consider.**

As already expressed in the "Notice of Additional Explanations Related to Proposals Made at General Meeting of Shareholders" dated June 3, 2024, in connection with Glass Lewis's concern that the board of directors is not majority independent, **the Company believes that increasing the number and ratio of independent Outside Directors is an important issue, and the Company intends to consider it positively in the future.** The Company will proceed with deliberations, with a view to the annual general meeting of shareholders to be held in June 2025, at which time the Company plans to submit a proposal for the election of Directors in conjunction with the expiration of the term of office of the incumbent Directors.

In light of the points and responses above, the Company once again asks its shareholders to vote "For" the Company's Proposal 4, in addition to voting "For" the Company's Proposals 1 to 3, as recommended by both ISS and Glass Lewis.

The Company will continue its efforts to strengthen its corporate governance system and to improve its effectiveness, based on dialogues with Company shareholders.

Defined terms and expressions used in this press release are the same as those used in the related materials; please see the links below, for reference:

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

https://www.hokuetsucorp.com/pdf/20240522_release03.pdf ¹

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

https://www.hokuetsucorp.com/pdf/20240522_release04.pdf ²

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

https://www.hokuetsucorp.com/pdf/20240603_release01.pdf ³

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

https://www.hokuetsucorp.com/pdf/shareholders186_notice.pdf ⁴

Additional Explanations Related to Daio Kaiun Endorsement Release (June 11, 2024)

https://www.hokuetsucorp.com/pdf/20240611_release01.pdf ⁵

End

¹ An English translation can be found at the link below.

https://www.hokuetsucorp.com/pdf/ogm2024_en.pdf

² An English translation can be found at the link below.

https://www.hokuetsucorp.com/en/pdf/releases/20240606_release01_en.pdf

³ An English translation can be found at the link below.

https://www.hokuetsucorp.com/en/pdf/releases/20240606_release02_en.pdf

⁴ An English translation can be found at the link below.

https://www.hokuetsucorp.com/pdf/ogm2024_en.pdf

⁵ An English translation can be found at the link below.

https://www.hokuetsucorp.com/en/pdf/releases/20240611_release01_en.pdf