

HOKUETSU GROUP Integrated Report 2022



We have achieved a "CO₂ zero energy" ratio of 70%.
We aim to realize a society where people and environment
coexist, and are taking on the challenge of net-zero CO₂
emissions by 2050.

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.

Established April 2018

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

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

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

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

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

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Editorial Policy

This report focuses on Hokuetsu Corporation's value creation strategy and its progress, in addition to themes that we recognize as particularly important matters in non-financial activity reports.

Please also refer to our website for more detailed information. Please see the financial statements in the securities report. “Zero CO₂ 2050” in the report refers to “Hokuetsu Group Zero CO₂ 2050.”

Scope of reporting

- **Companies covered by this report:** Hokuetsu Group (Hokuetsu Corporation and main affiliated subsidiaries, etc.)
- **Period covered by the report:** April 1, 2021-March 31, 2022 (Some activities after this period are also reported)
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WEB

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



We strive to build a robust business portfolio and to maintain sustainable management



岸本 哲夫

Sekio Kishimoto
President and CEO

We achieved two consecutive years of record-breaking profits in the fiscal year ended March, 31 2022, completing one year ahead of schedule the five numerical targets of our “Medium-term Management Plan 2023.”

The recent business environment in the domestic pulp and paper industry has continued to suffer from restricted activities due to COVID-19, as well as from soaring prices for raw material and fuel, and from declining demand for printing and communication paper.

Hokuetsu Group has worked to expand overseas business and strengthen its business in Japan based on the “Medium-term Management Plan 2023.” As a result, consolidated performance for the fiscal year ended March 31, 2022 broke records for both operating income and ordinary income. In addition, the net income attributable to owners of the parent company reached a

record high for two consecutive years.

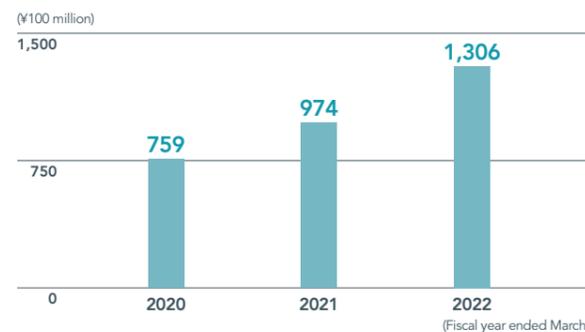
Furthermore, the five numerical targets of the “Medium-term Management Plan 2023,” which are operating income, ordinary income, net income attributable to shareholder of parent company, ROE, and EBITDA, were reached one year ahead of schedule.

We decided to distribute an annual dividend of 24 Japanese yen per share, including special dividend, for the fiscal year ended March 31, 2022, in consideration of the achievement of certain level of success in management measures based on our Long-term Management Vision.

Dividend per share



Movement in market value



Advancement of the “Medium-term Management Plan 2023” to achieve our Long-term Management Vision “Vision 2030”

In our Long-term Management Vision “Vision 2030” and in the “Medium-term Management Plan 2023,” we focused business activity on “strengthening environmental competitiveness” and “shifting our business portfolio” as key factor of corporate growth.

Strengthen environment competitiveness

Hokuetsu Group has been working to reduce CO₂ emissions as the top management issue since before climate change became a focus of attention.

Over the past 25 years, we have invested more than 50 billion yen on equipment to cut CO₂ emission, such as recovery boilers, wood biomass boilers, mega solar power generation facilities, and high-efficiency turbines using gas with low CO₂ emissions.

As a result, our paper products are made with 70% “CO₂ zero energy.”

As set forth in “Zero CO₂ 2050,” we will continue to

install equipment that will lead to the use of clean energy, in order to achieve CO₂ emissions that are effectively zero by year 2050.

Shift business portfolio

Under the “Medium-term Management Plan 2023,” we started our containerboard business at Niigata Mill and its production and sales began from April 2020.

We are preparing production of toilet paper and tissue paper at our Niigata Mill, under our Household Paper business.

As a part of our investment business, we hold a 24.8% share of Daio Paper Corporation to expand our business portfolio by incorporating Daio Paper’s profits.

Furthermore, with commercializing plastic alternatives and cellulose nanofiber technology, we will strongly shift our business portfolio by initiating our social problem solving business (BOP, SDGs, etc.).

Practice sustainable management at a higher level as a company listed on the Tokyo Stock Exchange Prime Market.

Hokuetsu Group is now listed on the Prime Market after the market reorganization implemented by the Tokyo Stock Exchange in April 2022. We have the responsibility to practice sustainable management at a higher level demanded by the Prime Market.

Regarding strengthening our corporate governance system, the Nomination and Compensation Committee took the lead in deliberations to strengthen the function of the Board of Directors, and proposed to increase the number of outside directors which had been approved at our Shareholder’s Meeting.

As a result, the ratio of outside directors in the company became 40%, which satisfies the requirement by the revised Corporate Governance Code of Japan stating “one-third or more independent outside directors.”

The Nomination and Compensation Committee will continue to deliberate on the selection of directors with a

view to select successors.

In addition, we have expressed our support for the TCFD (Task Force on Climate-related Financial Disclosure) recommendations. We analyzed the risk and opportunity which affect the Hokuetsu Group’s business based on the climate change scenario of a 1.5-2.0 degree Celsius and 4.0 degree Celsius increase in temperature.

We will contribute to the realization of a sustainable society by incorporating these efforts in our management strategy.

We will take our sustainable management to the next level by incorporating objective opinions from various stakeholders, including through IR and SR activities.

We will continue to strive to meet the expectations of our stakeholders, and we look forward to your continuous support.

Striving to build a business portfolio through new business

The Hokuetsu Group has traditionally developed its business centered on its businesses in Japan. Since the 100th anniversary of our founding in 2007, we have been aggressively globalizing our operations and expanding our business domain from upstream to downstream, such as by entering the commercial pulp business, to promote the shift in our business portfolio. Moving forward, we will continue to strive for further growth as a group, aiming to achieve our Long-term Management Vision "Vision 2030" and the business indicators set forth in "Medium-term Management Plan 2023."

Changes over the past 15 years

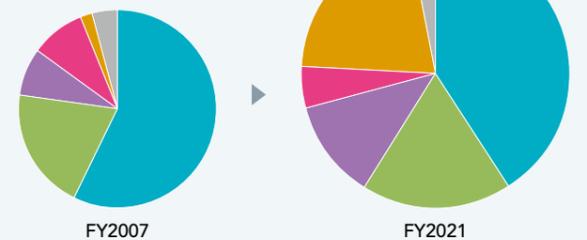
Expanded sales through business portfolio shift

Consolidated sales

1.5x

FY2007 ¥172.7 billion ▶ FY2021 ¥261.6 billion

Consolidated net sales by business



Legend: Paper business (cyan), White paperboard business (green), Performance materials business (purple), Paper processing and packaging business (pink), Investment business (orange), Other (grey)

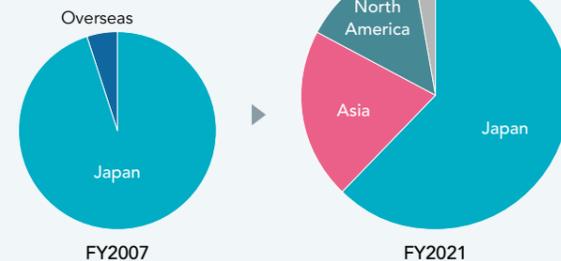
Growth of overseas sales ratio

Overseas sales ratio

7.6x

FY2007 5% ▶ FY2021 38%

Consolidated net sales by country/region



Legend: Japan (cyan), Asia (pink), North America (grey), Europe, other (light blue)

Increase in number of group employees

Number of consolidated employees

1.5x

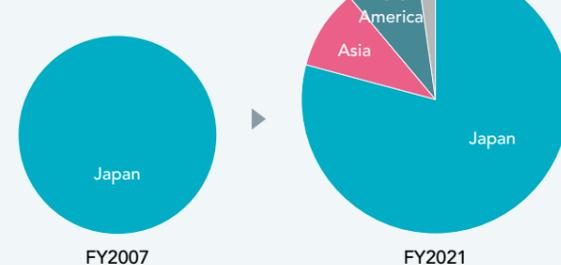
FY2007 2,860
FY2021 4,270

Overseas employee ratio

20% increase

FY2007 0%
FY2021 20%

Number of consolidated employees by country



Legend: Japan (cyan), Asia (pink), North America (grey), Europe (light blue)

History of business portfolio shift and development for the future

2007–present

History after 100th anniversary

Prospects for the future

Greater advances in shifting our business portfolio

2009

Merged with Kishu Paper Co., Ltd.

2011

Established Jiangmen Xinghui Paper Mill Co., Ltd.



2012

Made Toyo Fibre Co., Ltd. a wholly owned subsidiary

Daio Paper Corporation converted into an affiliate company accounted for under the equity method through acquisition of stock

Financiere Bernard Dumas S.A.S. (France) (current Bernard Dumas S.A.S.) made into a wholly owned subsidiary through acquisition of stock



2015

Alpac Forest Products Inc. (Canada) and Alpac Pulp Sales Inc. (current Alberta-Pacific Forest Industries Inc.) made into wholly owned subsidiaries through acquisition of stock



Containerboard base paper business

Production and sales started in April 2020. Currently, demand for containerboard for deliveries is increasing, and we are steadily expanding production and sales. Moving forward, we will promote the development of applications other than corrugated medium, such as high-value-added thinner base paper, electronic components, and building materials, while ensuring product quality and expanding our supply system.



Household paper business

We are currently preparing for the construction of production facilities at the Niigata Mill. Leveraging the high-quality, low-cost, and high-efficiency operation technologies that we have developed over the years, we intend to produce household paper products such as toilet paper, tissue paper, and paper towels, for which demand is expected to grow among various paper products.

New product development system

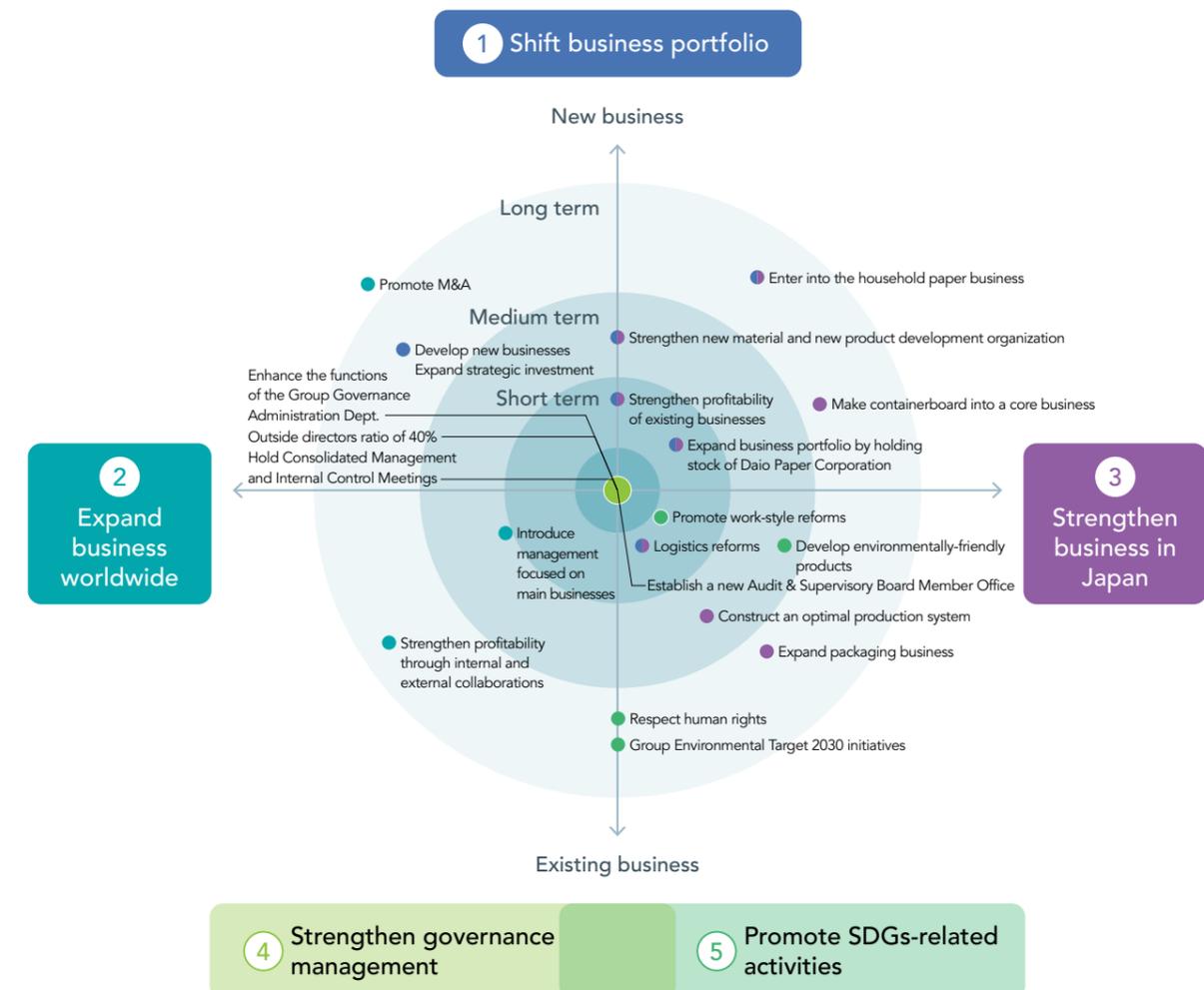
The R&D division of our group consists mainly of the Central Research Laboratory of the Production Technology Division and the Production Technology Department, and the Performance Materials Development Office which oversees the development of new functional materials such as cellulose nanofibers (CNF). In addition, each mill also engages in their own development of new products and quality improvements. The Production Technology Division oversees these R&D activities while the Production Technology Department works together closely with the sales departments and manufacturing departments at mills and Central Research Laboratory to develop new products that are directly linked to customer needs. Specifically, our activities cover a wide range of areas from the application of advanced materials such as nanocellulose fibers and nanocarbons to the development of paper packaging materials.

The Hokuetsu Group medium- to long-term management strategy is based on five themes

Progress in "Medium-term Management Plan 2023"

Consolidated business indicators	Fiscal Year Ending March 2023 target	Fiscal Year Ended March 2022 results	Level of achievement
Net sales	¥280 billion	¥261.6 billion	
Operating income	¥15 billion	¥20.4 billion	Achieved (record-breaking profit)
Ordinary income	¥20 billion	¥29.5 billion	Achieved (record-breaking profit)
Net income attributable to owners of parent company	¥15 billion	¥21.2 billion	Achieved (record-breaking profit for 2 consecutive years)
ROE	7.0%	10.3%	Achieved
EBITDA	¥35 billion	¥43.2 billion	Achieved

Concentrating on core competencies: The Hokuetsu Group's medium- to long-term management strategy



Theme and Policy	Results
<p>1 Shift business portfolio</p> <p>We will pioneer new core businesses in Japan and overseas and accelerate our business portfolio shift that we have promoted, with the aim of the continuous growth of the Group.</p>	<ul style="list-style-type: none"> Promote the containerboard base paper business In the containerboard base paper business, demand of containerboard for deliveries is increasing in response to the increased demand for home deliveries due to the impact of COVID-19. Production volume is steadily growing. Enter the household paper business Started preparations to produce toilet paper, tissue paper, paper towels, etc., for which demand is expected to grow. Own stock of Daio Paper Corporation By making Daio Paper Corporation an affiliate company accounted for under the equity method, as part of our investment business, we will capture the earnings of Daio Paper, which has a different business portfolio from ours.
<p>2 Expand business worldwide</p> <p>We will establish a system to centrally and collectively manage our main overseas business, strengthen cooperation inside and outside the group, improve profitability, and at the same time expand our overseas business by executing M&As.</p>	<ul style="list-style-type: none"> Initiatives at Alberta-Pacific Forest Industries Inc. (Al-Pac) Strengthen logistics organization and electricity sales business by installing a recovery boiler heat recovery facility. Pulp sales to North America have remained firm, and profits have improved significantly. Initiatives at Jiangmen Xinghui Paper Mill Co., Ltd. Focus on improving quality and cost by improving production efficiency and modifying coater dryer nozzles. Initiatives at Bernard Dumas S.A.S. (Dumas) Achieved sales exceeding the previous year. We are currently promoting business activities while keeping an eye on rising raw material prices due to Russia's invasion of Ukraine. Initiatives at Shanghai Toh Tech Co., Ltd. Achieved sales exceeding the previous year. We are currently promoting business activities while assessing the impact of COVID-19.
<p>3 Strengthen business in Japan</p> <p>We will strengthen the profitability of our existing businesses by implementing measures such as building an optimal production system that meets trends in demand and logistic reforms, while turning our base paper into a profitable business and furthering expanding our packaging business.</p>	<ul style="list-style-type: none"> Implement sales price revisions Implemented price revisions for all product types from January 2022. In addition, we will revise the prices of printing and communication paper from August 2022, and the price of containerboard base paper, white paperboard, and packaging paper from October 2022. Strengthen competitiveness by building an optimal production system In June 2022, the No. 2 paper machine at the Niigata Mill was shut down to optimize the supply-demand balance in Japan and we will build an even more optimal production system at the Niigata and Kishu Mills in order to strengthen competitiveness.
<p>4 Strengthen governance management</p> <p>We will strengthen our internal controls by holding Consolidated Management and Internal Control Meetings and enhancing the functions of the Group Governance Administration Department, set up an Audit & Supervisory Board Member Office (support staff for Audit & Supervisory Board Members), and increase the effectiveness of Audit & Supervisory Board Members' audits.</p>	<ul style="list-style-type: none"> Transitioned to the Prime Market following reorganization to new market segment at the Tokyo Stock Exchange. Increased the number of outside directors through repeated deliberations aimed at strengthening the functions of the Board of Directors centering on the voluntary Nomination and Compensation Committee. Established "Group Basic Sustainability Policy" and revised "Group Sustainability Basic Regulations." Categorized management risks into 42 items in order to strengthen risk management activities, conducted risk surveys for the entire Group, quantified risks, created risk maps, etc., and identified management risks. Also revised Group Risk Management Basic Regulations. Held training on Labor Standards Law and Anti-Monopoly Act to strengthen the compliance system of the entire Group. Held information security training that raised awareness of cyberattacks, for example.
<p>5 Promote SDGs-related activities</p> <p>We will contribute to SDGs through efforts to achieve "Group Environmental Target 2030" and "Zero CO₂ 2050" and develop environmentally-friendly products such as alternatives to plastic materials.</p>	<ul style="list-style-type: none"> Analyzed risk and opportunity scenarios based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) and incorporated analysis results into management strategy. Our paper was certified as an Eco-Rail Mark product under the "Eco Rail Mark" company established by the Ministry of Land, Infrastructure, Transport and Tourism and operated by the Railway Freight Association. Established the Diversity Committee and formulated a policy to ensure diversity in human resource development and internal environment. Acquired ISO 45001 certification, an international standard for safety and health, and received certification as 2022 Certified Health & Productivity Management Outstanding Organization. Announced participation in the "30by30 Alliance for Biodiversity," sponsored by 17 industrial, government, and private organizations, including the Ministry of the Environment.

Financial Highlights

Financial data	G-1st					C-next					V-DRIVE					Medium-term Management Plan 2023				
	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024	Year ended March 31, 2025	Year ended March 31, 2026	Year ended March 31, 2027	Year ended March 31, 2028	Year ended March 31, 2029	Year ended March 31, 2030		
Net sales	¥208,280	¥223,865	¥228,400	¥246,849	¥262,398	¥269,100	¥275,807	¥264,618	¥222,454	¥261,617								\$2,137,218		
Operating income	3,658	3,308	6,140	9,236	12,900	11,414	10,130	11,209	1,702	20,456								167,108		
Ordinary income	10,516	8,481	11,463	10,588	14,056	13,908	13,015	15,652	9,757	29,515								241,115		
Net income attributable to owners of parent company	8,169	6,105	8,359	7,477	10,381	10,327	9,156	8,073	14,173	21,207								173,242		
EBITDA (Note 2)	25,538	26,974	30,582	31,125	33,938	33,871	32,313	34,883	24,802	43,255								353,361		
Capital expenditures	12,160	23,919	11,128	9,425	12,751	14,710	16,089	16,231	14,136	13,462								109,972		
Total assets	343,114	350,808	351,033	363,658	362,205	366,448	368,082	344,731	363,075	376,956								3,079,455		
Net assets	158,795	158,824	168,573	169,529	181,035	191,977	192,861	180,862	195,419	216,974								1,772,522		
Interest-bearing debt	129,137	136,387	123,724	129,586	116,754	108,240	109,726	106,832	113,991	99,088								809,479		
Cash flows																				
Cash flows from operating activities	21,203	18,676	27,858	20,944	28,918	19,742	21,627	43,975	23,761	20,186								164,908		
Cash flows from investing activities	-25,127	-22,805	-16,261	-3,628	-13,649	-14,158	-19,275	-20,199	-19,575	-1,648								-13,463		
Per share data (Yen/U.S. dollars)																				
Earnings per share (EPS)	40.08	30.54	44.39	39.69	55.09	54.68	48.44	43.45	84.40	126.22								1.03		
Book value per share (BPS)	770.02	834.44	888.16	894.74	956.63	1,011.58	1,016.16	1,073.08	1,159.49	1,286.82								10.51		
Dividends per share	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	14.00	24.00								0.20		
Key ratios																				
EBITDA/Net sales (%)	12.3%	12.0%	13.4%	12.6%	12.9%	12.6%	11.7%	13.2%	11.1%	16.5%										
Operating income ratio (%)	1.8%	1.5%	2.7%	3.7%	4.9%	4.2%	3.7%	4.2%	0.8%	7.8%										
Net income ratio (%)	3.9%	2.7%	3.7%	3.0%	4.0%	3.8%	3.3%	3.1%	6.4%	8.1%										
Equity ratio (%)	45.6%	44.8%	47.7%	46.4%	49.8%	52.2%	52.2%	52.3%	53.8%	57.6%										
ROA (%) (Note 3)	3.1%	2.4%	3.3%	3.0%	3.9%	3.8%	3.5%	4.4%	2.8%	8.0%										
ROE (%)	5.4%	3.9%	5.2%	4.5%	6.0%	5.6%	4.8%	4.3%	7.6%	10.3%										
Debt equity ratio (times)	0.82	0.87	0.74	0.77	0.65	0.57	0.57	0.59	0.59	0.46										

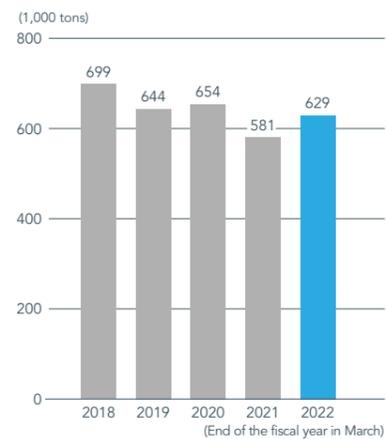
Notes

1. Amounts in US dollars were converted at ¥122.41 to one dollar, the currency exchange rate prevailing in the Tokyo Foreign Exchange Market as of March 31, 2022.
2. EBITDA = Ordinary income + interest expenses + depreciation and amortization costs + depreciation of goodwill - depreciation of negative goodwill
3. ROA = Ordinary income ÷ average total assets at the beginning and end of the fiscal year × 100

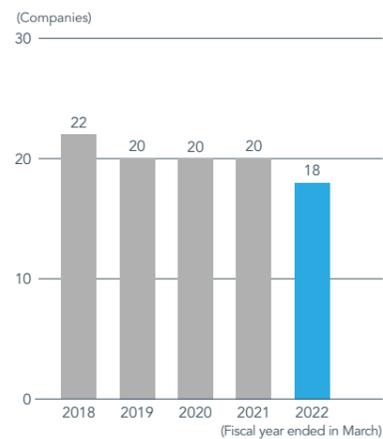
* The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued on February 16, 2018) has been applied from the beginning of the fiscal 2019. The primary business indicators, etc. pertaining to fiscal 2018 are those after the retroactive application of the relevant accounting standards.

Non-financial highlights

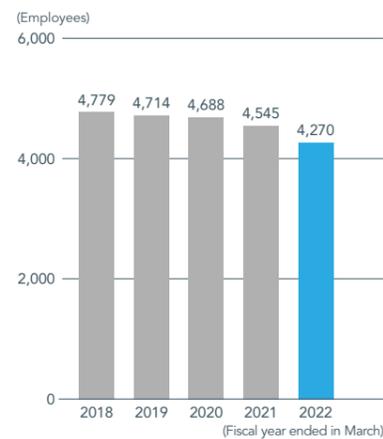
CO2 emissions



Number of consolidated subsidiaries



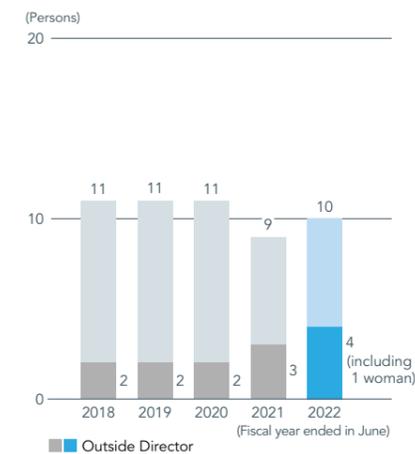
Number of consolidated employees



Overseas employee ratio



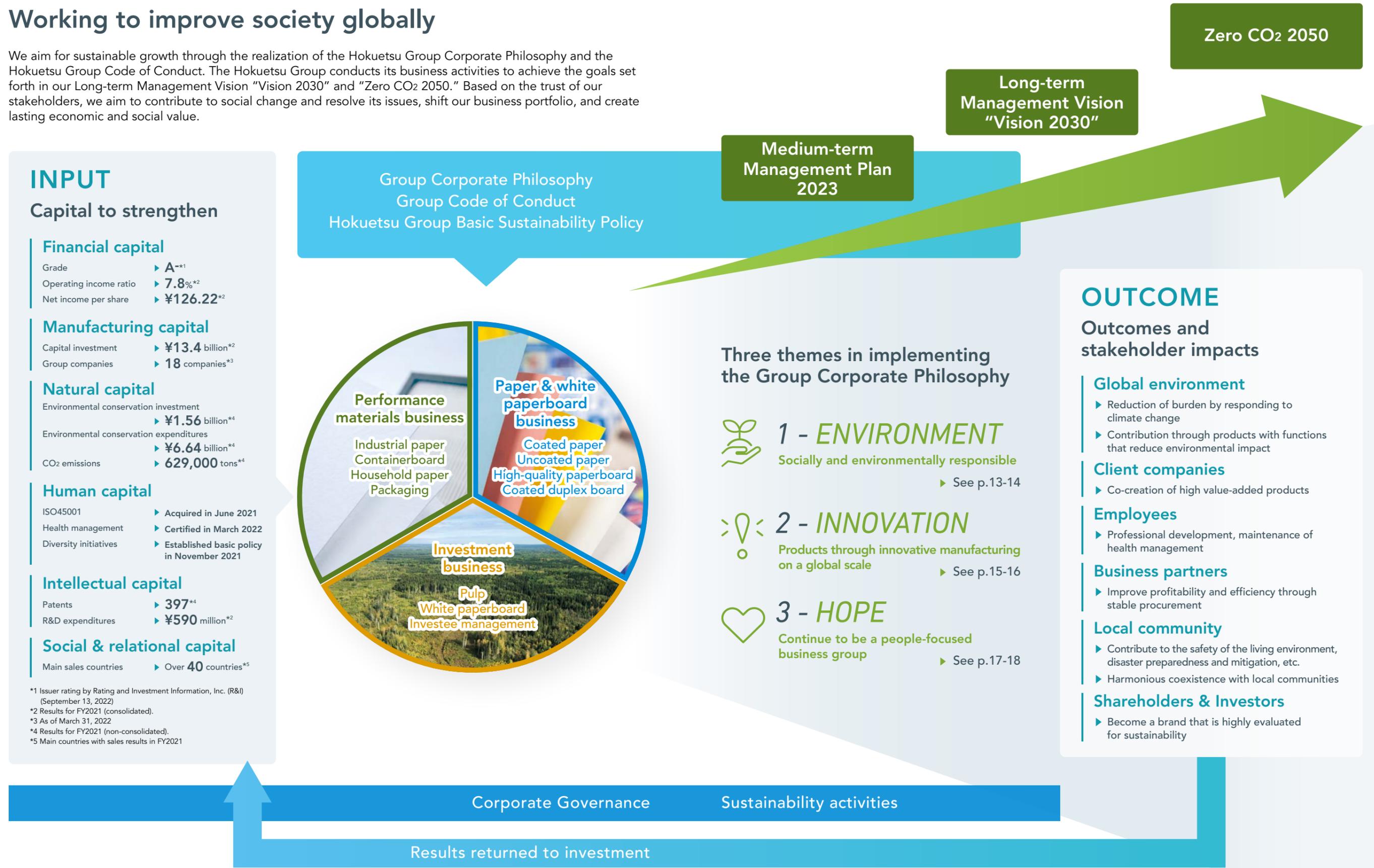
Number of directors in the last five years



Value Creation Process

Working to improve society globally

We aim for sustainable growth through the realization of the Hokuetsu Group Corporate Philosophy and the Hokuetsu Group Code of Conduct. The Hokuetsu Group conducts its business activities to achieve the goals set forth in our Long-term Management Vision "Vision 2030" and "Zero CO2 2050." Based on the trust of our stakeholders, we aim to contribute to social change and resolve its issues, shift our business portfolio, and create lasting economic and social value.



INPUT

Capital to strengthen

Financial capital

- Grade ▶ A-^{*1}
- Operating income ratio ▶ 7.8%^{*2}
- Net income per share ▶ ¥126.22^{*2}

Manufacturing capital

- Capital investment ▶ ¥13.4 billion^{*2}
- Group companies ▶ 18 companies^{*3}

Natural capital

- Environmental conservation investment ▶ ¥1.56 billion^{*4}
- Environmental conservation expenditures ▶ ¥6.64 billion^{*4}
- CO2 emissions ▶ 629,000 tons^{*4}

Human capital

- ISO45001 ▶ Acquired in June 2021
- Health management ▶ Certified in March 2022
- Diversity initiatives ▶ Established basic policy in November 2021

Intellectual capital

- Patents ▶ 397^{*4}
- R&D expenditures ▶ ¥590 million^{*2}

Social & relational capital

- Main sales countries ▶ Over 40 countries^{*5}

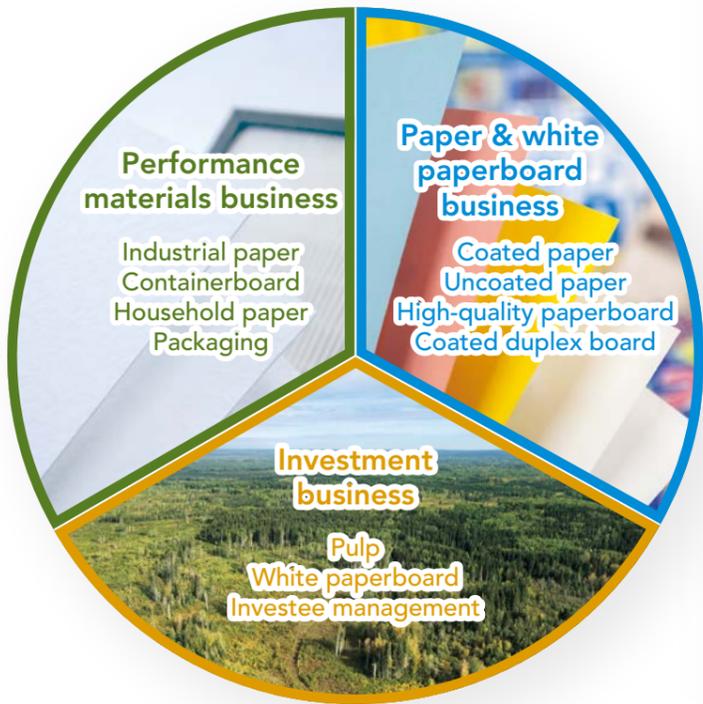
^{*1} Issuer rating by Rating and Investment Information, Inc. (R&I) (September 13, 2022)
^{*2} Results for FY2021 (consolidated).
^{*3} As of March 31, 2022
^{*4} Results for FY2021 (non-consolidated).
^{*5} Main countries with sales results in FY2021

Group Corporate Philosophy
Group Code of Conduct
Hokuetsu Group Basic Sustainability Policy

Medium-term
Management Plan
2023

Long-term
Management Vision
"Vision 2030"

Zero CO2 2050



Three themes in implementing the Group Corporate Philosophy

- 1 - ENVIRONMENT
Socially and environmentally responsible
▶ See p.13-14
- 2 - INNOVATION
Products through innovative manufacturing on a global scale
▶ See p.15-16
- 3 - HOPE
Continue to be a people-focused business group
▶ See p.17-18

OUTCOME

Outcomes and stakeholder impacts

- Global environment**
 - ▶ Reduction of burden by responding to climate change
 - ▶ Contribution through products with functions that reduce environmental impact
- Client companies**
 - ▶ Co-creation of high value-added products
- Employees**
 - ▶ Professional development, maintenance of health management
- Business partners**
 - ▶ Improve profitability and efficiency through stable procurement
- Local community**
 - ▶ Contribute to the safety of the living environment, disaster preparedness and mitigation, etc.
 - ▶ Harmonious coexistence with local communities
- Shareholders & Investors**
 - ▶ Become a brand that is highly evaluated for sustainability

Corporate Governance

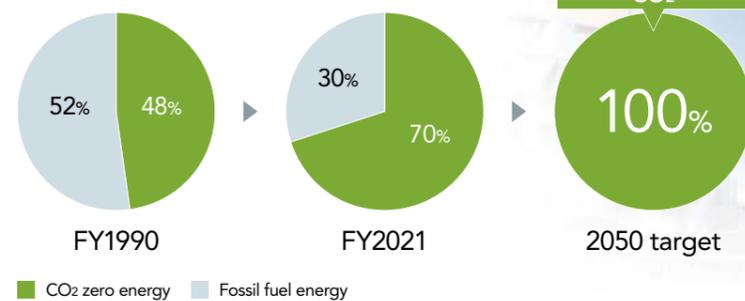
Sustainability activities

Results returned to investment

Socially and environmentally responsible
ENVIRONMENT

Strengthening environment competitiveness to achieve "Zero CO2 2050"

Hokuetsu Corporation's energy profile (non-consolidated)



Sustainable raw material procurement and forest management

The Hokuetsu Group procures all of its wood chips as the main raw material for our paper products from overseas, and all such wood chips are made of wood grown in legally and properly managed sustainable forests. We have established a fundamental policy on raw materials procurement, and through our original traceability system that began in 2006, we regularly check the legality and sustainability of our wood chips, and have had the results of these checks by a third party verified (audited) every year since 2019.

In addition, we are also working to reduce CO2 emissions in transportation. For example, we charter the largest size woodchip carriers with good fuel

efficiency and transport wood chips by sea from abroad to Japan. In recent years, we have been gradually replacing these carriers with state-of-the-art, environmentally-friendly vessels.

Furthermore, in Japan, South Africa, and Canada, the Group manages a total of approximately 6.42 million hectares of company-owned and managed forests (an area exceeding 6.3 million hectares including Japan's Kanto-Koshin'etsu area). Our company, through Hokuetsu Pallet Co., Ltd., and Alberta-Pacific Forest Industries Inc. (Al-Pac), is working to maintain the multifaceted public functions of forests, such as CO2 sequestration, through sustainable forest management.



(Alberta Pacific Forest Industries Inc. License Code FSC-C022642)
(NCT FORESTRY AGRICULTURAL CO-OPERATIVE LIMITED License Code FSC-C012171)

Procurement of wood chips from abroad (FY2021)

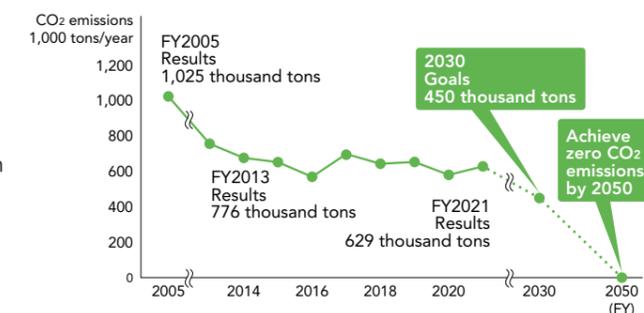
Country	Tree species	Forest classification		Means of verifying legality			Volume of wood chips procured from overseas (1,000 BDT)
		Plantation	Re-growth	Traceability report	Declaration of legality of timber for material of wood chips	Forest certification system	
Chile	Eucalyptus	●	—	●	●	●	1,716
South Africa	Acacia	●	—	●	●	●	
	Eucalyptus	●	—	●	●	●	
Australia	Eucalyptus	●	—	●	●	●	
Vietnam	Acacia	●	—	●	●	●	



CO2 emissions

In fiscal 2021, the company's (non-consolidated) CO2 emissions were 629,000 tons, a reduction of 18.9% compared to FY2013 (and a 38.6% reduction compared to FY2005). In line with the Paris Agreement, an international framework to counter global warming that went into effect in 2016, we will continue to promote further CO2 reduction measures and continue to take on the challenge of net zero CO2 emissions by 2050.

Change in CO2 emissions (non-consolidated)



Amount of CO2 absorption through forest management

The Hokuetsu Group manages approximately 6.42 million hectares of forests in Japan and overseas. The amount of CO2 absorption by managed forests in Canada is approximately 7 million tons per year, and the amount of CO2 absorption by company-owned forests in Japan and South Africa is approximately 21,000 tons per year.

The Group will continue to contribute to the

SDGs by realizing CO2 absorption through sound forest management.

* The calculation method for the amount of CO2 absorption in Japan and South Africa is as follows.
Amount of CO2 absorption = Amount of CO2 fixation in FY2021 - Amount of CO2 fixation in FY2020

Amount of CO2 fixation = Accumulated amount x biomass expansion factor x (1 + underground ratio) x volumetric density x carbon content rate x CO2 conversion factor (44/12)

* CO2 absorption in Canada (Al-Pac) is based on the approximate values calculated by Al-Pac.

Efforts to achieve "Zero CO2 2050"

- Newly installed and expanded wood biomass boilers
 - Studied heavy oil alternative technology and equipment in the pulp manufacturing process (rotary kiln)
 - Studied the need for alternatives to gas fuel
- In addition, we will continue to work on conserving energy and improving processes.

Products through innovative manufacturing on a global scale
INNOVATION

Exploring the greater potential of technology in response to the demands of society

The Hokuetsu Group has brought about numerous innovations in its long history of over 110 years. In retrospect, the idea of using rice straw, which was grown in large quantities in the Echigo Plain breadbasket where our company was founded, as a raw material for paper, may have been our first step in environmental innovation. Since then, we have applied the knowledge and know-how we have gained from manufacturing products that reduce the impact on the environment and meet the needs of society to performance materials other than paper and have created a variety of world-first products and technologies. Today, we continue to take on the challenge of new innovations together with our customers and partner companies.

An example of this is the ultra-high-performance HEPA air filter which we produce, and which boasts a world-leading market share. It is also effective against viruses because it removes 99.97% of 0.3 micron dust. Furthermore, we have also developed an antibacterial

HEPA that enhances its effectiveness. Products using these filters are contributing to help prevent the spread of the novel coronavirus.

In addition, we will participate in a project to create artificial satellites from paper, using ReCell® on a part of the exterior of the satellite, and conduct a demonstration experiment at orbital altitude in 2023 (planned). ReCell® is a material reinforced with cellulose nanofibers (CNF) and is an all-cellulose material that combines nano and micro cellulose.

The importance of electromagnetic noise countermeasures for electronic devices has increased in recent years as the digital society develops. We have developed an electromagnetic noise suppression sheet that combines our carbon nanotube (CNT) technology and our own coating technology, and will use it for 5G (5th generation mobile communication) and Beyond 5G, the next-generation mobile communication system.

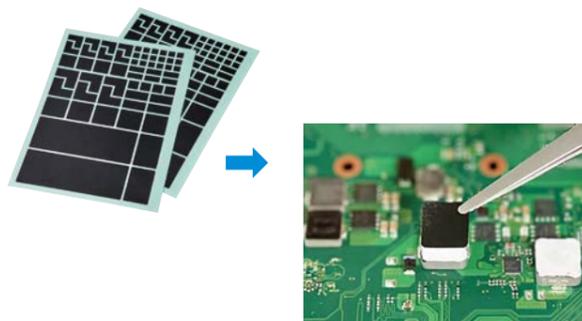
Paper materials in space

Cellulose nanofiber material ReCell® used for Terra Space's microsatellite project



Paper materials supporting 5G

Developed an electromagnetic noise suppression sheet that can be attached to the inside of electronic devices to suppress electromagnetic noise.



TOPIC

Vulcanized fiber wins FY2021 Cellulose Society of Japan Technology Award

Vulcanized fiber is a cellulose nanofiber material that is made by chemical treatment. Cellulose in the raw paper is defibrillated to the nano level so that it can create strong bonds. It is attracting attention as a material to replace plastic as it is made entirely from plant-derived materials and is easily biodegradable.

In July 2022, the Hokuetsu Group (our company and Hokuetsu Toyo Fiber Co., Ltd.) received the 2021 Cellulose Society of Japan Technology Award in recognition of the research related to this material and its contribution to the industrial development of cellulose. Vulcanized fiber is used in products such as the British luxury suitcase, Globe-Trotter.



Globe-Trotter suitcase from the UK

Pursuing the possibilities of paper and creating new value in any era

1907–1960s

From founding to establishing a manufacturing base

In 1907, the company was founded as Hokuetsu Paper Mills, Ltd. in Nagaoka City, Niigata Prefecture, and started producing paperboard using rice straw as a raw material. In the 1910s, the Niigata mill began producing paper. In the 1960s, in response to the rapid increase in demand for coated white paperboard as a packaging material, we began producing white paperboard at the Ichikawa Mill.



Nagaoka Mill when the company was founded

1970s–1980s

Innovation in white paperboard business and paper business

In the 1970s, the Katsuta Mill was built, making it possible to produce all grades of white paperboard, and we became a comprehensive manufacturer of white paperboard ahead of other companies. In the 1980s, in anticipation of growing demand for coated paper, coated paper machine No. 6 started operation at Niigata Mill. The products produced by the paper machine No. 6, the world's first full-fledged on-coat machine, were light-weight coated paper, which garnered great praise by the market for their high quality. The company has grown into a comprehensive paper manufacturer both in name and practice.



Katsuta Mill (now Kanto Mill (Katsuta))

1990s–2000s

A production system that respects the environment

In the 1990s, we established the Hokuetsu Paper Environmental Charter and promoted environmental management. In our manufacturing, we introduced ECF (chlorine-free bleaching) technology, which was the global standard in pulp manufacturing at the time, to the Niigata Mill. It was the first attempt in Japan to convert a large-scale mill that consistently produces high-quality paper, coated paper, and white paperboard to ECF. In addition, we named the pulp produced by ECF "Eco-pulp" and widely promoted it.

While the company has been promoting the shift to clean energy and the expansion of the use of recycled paper, our technological innovation in the production of chemical pulp has attracted a great deal of attention both inside and outside the industry as an embodiment of environmentally-friendly corporate activities.



Bleached pulp



2010s

Develop products that contribute to solving social issues

Since 2010, we have been working on developing products that contribute to solving social issues, such as drought caused by global warming and water resource shortages caused by rapid industrialization. At the Nagaoka Mill, we introduced a reverse osmosis membrane (RO membrane) backing mill, conducted research and development, and started commercial production in 2017.

Reverse osmosis membranes do not allow impurities other than water, such as ions and salts, to permeate and are used in various environmental applications such as industrial water treatment, seawater desalination, sewage and wastewater reuse, and consumer water purifiers.



Reverse osmosis membrane (RO membrane) element

 *Continue to be a people-focused business group*
HOPE

Valuing relationships of trust with stakeholders

Respect the diversity of people and accept them

In October 2021, the Hokuetsu Group launched the Diversity Committee, chaired by the executive in charge of the Corporate Planning Division. We have rapidly accelerated the creation of a system to promote diversity. In November, we established the "Hokuetsu Group Health Declaration" and announced numerical targets both inside and outside the company. In December, we established "Hokuetsu Group Basic Policy on Diversity" and "Policy to ensure diversity in human resource development and internal environment" to accelerate the creation of a system to promote diversity at a rapid pace.

In particular, with respect for human diversity, we held our first diversity training based on the recognition that it is important to change the mindset of upper management. Inviting external experts to speak to the president, executives, and general managers on themes such as "unconscious bias," "paradigm shift," and "psychological safety" that are essential for work style reforms where they learned knowledge that needs to be emphasized when thinking about diversity.

Pursue employee happiness

As a manufacturing company, we believe that building a safe and secure working environment is the top priority for pursuing employee happiness. Currently, we are engaged in occupational safety and health activities to achieve our goals from a medium-term perspective, with the aim of reducing the number of occupational accidents (including minor accidents) to 25 or less by fiscal 2025. Paper mills have machines with huge rotating parts, and we are promoting accident prevention measures through physical protection measures that do not rely solely on individual attention, such as the installation of safety covers and safety devices that are activated in hazardous situations.

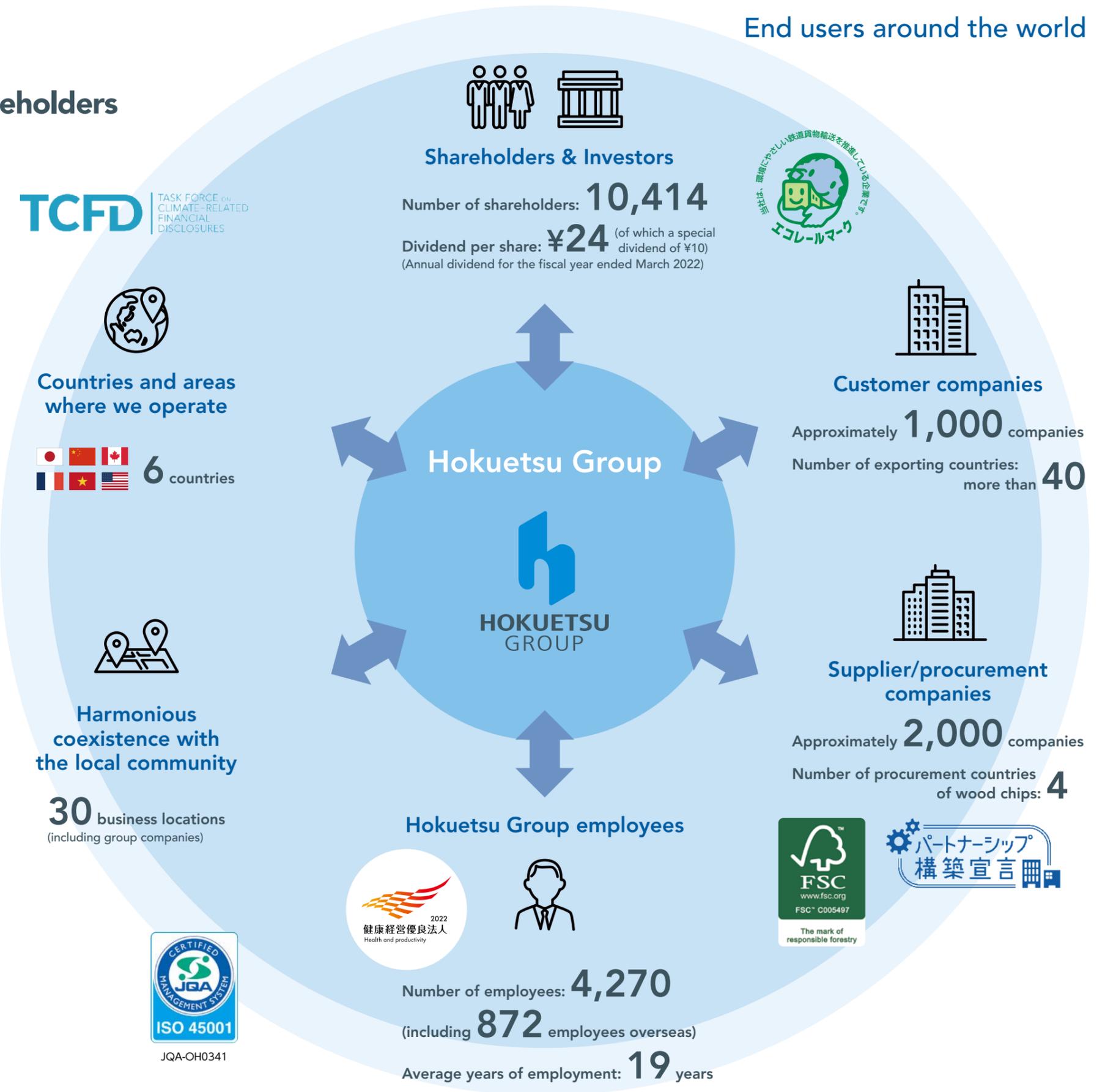
On the other hand, given the difficulty of holding group training due to COVID-19, we have implemented a cloud system for safety education. We are working to develop human resources by enhancing occupational safety and health education in an environment that is not restricted by time or place. In addition, we have acquired ISO45001 certification, which is the international standard for occupational safety and health management systems, and are engaged in activities that are committed to achieving safety and health results. In this way, we are pursuing the happiness of our employees by building a safe and secure work environment through initiatives based on the three perspectives of "objects," "people," and "systems."

Deepening connection to various stakeholders

The Group is developing business with many external partners, and people from partner companies also work at our mills. Our responsibility to provide a safe and people-focused workplace does not change for our external partners. When constructing or upgrading mills, which we regularly perform, we ask the construction companies that undertake the work to give the same level of safety considerations as we do, and we also provide safety education to support this.

In addition, since we import most of our raw materials from abroad, the local climate, natural disasters, and political instability can easily become procurement risks. In addition to addressing these risks, reliable local partners are essential for the sustainable growth of our business. Furthermore, as a company that provides base paper for paper products, we often participate in the product development of our customers, and we always try to build good relationships of trust that share the same awareness of issues.

End users around the world



Investment Business

Business strategy moving forward

“ Since our founding, we have developed our business mainly in Japan based on our highly competitive mills. Since the 2010s, we have achieved growth in overseas markets as the Japanese market matured. In addition to our existing overseas business, we will develop further our investment business in line with global needs. ”

Review of Medium-term Management Plan 2023 Priority Measures

Consolidated subsidiaries	Business Overview	Progress of important issues in FY2021
Alberta-Pacific Forest Industries Inc. (Al-Pac)	<p>Al-Pac is North America's largest pulp mill, operating in Alberta, Canada. As of 2021, it produces an annual pulp production of approximately 640,000 tons. It also operates an electricity sales business that supplies and sells power generated by biomass to the power grid in Alberta.</p> <ul style="list-style-type: none"> Location: Alberta, Canada Business: Pulp manufacturing, electricity sales, etc. Products: Hardwood pulp, softwood pulp Production capacity: 640,000 tons/year 	<p>Profits were solid thanks to rising sales prices in Asia and North America due to supply instability caused by global logistics turmoil, as well as strong performance in the electricity sales business. On top of these, completion of the mill-site warehouses expansion project for the purpose of optimizing logistics and the installation of recovery boiler heat recovery system for the purpose of expanding the electricity sales business also contributed to the increase in profits.</p> 
Jiangmen Xinghui Paper Mill Co., Ltd.	<p>Jiangmen Xinghui Paper Manufacturing Co., Ltd. is a company that manufactures and sells white paperboard in Guangdong, China. They manufacture products that meet customer needs, such as coated duplex board used as packaging materials, special paper for blister packs, and uncoated products. They have built an extensive sales network centered on Guangdong Province, and also export to Southeast Asia.</p> <ul style="list-style-type: none"> Location: Guangdong, China Business: Manufacture and sales of white paperboard Products: Coated duplex board, coating liners, white liners Production capacity: 300,000 tons/year 	<p>In China, unstable economic conditions continued due to the impact of the COVID-19 pandemic. In addition, although business operations continued to face severe challenges, including requests to save electricity due to strict environmental policies, a ban on the import of recycled paper, and soaring pulp prices, we were able to achieve a certain level of profitability as a result of promoting investments in energy conservation and improving efficiency.</p> 
Bernard Dumas S.A.S. (Dumas)	<p>Dumas is a French manufacturer of performance materials and specialty papers, and became our wholly owned subsidiary in 2012. They produce filter paper made primarily from glass fiber for air purification, AGM battery separators for storage batteries, among other products.</p> <ul style="list-style-type: none"> Location: Dordogne, France Business: Manufacture and sale of glass fiber sheets Products: AGM battery separators, filter paper 	<p>Despite the disruption in marine transportation in terms of both raw material procurement and product sales, the decline in demand due to the spread of COVID-19 has reversed, and 2021 was backstopped by strong demand throughout the year. Demand for battery separators continues to be brisk worldwide, so we plan to do everything possible to ensure a stable supply to our customers.</p> 

Affiliated companies accounted for under the equity method	Business Overview
Daio Paper Corporation	<p>Daio Paper is a comprehensive paper manufacturer headquartered in Tokyo and Shikoku. In 2012, it became an affiliated company accounted for under the equity method. In addition to its containerboard business, it is a highly competitive company in the household paper business that we intend to enter, and plays a role in diversifying the Group's business portfolio.</p> <ul style="list-style-type: none"> Headquarters: Shikokuchuo City, Ehime Prefecture Business: Manufacture, processing and sale of paper, paperboard, pulp and their by-products Products: Newsprint paper, printing paper, packaging paper, paperboard, containerboard, pulp, sanitary paper, disposable diapers, etc. Production capacity: 210,000 tons/year

Entering into new business

New business utilizing core technology and accumulated experience

In the rapidly changing pulp and paper business environment, we are working to discover and commercialize new businesses that will contribute to the reform of our business portfolio for sustainable growth.

Based on the premise that we can use the Group's core technologies regardless of whether it is in Japan or abroad, we aim to enter fields where we anticipate more sustainable growth. In particular, in our overseas business, we will create synergies with existing

businesses in Japan and overseas by expanding business and making the best use of existing overseas locations and by acquiring new businesses through investment that address the management issues of the entire Group.

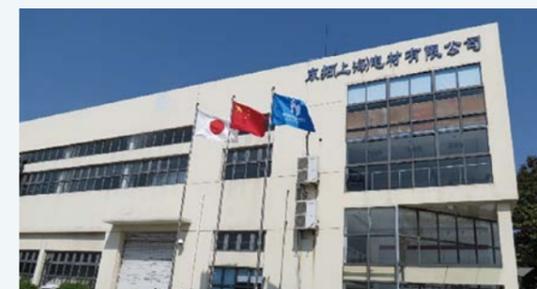
Going forward, we will continue to invest in discovering and coordinating the introduction of new technologies that contribute to preventing climate change and global warming, with the aim of realizing a carbon-free society and carbon neutrality, which have rapidly gained attention. At the same time, we will explore joint ventures by using these technologies.

TOPIC

Other overseas business initiatives

Shanghai Toh Tech Co., Ltd.

Shanghai Toh Tech is a company based in Shanghai, China that processes and produces chip carrier tape for transporting electronic components such as capacitors and resistors from the base paper made at our Nagaoka Mill. In FY2021, they achieved sales that exceeded the previous year thanks to growth in the IoT field. Going forward, they will work to achieve further growth while assessing the impact of COVID-19.



Shanghai Toh Tech Co., Ltd.

Freewheel Trade and Invest 7 Pty Ltd.

Freewheel Trade and Invest 7 Pty Ltd. is a company jointly invested by the Hokuetsu Corporation and NCT (a forestry cooperative of South Africa), which manages and operates afforestation sites in South Africa under the initiative of Hokuetsu Corporation. They plant acacias and eucalyptus trees in the afforestation sites, which not only has a role in the procurement of raw materials for the Group, making them a supplier of environmentally-friendly and sustainable raw materials by repeating tree planting and harvesting in a 10-year cycle.



Afforestation site in South Africa

Paper and White Paperboard Business

Business strategy moving forward

“ In the paper business, especially for printing and communication paper, demand in Japan has drastically fallen due to the COVID-19 pandemic, and although it is on the path to recovery, it has not returned to 2019 levels. We will seriously address the gradual decline in demand, work on “Zero CO₂ 2050,” and uncover demand under the banner of CO₂ reduction, weight reduction (fine coated paper), and a modal shift, and rebuild an optimal production system at the Niigata and Kishu mills following the shutdown of the Niigata No. 2 paper machine. As the rapid depreciation of the yen continues and the shutdown of graphic paper machines in Europe and the United States becomes apparent, we will accurately grasp the trends in export markets and take sales measures that will lead to improved profitability. In the white paperboard business, we will aggressively promote proposals for paper cups, primary food containers, and takeout containers to capture the demand for plastic alternatives and for the reduced use of plastic as an environmental response, and work to expand sales in cooperation with Hokuetsu Package. The Kanto Mill (Katsuta) aims to achieve zero CO₂ emissions by 2030, and Kanto Mill (Ichikawa) will use natural gas (city gas) as a clean energy source to increase the ratio of biomass energy.”

Review of Medium-term Management Plan 2023 Priority Measures

Business strategy	Status of efforts in FY2021
Build an optimal production system for printing and communication paper according to domestic and overseas demand trends	In FY2021, we sought to strengthen our competitiveness by restructuring our paper business, pursuing superiority in paper sales and pulp production and optimization of the supply-demand balance. We aim to maximize profits through a flexible structure that can respond quickly to changes in the market.
Strengthen export and sales capabilities based on a direct trading system	Direct trade sales in 2021 were 112% compared to the previous year. Direct trade accounted for 44% of total paper and white paper exports from the Niigata and Kanto mills (Katsuta and Ichikawa). Maricoat, which resumed exports for the first time in 30 years, achieved sales exceeding the FY2021 plan.
Expand sales of packaging products and plastic alternative packaging materials	Export sales of base paper for cups were 155% of the previous year's level due to stable exports to Taiwan. We are also capturing new demand for alternatives to plastic, such as primary food containers and take-out containers for fast food and convenience stores.
Develop products for new use by applying printing and communication paper manufacturing technology	We are developing transparent paper that can be used as a paper file as an alternative to plastic with the aim to replace film products. We are also developing water-absorbent paper for storage and packaging applications by taking advantage of its characteristics.
Discover latent demand for our products and improve customer satisfaction	The Wholesale Merchant Department, Direct Sales Department, and Publishing & Media Department are developing speedy sales activities based on the main products of each department to leverage their strength in handling all products. The Material Logistics Department has improved delivery efficiency by sharing production information from each mill.
Incorporate new product needs into the packaging business as a united Hokuetsu Group	In cooperation with group companies Hokuetsu Packaging and Hokuetsu Paper Sales, we are working on various developments to meet the demands of our users. We will continue to promote research and development in the packaging field with a sense of urgency through the concerted efforts of the Hokuetsu Group.

Construct an optimal production system

Establish a business structure that captures the needs of customers

By familiarizing users with and establishing a sales organization by business category (Wholesale Merchant Department, Direct Sales Department, Publishing & Media Department, and International Export Department), we will work to expand in-depth development of customer needs and link this to sales by placing importance on communication. We will aim to establish a highly efficient and optimal production system through the use of a profit center that links each sales department and the Material Logistics Department laterally. At our Niigata and Kishu mills, we will maintain a

flexible production system by evening out the production system on a monthly basis. The Kanto mills (Ichikawa and Katsuta) will pay close attention to the removal of impurities from raw materials and thoroughly implement product shipment control standards due to rapid changes in the recycled paper market.

The International Export Department, with its two pillars of direct trade and sales through distributors, will respond to the rapidly changing overseas market by strengthening its vaning system and shipping from ports close to the production area, with the aim to create a sustainable export environment by securing containers by taking advantage of its geographical advantage.

Strengthen profitability of existing businesses

Improving efficiency and ensuring profitability

In order to strengthen our competitiveness by restructuring our paper business, we shut down the No. 2 paper machine at our Niigata Mill as of June 2022. We will continue to improve the efficiency of both the Niigata and Kishu mills and promote highly efficient and optimal production by leveraging profit centers, as well as pursue various cost reduction measures, such as reducing fixed and proportional costs at mills and

improving the efficiency of product transportation costs. With the yen continuing to depreciate, we believe that expanding exports will directly lead to securing earnings. On the other hand, we will promote increased production of fine coated paper with the Niigata No. 9 paper machine to meet recovering demand in Japan due to a decrease in imported paper (coated paper and LWC), leading to lower CO₂ emissions in transportation through lighter products with the same surface area.

Environmentally-friendly business activities

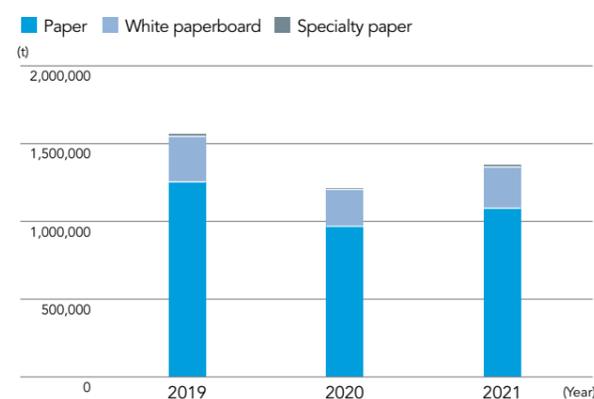
Contribute to decarbonization by providing environmentally-friendly products and accelerating capital investment in environmental equipment

User needs are expected to change in the future due to “The Plastic Resource Circulation Act,” which came into effect in April 2022, and we will expand sales of environmentally-friendly alternatives to plastic, such as paper cutlery, transparent paper, and base paper for cups. In addition, we are investing in environmental facilities with the aim of decarbonizing the energy used by our company, and have declared “Zero CO₂ 2050,” a

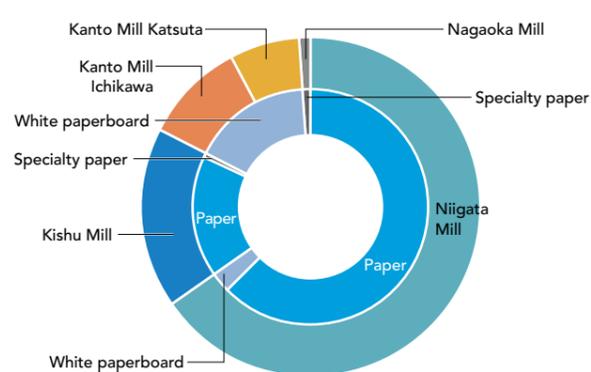
company-wide goal to virtually eliminate CO₂ emissions by 2050, including our Kanto Mill (Katsuta), which is aiming for virtually zero CO₂ emissions by 2030.

As part of our efforts to reduce the environmental impact of transportation, we have been certified as an Eco Rail Mark company by the Railway Freight Association and have also acquired product certification. We will increase the number of 20-foot containers in our own fleet, further promote a modal shift, and contribute to the realization of a decarbonized society.

Paper & White Paperboard Business Division: Production



Production ratio by product type and mill (FY2021)



Performance Materials Business

Business strategy moving forward

“ In order to respond quickly to the diverse needs of our customers in Japan and overseas, we are promoting a sustainable growth strategy by strengthening cooperation with our affiliated group companies (6 companies in total in Japan and overseas) and the Performance Materials Development Office, which is part of the division, and by leveraging the collective strengths of the division.
Our mission is to contribute to society through the continuous development and proposal of environmentally-friendly products. ”

Review of Medium-term Management Plan 2023 Priority Measures

Strategies by Business		Status of Efforts in FY2021
Performance Materials Dept.	Efforts related to measures to build a system to produce and sell growth products from a global perspective	AGM battery separators produced by Dumas, our Group company in France, are seeking to claim top market share in the global market, and we are proceeding with studies to optimize production, including using production facilities at the Nagaoka Mill.
	Capturing demand for Plastic materials alternatives	PASCO®, our rigid fiberboard, is widely used by major apparel companies as an alternative to plastic for hooks and hangers. The vulcanized fiber produced by our group company Hokuetsu Toyo Fiber Co., Ltd. is also expanding its applications to secondary materials for stationery and apparel.
	Develop businesses that leverage the strength of the Group's integrated production from base paper to processed products	We have built a stable supply system through our integrated production system. HOCTO® chip carrier tape base paper uses pulp from the Niigata Mill as its main raw material. The tape is produced at the Nagaoka Mill and the Kanto Mill (Katsuta), and part of it is processed by Shanghai Toh Tech, a group company in China.
	Restructuring our business portfolio and study new fields and businesses	In order to expand the general packaging and paper processing fields, we are also expanding our paper cup business under an integrated production system with our Group company, Hokuetsu Package.
	Strengthen business by deepening cooperation among Group companies	Together with the six Group companies under our control, we are deepening cooperation in the four main fields of advanced information technology, environment and hygiene, plastic materials, and other functional paper.
Containerboard Dept.	Deepen relationships with customers and expand the basics of production and sales in the containerboard base paper business	We are focusing on direct sales that do not use distributors in order to strengthen direct relationships with customers and respond accurately and promptly to customer needs. In the second half of FY2021, the number of customers in Japan and export customers exceeded 60 and 30 respectively, and we have achieved full production and full sales for both export and sales in Japan.
	Promote the improvement of production efficiency and improve profitability at an early stage	We are working to improve production efficiency by improving the per unit of raw fuels and expanding daily production. In addition, in order to accelerate improved profits, we are focusing on the development and sales of high-value-added products, centered on thinner base paper, which is our specialty.

Performance Materials Department and Performance Materials Development Office

Promoting the development of performance paper that meets market needs by strengthening the collaboration between sales and development

• **ReCell® Cellulose nanofiber material**
ReCell® is a new material that uses cellulose nanofibers, and its name is derived from “Reinforced Cellulose” and “Reborn Cellulose.”

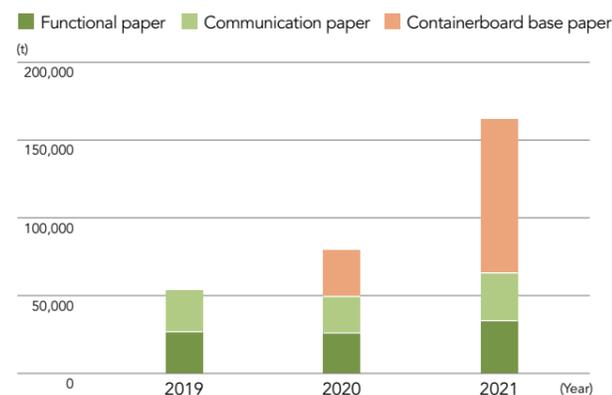
It has strength far exceeding that of paper, as well as radio wave transmittance and electrical insulation properties, and is planned for trial use as an exterior wall material for a satellite scheduled for launch in 2023.

We are also making use of its characteristics to apply it to battery cases for electric vehicles.

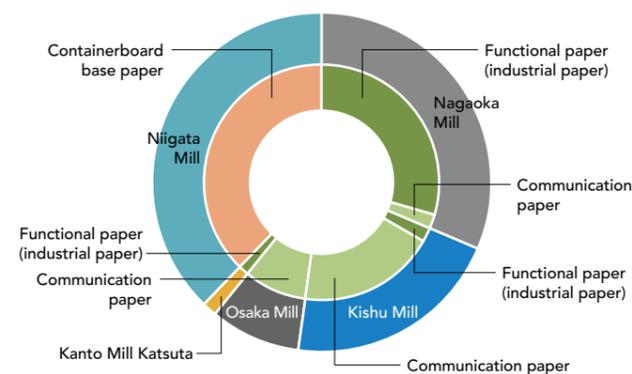
• **Electromagnetic Noise Suppression Sheet**
We have created an electromagnetic noise suppression sheet with a thickness of 55 μm by applying the diffusion and coating technology we have developed in paper manufacturing to carbon nanotubes. By applying this technology, we will enter the electromagnetic wave countermeasure market for high-frequency bands such as 5G (5th generation mobile communication system).

Advanced information technology-related	Environment and hygiene-related
Chip carrier tape base paper (HOCTO®), abrasive-coated base paper, metal interleaving paper, electromagnetic noise suppression sheets Our mainstay chip carrier tape is expected to grow in the medium- to long-term due to the expansion of the IoT sector using 5G communication and the growth in the automobile sector due to the spread of EVs. We will work to improve quality and enhance our supply system by leveraging the technology we have developed over many years.	Reverse osmosis membrane (RO membrane) backings, filter media, battery separators, medical-related We anticipate steady demand for glass fiber filter paper for air purification as it is essential for combating infectious diseases and in semiconductor manufacturing. As the only manufacturer in Japan, we continue to conduct research and development in the fields of environment and hygiene, such as for filters for water purification and backings for reverse osmosis membranes.
Demand for alternatives to plastic	Other functional paper (communication paper-related, etc.)
Oil resistant paper for food packaging, paper for food trays, packaging paper, paper cup base paper, hard fiber board (PASCO®), vulcanized fiber In collaboration with our group company, Hokuetsu Package Co., Ltd., we are actively developing oil-resistant food packaging paper and food tray base paper for major convenience store companies that resists oil without using resin laminates. In the apparel sector, we will actively work on environmental measures by broadly developing hooks and hangers made of PASCO® and vulcanized fiber.	Crimping paper, form paper, OCR paper, various processed base paper With regard to our mainstay crimping paper, we are continuing to expand sales by focusing on IJ crimping paper, for which demand is expected to grow. In addition, we are actively engaged in sales activities to expand sales channels for processed base paper applications and to increase sales of new products such as IJ Form.

Performance Materials Division: Production



Production ratio by product type and mill (FY2021)



Containerboard Department

Contribute to decarbonization by developing and selling environmentally-friendly products and encourage local production for local consumption

Three years have passed since the business started, and we are aiming for further growth by strengthening sales in both Japanese and export markets, maximizing production efficiency, and developing and selling high-value-added products to improve profitability.

We will focus on developing and selling thinner base paper in order to contribute to reducing CO2 emissions

during production and transportation. At the same time, we will further encourage local production for local consumption and enhance our reduction of CO2 emissions during transportation by expanding the use of locally created recycled cardboard and expanding sales to nearby business partners.

Regarding exports, we will make effective use of the local port of Niigata and aim for stable sales through quality design that incorporates local feedback from China, ASEAN, and other countries.

Efforts for Group Sustainability Activities

Sustainability (medium- to long-term sustainability, including ESG factors) in corporate business activities is becoming more and more important. Since 2005, the Group has promoted CSR activities centered on non-financial aspects such as ESG and has aimed to create new value by developing its own activities while referring to international standards.

In December 2021, in response to social recognition of sustainability, we established the "Group Basic Sustainability Policy" and "Group Sustainability Basic Regulations," and actively pursue sustainability efforts that enhance the integration of financial and non-financial aspects.

Group policy

For the Group to realize its Group Corporate Philosophy, each employee is keenly aware of the Group Code of Conduct in conducting business, and strive to enhance new corporate value by implementing our Medium-term Management Plan and sustainability activities in our daily business to realize our Long-term Management Vision "Vision 2030," the "Group Basic Sustainability Policy," and materiality (an important issue).

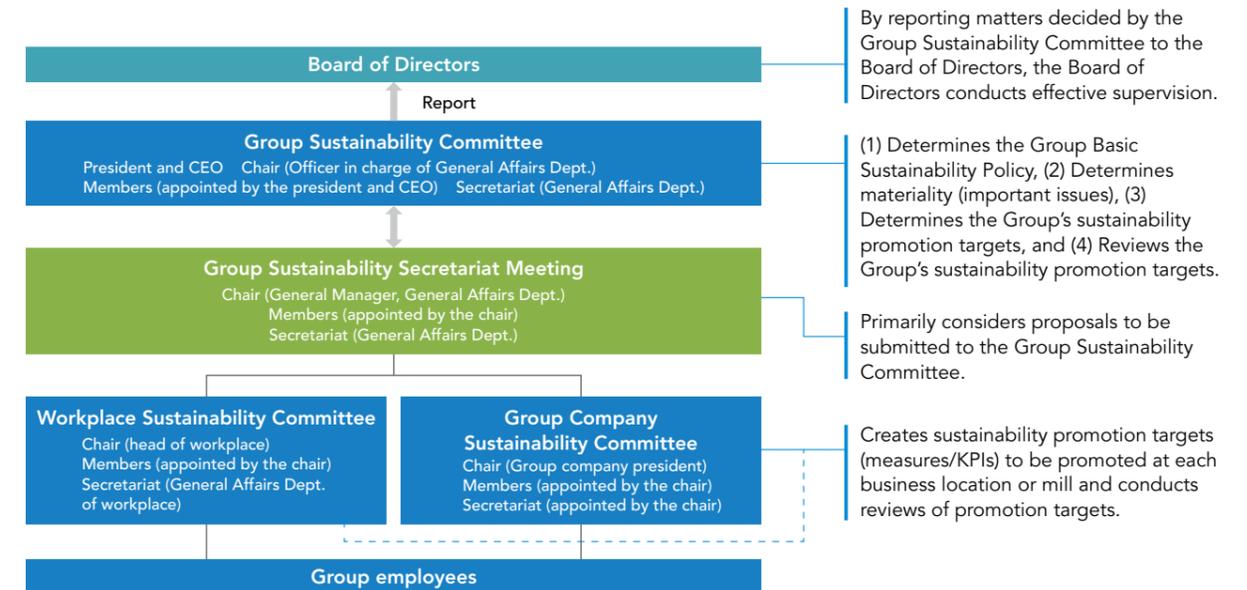


Hokuetsu Group Basic Sustainability Policy

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

- 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.

Group Sustainability Activity Implementation Structure

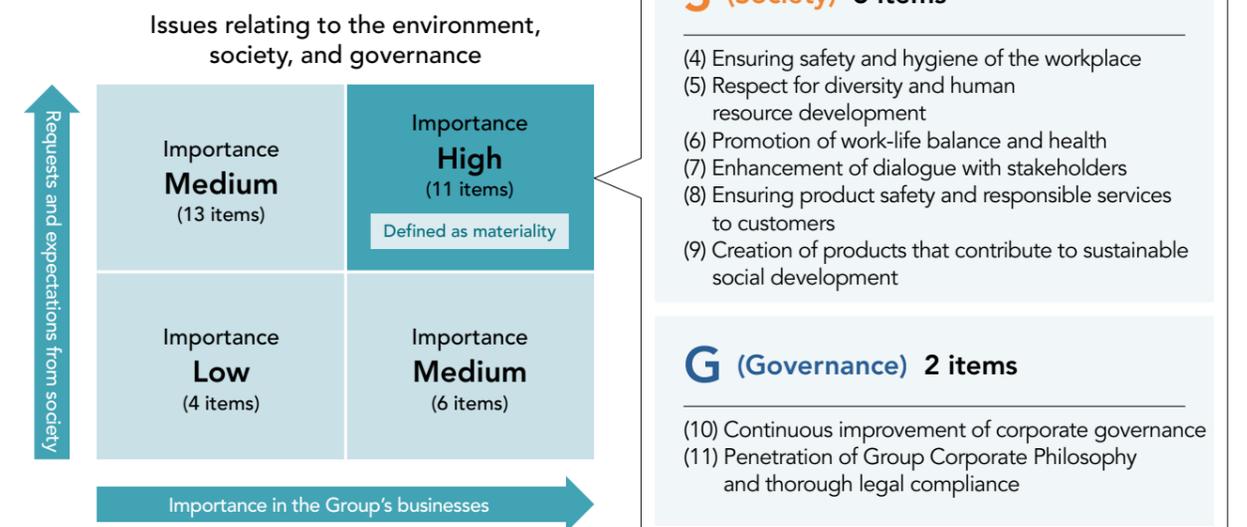


Identifying materiality

In FY2020, the Group, while referring to international standards, has selected 34 issues based on the two axes of "requests and expectations from society" and "importance in the Group's businesses" based on our Group Corporate Philosophy, identified important issues (materiality) that should be prioritized in the medium to long term.

We believe that identifying materiality and contributing to resolving social issues enhances the sustainability of the Group.

* Materiality (important issues) is set in line with the Medium-term Management Plan and is reviewed as necessary.



Group Sustainability Activity Implementation Targets and Review

We set Group sustainability activity implementation targets in line with the Medium-term Management Plan. We will continue to work together as a group to promote sustainability activities in order to achieve our activity implementation targets.

No.	Group Sustainability Activity Implementation Targets (Group-wide KPIs)	Relevant SDGs		FY2021 activity implementation target inspection (review)	Classification by ISO26000	Related pages in this report	
		Goal	Target				
E	Achieve "Zero CO ₂ 2050" to reduce CO ₂ emissions to virtually zero by 2050 through the use of biomass energy and the latest technology Group-wide KPI Reduce CO ₂ emissions in 2030 by 43% compared to FY2005	      	6.3 12.4 7.2 12.5 9.4 13.3 11.6 15.2	<ul style="list-style-type: none"> In November 2020, we announced our independent target "Zero CO₂ 2050" and promoted initiatives to reduce CO₂ emissions by further using biomass energy such as black liquor and scrap wood instead of heavy oil and coal. In October 2021, we established the Zero CO₂ Promotion Office to respond to information disclosures in line with TCFD (Task Force on Climate-related Financial Disclosures) recommendations. Published an environmental information magazine and conducted public relations for stakeholders. In addition to promoting activities related to CDP (Carbon Disclosure Project), we decided to participate in the "30by30 Alliance for Biodiversity." 	Environment	P.8 P.13-14 P.29-34	
	2	Promote the procurement of environmentally friendly raw materials	 	12.7 15.4	<ul style="list-style-type: none"> According to the due diligence system (DDS), we confirmed the source and legality of the wood materials we procured, and third-party organizations such as the Illegal Logging Countermeasures Committee and SGS Japan conducted audits. 	Environment	P.13-14 P.20 P.30
S	3	Continue to ensure product safety and responsible services to customers		14.1	<ul style="list-style-type: none"> Shared information related to products with sales departments, factory personnel, and product technology departments through sales meetings and quality meetings. Conducted internal quality audits at all of our workplaces, and confirmed the status and consistency of delivery specifications, product standards, quality standards, and papermaking standards. Implemented domestic shipping in the pulp sales business to ensure a stable supply. 	Consumer Issues	P.15-16 P.19-24 P.38
	4	Ensure safety and hygiene of the workplace Group-wide KPI Zero serious accidents (every fiscal year)		3.6	<ul style="list-style-type: none"> Obtained ISO45001 certification, the international standard for occupational safety and health, and developed activities in line with the management system. Strengthened disaster prevention measures during night shifts based on examples of fires that occurred at other companies. Implemented initiatives to eliminate traffic accidents (injury and self-inflicted injury). Implemented support and guidance for recurrence prevention and reporting procedures when accidents occurred at Group companies in Japan and overseas. 	Labor Practices	P.8 P.17 P.35
	5	Promote respect for diversity and development of human resources Group-wide KPI Double the percentage of women, non-Japanese, and mid-career hires in management and executive ranks from the current level (FY2021) of approximately 10% by 2030.		5.1 5.C	<ul style="list-style-type: none"> Established the Diversity Committee in October 2021 to formulate, implement, and inspect necessary measures to ensure diversity. Also established the "Basic Policy on Diversity" and the "Policy to Ensure Diversity in Human Resource Development and Internal Environment." Conducted hiring activities that consider the perspective of diversity in recruiting new graduates in FY2022. Held diversity training for management to raise awareness on February 10, 2022. 	Human Rights	P.8 P.17 P.36
	6	Promote better health along with work-life balance Group-wide KPI Annual health checkup rate: 100% Smoking rate: 30% or less Employees who exercise regularly: 30% or more Employees taking stress checks: over 95% (FY2023 target figures)		8.5	<ul style="list-style-type: none"> In addition to announcing the "Hokuetsu Group Health Declaration," we were certified as an "Outstanding Health and Productivity Management Organization for FY2022 Excellence in Health Management Organization (Large Enterprise Category)" by the Ministry of Economy, Trade and Industry in FY2022 in recognition of our health management system, clear numerical targets, and improvement in safety results. 	Labor Practices	P.8 P.37
	7	Continue to enhance dialogue with stakeholders			<ul style="list-style-type: none"> Cooperated with the Kyu-Can-Cho Project. Participated in "Niigata Port Seminar 2021" and the "2022 Northeast Asia International Conference for Economic Development in Niigata" and gave presentations on case studies promoting the use of Niigata Port to ship freight. Donated calendars, notebooks, etc. to charity calendar exhibitions as a new initiative to support activities through connections with NPOs. 	Participation in community and development of community	P.38
G	8	Promote continuous improvement of corporate governance			<ul style="list-style-type: none"> Transitioned to the Prime Market following reorganization to new market segment at the Tokyo Stock Exchange. 	Organizational governance	P.8 P.39-42
	9	Strengthening risk management of issues such as the novel coronavirus		3.3	<ul style="list-style-type: none"> Created a risk map and a self-inspection checklist, etc., to review overall risk management activities for the next fiscal year in risk management activities. Responded to human rights risks with reference to the United Nations Guiding Principles on Business and Human Rights. 	Organizational governance	P.8 P.42
	10	Aim for the Group Corporate Philosophy to take hold and ensure thorough legal compliance	 	10.2 10.3 16.5	<ul style="list-style-type: none"> Held compliance training (Anti-Monopoly Act, labor management, business email fraud). Renewed registration with the Whistleblowing Compliance Management System (System of Self-declaration of Conformity Registration) under the jurisdiction of the Consumer Affairs Agency Revised the Compliance Handbook. 	Fair business practices	P.8 P.42

E Environmental Initiatives

Aiming for net zero CO₂ emissions

Group-wide KPI Reduce CO₂ emissions in 2030 by 43% compared to FY2005

The Hokuetsu Group aims to achieve group-wide KPI and "Zero CO₂ 2050," which means reducing CO₂ emissions to virtually zero by 2050 by using biomass energy and the latest technology.

Our history of CO₂ reduction measures

Since 1990, in response to international efforts to address global warming, the Hokuetsu Group has been promoting measures to reduce CO₂ emissions, and in 1993, labor and management jointly established the "Hokuetsu Paper Environmental

Charter." As a result of approximately ¥50 billion in capital investment over the 25 years leading up to 2020, we have been able to increase our "CO₂ zero energy" ratio to approximately 70%.

1995	Started natural gas power generation (Kanto Mill Ichikawa)	
1996	Installed new high-temperature and high-pressure recovery boilers (Niigata Mill)	
1999	Started natural gas power generation (Niigata Mill)	
2005	Installed new high-temperature and high-pressure recovery boilers, one of the largest in Japan (Niigata Mill)	
2006	Installed new wood biomass boilers, one of the largest in Japan (Kanto Mill Katsuta)	
	Converted heavy oil boilers to natural gas (Nagaoka Mill)	
2007	Installed new wood biomass boiler (Niigata Mill)	
2008	Installed new wood biomass boiler (Kishu Mill)	

2013	Installed new large-scale natural gas power generation facility (Niigata Mill)	
2014	Installed new mega solar power generation equipment (Kanto Mill Katsuta)	
2014	Installed new mega solar power generation equipment (Hokuetsu Material Co., Ltd.)	
2015	Installed new mega solar power generation equipment (Niigata Mill)	
2020	Established "Group Environmental Target 2030" Established "Zero CO ₂ 2050"	
		
	ZERO CO₂ 2050	
2021	Declared support for TCFD recommendations Established the Zero CO ₂ Promotion Office	
2022	Participated in biomass power generation business in Fukushima Prefecture Disclosure of information based on TCFD recommendations	

Made capital investments of approximately **¥50 billion** in equipment to cut CO₂ emissions over 25 years

Aiming for zero CO₂ by using biomass energy and the latest technology

Black liquor, a biomass fuel, is produced when pulp is made from wood in the process of making paper. This black liquor is used as fuel in a recovery boiler to generate steam and electricity for the mill. In addition, the biomass boilers installed at the Niigata Mill, Kishu Mill, and Kanto Mill (Katsuta) use paper sludge generated

while making paper and wood-derived fuel made from demolition waste from houses. We are working to maximize the use of biomass energy in order to achieve "Zero CO₂ 2050," which aims to reduce CO₂ emissions to virtually zero by 2050.

Environmental properties of natural gas — Contributing to the reduction of greenhouse gas (GHG) emissions —

Compared to coal and heavy oil, natural gas emits less CO₂, which contributes to the prevention of global warming. In addition, natural gas generates less nitrogen oxide (NO_x) and does not generate sulfur oxide (SO_x) or dust.

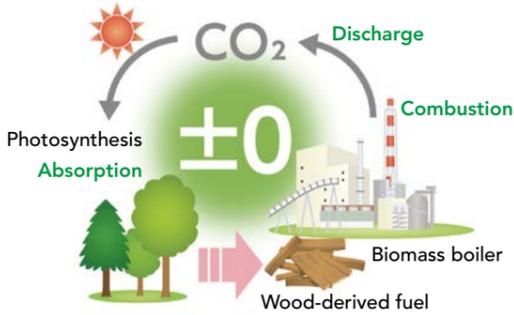
Comparison of generated amount when coal is 100^{1) 2)}

CO ₂ (carbon dioxide)	SO _x (sulfur oxide)	NO _x (nitrogen oxide)
Coal 100	Coal 100	Coal 100
Oil 80	Oil 68	Oil 71
Natural gas 57	Natural gas 0	Natural gas 20-37

1) The Institute of Applied Energy, Report on Evaluation of Thermoelectric Power Generation on the Atmosphere (1990) for CO₂
2) OECD/IEA, Natural Gas Prospects to 2010 (1986) for NO_x and SO_x

Biomass fuel is carbon neutral

When plant-derived fuel is burned, the CO₂ generated is absorbed again as plants grow. From the perspective of global warming, emissions are effectively zero, which is the concept of carbon neutrality.



Promoting the procurement of environmentally-friendly raw materials

Group supply chain efforts

In the Group's "Fundamental Policy for Raw Materials Procurement," we have announced and are implementing the policy to "procure raw materials considering environment, society, and human rights." We also regularly check the status of our woodchip and pulp suppliers by having them submit annual declarations of

legality and sustainability, as well as confirming information on forest certification registration, which prohibits the violation of rights, forced labor, and child labor. In addition, the chemicals we use are checked to confirm their safety, and we procure those that meet our own independent standards.

Hokuetsu Group Fundamental Policy for Raw Materials Procurement

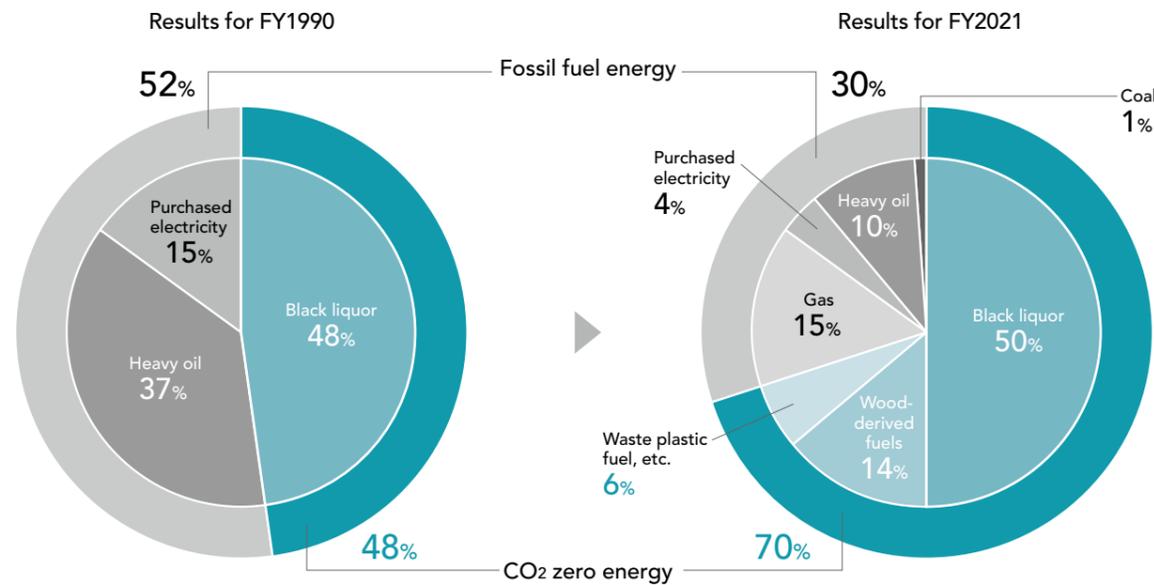
We shall promote raw-material procurement based on CSR that considers the environment and society under the following policy in procuring raw materials based on the Group Corporate Philosophy and Group Code of Conduct in order to fulfill our Corporate Social Responsibility.

1. We shall comply with the applicable laws, regulations and international norms.
2. We shall procure raw materials considering environment, society, and human rights.
3. We shall procure wood materials considering sustainability of forests and biodiversity.
4. We shall open our doors to all suppliers and engage in fair trade.
5. We shall build a mutual trust relationship and aim for a mutual development with business suppliers.
6. We shall appropriately manage the information that we obtained through transactions.

E Environmental Initiatives

Environmental-Related Data

Hokuetsu Corporation's energy composition ratio



FY2021 Material balance

Input

Fossil energy input*1	10,611,000 GJ
Non-fossil energy input*1	24,357,000 GJ
Input of water resources	95,707,000 m ³
Raw material consumption	
Wood chips	1,750,000 t
Purchased pulp	62,000 t
Wastepaper	335,000 t

Output

CO ₂ *1	629,000 t	Wastewater BOD*2	410 t
SO _x	388 t	Wastewater COD*2	952 t
NO _x	2,000 t	Wastewater SS	644 t
Dust	83 t	Industrial waste generated (Amount of waste plastic generated)	257,000 t (9,000 t)
Chemical substances subject to the PRTR law		Industrial waste final disposal volume	5,000 t
Discharge	1.4 t	Paper/paperboard production volume	1,502,000 t
Transported	0 t		

Scope: Hokuetsu Corporation

Changes in Environmental Performance

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	
Air	SO _x	kg/ton of paper	0.33	0.36	0.31	0.32	0.26
	NO _x	kg/ton of paper	1.45	1.36	1.31	1.60	1.32
	Dust	kg/ton of paper	0.07	0.07	0.07	0.06	0.06
Water quality	Water consumption	m ³ /ton of paper	58.1	59.1	60.6	70.1	63.2
	Wastewater BOD*2	kg/ton of paper	0.26	0.29	0.28	0.27	0.27
	Wastewater COD*2	kg/ton of paper	3.54	3.94	4.23	4.37	4.1
	Wastewater SS	kg/ton of paper	0.28	0.35	0.36	0.42	0.43
Chemical substances	Volume of chemicals subject to the PRTR law discharged/transported	g/ton of paper	0.91	0.99	0.96	-	0.93
Industrial waste	Final disposal	kg/ton of paper	4.5	4.3	4.3	4.0	3.3

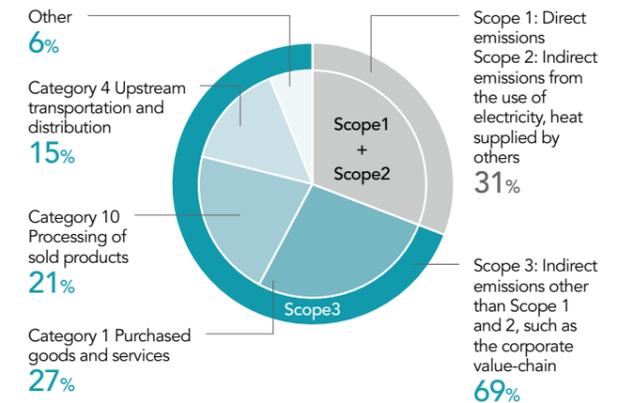
*1 Energy input and CO₂ emissions are provisional values as of August 2021.

*2 Mills that discharge wastewater to rivers use BOD, while mills that discharge wastewater to the sea use COD to manage wastewater quality.

Reduction of Greenhouse Gas Emissions Across the Corporate Value-Chain

We believe it is important to ascertain and manage greenhouse gas emission levels across the entire product lifecycle, from raw materials procurement to product usage and disposal, and estimate the indirect greenhouse gas emissions not just during our own production stages but across the entire corporate value-chain (Scope 3 emissions). From FY2017, we have been working toward effectively reducing greenhouse gas emissions as an entire Group, by expanding our scope to overseas Group companies to achieve the goal.

Estimates of greenhouse gas emissions across the entire corporate value-chain of the Group (results for FY2021)



Environmental Conservation Cost

Scope of calculations: Hokuetsu Corporation Target period: April 1, 2021 - March 31, 2022 Monetary unit: Millions of yen

Category	Major activities and their results	Investment	Cost
1. Business area costs: Environmental conservation costs to control environmental impact that results from key business operations within the business area		1,561	5,648
Composition	(1) Pollution control cost	314	2,809
	a. Air pollution control measures	28	501
	b. Water pollution control measures	252	2,225
	c. Noise, vibration, and odor control measures	33	82
	(2) Global environmental preservation cost	864	770
	a. Prevention of global warming	812	764
	b. Energy conservation	35	(Included in manufacturing cost)
	c. Company-owned tree farms in Japan	17	5
	d. Afforestation activity overseas	-	-
	(3) Resource circulation cost	381	2,068
	a. Efficient utilization of resources	352	(Included in manufacturing cost)
	b. Reduction, recycling, treatment, disposal, etc., of industrial waste	29	2,068
2. Upstream/downstream costs: Environmental preservation costs to control environmental impact that results from key business operations upstream and downstream		-	467
Composition	(1) Purchase of materials, etc., with smaller environmental impact	-	-
	(2) Recycling and collection of containers and packaging	-	467
3. Administrative costs: Environmental conservation costs stemming from administrative activities		-	228
Composition	(1) Environmental training for employees, etc.	-	1
	(2) Building, implementation, and obtaining certification for an environmental management system	-	10
	(3) Monitoring and measuring environmental impact	-	68
	(4) Running costs for an environmental conservation system, etc.	-	147
4. R&D costs: Environmental conservation costs stemming from R&D activities		-	144
Composition	(1) R&D to develop products that contribute to environmental conservation	-	40
	(2) R&D and planning to curtail environmental impact at the manufacturing stage, etc.	-	104
5. Social activity costs: Environmental preservation costs stemming from social activities		1	59
Composition	(1) Planting of greenery, beautification, etc.	1	33
	(2) Support, etc., of environmental preservation activities by the local community	-	0
	(3) Support for environmental groups	-	14
	(4) Disclosure of environmental conservation information and related advertisements	-	10
6. Environmental remediation costs: Costs incurred from dealing with environmental degradation		-	92
Total		1,562	6,641

E Environmental Initiatives

Disclosure of information based on TCFD recommendations



In recent years, extreme weather such as droughts, forest fires, torrential rains, large typhoons, and landslides, which are thought to be caused by climate change, have been frequently occurring in the global environment.

In line with the request from the G20 (meeting of finance ministers and central bank governors of 20 countries and regions) in February 2021, the Group has declared its support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) established by the FSB (Financial Stability Board).

The Group will reflect the risks and opportunities analyzed based on the recommendations of the TCFD in its management strategy, aiming for net zero CO₂ emissions by 2050.

Governance initiatives

The Group has established the Group Basic Sustainability Policy in order to share with all management that sustainability issues, including efforts to combat climate change, are the most important issues facing management, and to actively and proactively promote them by considering the following as materiality (important issues):

- (1) Promotion of global warming countermeasures
- (2) Promotion of the procurement of environmentally-friendly raw materials
- (3) Consideration for the global environment by reducing environmental load.

In addition, the Group Sustainability Committee, under the direct supervision of the president and CEO, formulates basic policies and implementation targets, and manages their progress. It then reports matters decided by the Committee to the Board of Directors.

We also established the Group Environmental Committee for the purpose of realizing the philosophy and basic policies of the Group Environmental Charter through ongoing environmental preservation activities to protect local communities and the global environment.

Strategy initiatives

The Group analyzes the risks and opportunities posed by climate change based on a 1.5–2°C scenario (e.g. IEA's

SDS) and a 4°C scenario (e.g. IPCC's RCP8.5).

Risk management initiatives

The Group recognizes climate change-related risks as important corporate risks, and when surveying the internal and external risk environment surrounding the Group with Group risk management activities, we added climate change-related items to the list of environmental risks. We created a risk management basic plan based on this and promote measures to avoid, reduce, and transfer risks.

In addition, the Group's measures to combat climate change and other risk controls are implemented at the Risk Management Officers Meeting, which is attended by the president and CEO, for the purpose of strengthening the Group's corporate governance, internal controls centered on controlling risk, and thorough compliance.

Indicators and targets

The Group aims to achieve "Zero CO₂ 2050" by 2050, in which CO₂ emissions are effectively zero.

Moving forward, we will continue to take on the challenge of achieving net zero emissions in 2050 by

taking further measures to reduce CO₂, such as switching from heavy oil to natural gas in pulp-manufacturing processes and in recovery boilers, and by installing biomass boilers.

Main risks and opportunities

Category	Risk	Risk details	Measures to reduce risk
Transition risks	Tighter CO ₂ emission regulations	• Introduce and enhance carbon pricing such as carbon taxes and emissions trading systems	<ul style="list-style-type: none"> • Establishment of "Hokuetsu Group Zero CO₂ 2050" and "Group Environmental Target 2030" • Further promote energy conservation • Active use of biomass energy such as black liquor generated in the pulp manufacturing process • Use of carbon-neutral fuels • Promote modal shift to railways, etc. with low CO₂ emissions • Introduced high-efficiency chip carriers
	Tighter regulations for the spread of renewable energy	• Increase in unit price of levy to promote power generation with renewable energy	
	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	
	Growing criticism of lack of environmental consideration	• Increased consumer criticism and product boycotts due to lack of environmental consideration in climate change countermeasures and forest conservation	
	Lower valuation from investors	• Lower valuation and withdrawal (divestment) of investment in ESG investments due to delay in addressing climate change	
Physical risks	Impact on business due to increased extreme weather	<ul style="list-style-type: none"> • Damage to the company's mills and facilities due to extreme weather such as torrential rains, floods, and large typhoons • Suspension of services due to damage to infrastructure such as electricity and water due to extreme weather • Disruption of supply chains due to extreme weather 	<ul style="list-style-type: none"> • Assessed and implemented measures for natural disaster risks at mills • Developed BCP (Business Continuity Plan) based on "Regulations of Emergency Response" • Promoted profitable and stable procurement by diversifying suppliers, etc.
	Impact of changes in weather patterns on procurement of raw materials	<ul style="list-style-type: none"> • Deterioration of growth of trees used as raw materials for paper pulp due to rising temperatures, frequent forest fires, and outbreaks of diseases and insects 	
Category	Opportunity	Opportunity details	Measures to take advantage of opportunities
Opportunity	Growing need for environmentally-friendly products and services	• Increase in need for environmentally-friendly products and services due to heightened consumer awareness	<ul style="list-style-type: none"> • Provide FSC® certified products (Hokuetsu Corporation FSC license code: FSC-C005497) • Develop and expand sales of plastic alternatives such as paper materials to eliminate plastic • Develop composite materials of cellulose nanofiber and carbon fiber, which are cutting-edge biomass materials • Develop a transparent heat-insulating porous material that improves the insulation performance of double-glazed windows to contribute to energy conservation in homes • Develop and expand sales of battery separators
	Sympathy for advanced environmental considerations	• Increased sympathy and active purchase of products from consumers and business partners for environmental considerations such as climate change measures and forest conservation	
	Improved valuation from investors	• Improve valuation and attract investment in ESG investments through advanced climate change initiatives	
	Growing need for carbon-free energy	• Growing need for carbon-free energy to achieve carbon neutrality	
	Growing interest in forest sinks	• Growing interest in forest sinks that sequester and fix CO ₂ and contribute to climate change issues	
	Growing interest in water resources	• Increased interest in water resources, where there are concerns about declining water volumes and deteriorating water quality due to climate change, etc.	
	Growing interest in forest resources	• Increased interest in forest resources which is concerned about growth deterioration and ecosystem loss due to climate change, etc.	

S Social Initiatives

Innovative safety activities so that everyone can work safely and securely with purpose and vigor

Group-wide KPI Zero serious accidents (every fiscal year)

We established the Group Fundamental Policy for Health and Safety based on the Group Corporate Philosophy to create workplaces in the Group where employees can work safely and securely with purpose and vigor and make it clear that safety and health are the basis of management. We are also actively advancing occupational safety and health activities to improve our safety and health performance.

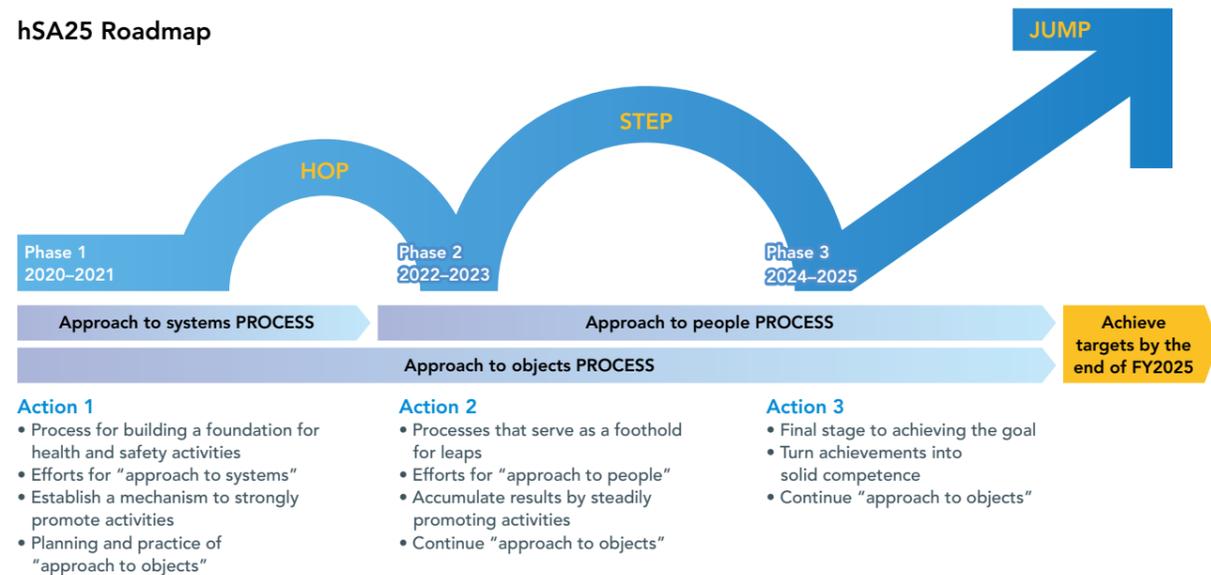
“hSA25” safety and health activities that the entire Group engages in from a medium-term perspective

The Hokuetsu Group is working on hSA25 (hokuetsu Safety Action 25), which aims to achieve zero serious accidents and 25 or fewer occupational accidents

(including minor accidents) for the Group in FY2025 through medium-term activities.



hSA25 Roadmap



Review Phase 1 “HOP” (FY2020-2021)

In Phase 1, we mainly worked on “approach to systems,” one of the three pillars of hSA25 activities. We have steadily pushed forward with hSA25, and by building a mechanism that will serve as a foundation for achieving results, we have accumulated the strength to take the next step forward with certainty.

Specifically, we have made clear our health and safety philosophy and guidelines through the Group Health and Safety Management Policy, so that all Group employees can promote health and safety activities on the same vector. We have also acquired ISO45001 certification, the international standard for occupational health and safety management, and established a health and safety management system that ensures the implementation of all activities from goal setting to the realization of results. Under this system, we also revised the regulations on office organization to strengthen the

responsibility and authority of the head of the Safety and Environment Management Office at each workplace to lead safety and health management activities at mill.

Towards Phase 2 “STEP” (FY2022-2023)

In Phase 2, we will develop initiatives focusing especially on the “approach to people” based on the foundation of safety activities established in Phase 1. Through safety and health activities that address the needs of each and every employee, our aim is to develop human resources who can think and act with safety and health as their top priority.

We will boldly work to improve the Hokuetsu Group’s safety and health performance based on the three pillars of the “approach to systems” taken in Phase 1, the “approach to people” in Phase 2, and the “approach to objects” to be taken on an ongoing basis.

Promote respect for diversity and development of human resources

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

In responding to rapid changes in the business conditions, it is essential to create an environment that maximizes the capabilities of diverse human resources of different races, religions, genders, and cultural backgrounds. The Group promotes diversity as a driving force for rapid transformation and innovation in its business portfolio.

Formulated the Hokuetsu Group Basic Policy on Diversity

In December 2021, the Group established the “Group Basic Policy on Diversity.” We aim to boost individual motivation and revitalize our organization by allowing each and every employee, regardless of their gender or nationality, to proactively shape his or her own career. At

the same time, we aim to support the activities of diverse human resources and foster a positive corporate culture conducive to work through human resource development by respecting the independence and challenging spirit of employees.

Hokuetsu Group Basic Policy on Diversity

In the Group Corporate Philosophy, our Group shares the vision of respecting diversity and maximizing human resources as a “people focused business,” while the Group Code of Conduct shares the vision of respecting cultures, religions, and customs of countries and regions in which we operate, and strives to act by appreciating diversity in values.

Under these basic understandings, we aim to sustainably enhance our corporate value by securing diversity in the use of core human resources who can act as the driving force behind change to rapidly transform our business portfolio and promote innovation in response to rapidly changing business conditions.

Established the Diversity Committee and priority issues

Hokuetsu Corporation has established the Diversity Committee to plan, implement, and check the measures necessary to promote diversity. The important issues of the Diversity Committee are as follows.

- **Ensure diversity in core human resources**
Double the percentage of women, non-Japanese, and mid-career hires in management and executive ranks from the current level of approximately 10% by 2030.
- **Hire diverse human resources**
Expand mid-career hiring, increase the ratio of female hires through positive action, and hire people with

disabilities in excess of the legally mandated rate.

- **Support the activities of diverse human resources and foster a positive corporate culture conducive to work**
Conduct education on unconscious bias and communicating training that respects oneself and others.
- **Work-life balance**
Introduce flexible work systems, expand childcare and nursing care support systems, and promote health management.

Held diversity training

In February 2022, we held diversity training for officers and managers. We welcomed Touko Shirakawa, who gave a presentation on the broad theme of works style reform that touched upon topics such as unconscious bias, paradigm shifts, and psychological safety. We will continue to conduct further workshops in the future with the aim of creating a harassment-free workplace.



Presentation by Touko Shirakawa

S Social Initiatives

Promoting work-life balance and health

Group-wide KPI

- Annual health checkup rate: **100%**
- Smoking rate: **30% or less**
- Employees who exercise regularly: **30% or more**
- Employees taking stress checks: **over 95%**

Hokuetsu Group Health Declaration

Under the Hokuetsu Group Corporate Philosophy, the Hokuetsu Group encourages the creation of a workplace that places the highest priority on the safety and security of each and every employee, and also seeks to revitalize business activities through the promotion of health management, including the realization of work-life balance and mental health promotion.

Maintaining and promoting employee health

The Group has a health management system under the executive officer in charge of the Personnel Department who is responsible for health management and is promoting health management by creating a workplace that prioritizes the safety and security of each and every employee, as well as realizing work-life balance and promoting mental health. It has also set numerical targets for FY2023. In recognition of these efforts, we were awarded for 2022 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category) certification.

Certification as 2022 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category)



The Certified Health & Productivity Management Outstanding Organizations Recognition Program is a system in which Nippon Kenko Kaigi certifies large corporations and small and medium-sized companies that practice particularly excellent health management, based on the health promotion initiatives led by the Ministry of Economy, Trade and Industry and promoted by Nippon Kenko Kaigi.

Health management system chart



Creating a better workplace

In order to promote a better working environment, we have established a new refresh area in our company at headquarters for use by employees and guests.

In addition, we are improving the working environment at each workplace by installing heat stroke countermeasures and air purifiers.

Progress of group-wide KPIs (non-consolidated)

Item	FY2020 (results)	FY2021 (results)
Annual health checkup rate	100%	100%
Smoking rate	34.2%	34.1%
Employees who exercise regularly	24.9%	26.9%
Employees taking stress checks	87.8%	91.6%



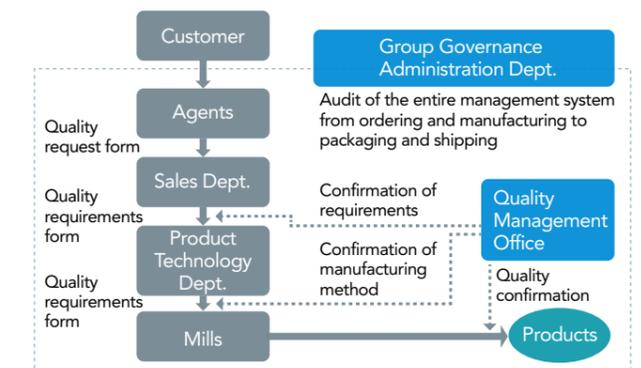
Head office refresh space

Ensuring product safety and responsible services to customers and society

Along with thorough quality control, we strive to improve customer satisfaction by accurately understanding the requests of our customers and other stakeholders and providing the correct information.

Ensuring product safety and responsible services to customers

In the Group, the Quality Management Office conducts regular internal quality audits of compliance with various regulations, including confirmation of the safety of raw materials and compliance with voluntary standards for products used in containers and packaging for food applications. Furthermore, the Group Governance Administration Department audits the entire management system from the receipt of orders to their shipment at each workplace and Group company to ensure that products are safe for customers to use.



Creating products that contribute to sustainable social development

As awareness of SDGs increases, there is a need to address issues such as climate change, including the reduction of CO₂ emissions on a global scale. The Group is promoting efforts to explore new paper possibilities and developing products that are sustainable and contribute to society.

As an alternative material to plastic, we make paper cup base paper and paper cutlery base paper and have expanded our sales track record for base paper for various food products compliant with the Food Sanitation Act.

We have also developed special materials made from biomass that are easily biodegradable, such as PASCO® and vulcanized fiber, with strength and durability surpassing those of paper, as well as a unique

texture, to produce products that are both environmentally-friendly and of good design.

The Group will contribute to SDGs by developing products that meet the needs of the world, using the knowledge and technology it has cultivated over the years, with free thinking that is not bound by field or conventional wisdom.



Paper cups made from environmentally-friendly paper packaging materials

Boomerang type hanger with a circular design

Enhancement of dialogue with stakeholders

In promoting sustainability activities, each mill and group company sets its own goals and promotes dialogue with various stakeholders, including customers, neighbors, research institutions, and local governments.

In addition to engaging with local communities by accepting trainees and mill tours, and sponsoring various events, we are also working to build good relationships with investors and shareholders. We have also started

new SR activities from FY2021, in addition to our conventional IR activities. In FY2021, we held more than 70 dialogues with institutional investors regarding IR/SR activities and received valuable feedback. The Group will continue to promote dialogue with our stakeholders and reflect this in our business activities to enhance our corporate value.

G Corporate Governance Initiatives

Aiming to further improve transparency and fairness

Executive Officers



Sekio Kishimoto
President and CEO



Mitsushige Yamamoto
Managing Director



Shigeharu Tachibana
Managing Director



Yasuyuki Kondo
Director



Shigeru Wakamoto
Director



Hiroyuki Otsuka
Director



Mitsuyasu Iwata
Director (Outside Director)



Kazuo Nakase
Director (Outside Director)



Hiromitsu Kuramoto
Director (Outside Director)



Hiroko Nihei
Director (Outside Director)



Manabu Ueno
Standing Audit & Supervisory Board Member



Jun Itoigawa
Outside Audit & Supervisory Board Member



Keiji Watanabe
Outside Audit & Supervisory Board Member

Director skill matrix

Name	Position	Specialty/character								
		Corporate management	Internationally minded	Industry knowledge	ESG/Sustainability	Finance and accounting	Technology/IT	Sales and marketing	Human resources and labor	Purchasing and Procurement
Sekio Kishimoto	President and CEO	●	●	●	●	●		●	●	●
Mitsushige Yamamoto	Managing Director	●	●	●	●			●		
Shigeharu Tachibana	Managing Director	●	●	●	●			●		
Yasuyuki Kondo	Director			●	●	●			●	
Shigeru Wakamoto	Director			●	●		●			
Hiroyuki Otsuka	Director			●	●		●			
Mitsuyasu Iwata	Director (Outside Director)	●	●		●					
Kazuo Nakase	Director (Outside Director)	●		●	●			●		
Hiromitsu Kuramoto	Director (Outside Director)	●	●		●					●
Hiroko Nihei	Director (Outside Director)		●		●				●	

Corporate Officers

Makoto Yanagisawa Masayuki Kuribayashi Koji Goto Kunihiko Kashima Satoshi Miyake Tomoyuki Iida
 Kunihiro Ando Maou Sugimoto Shu Mizuguchi Satoshi Okamoto Takashi Kasahara

Basic philosophy of corporate governance

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

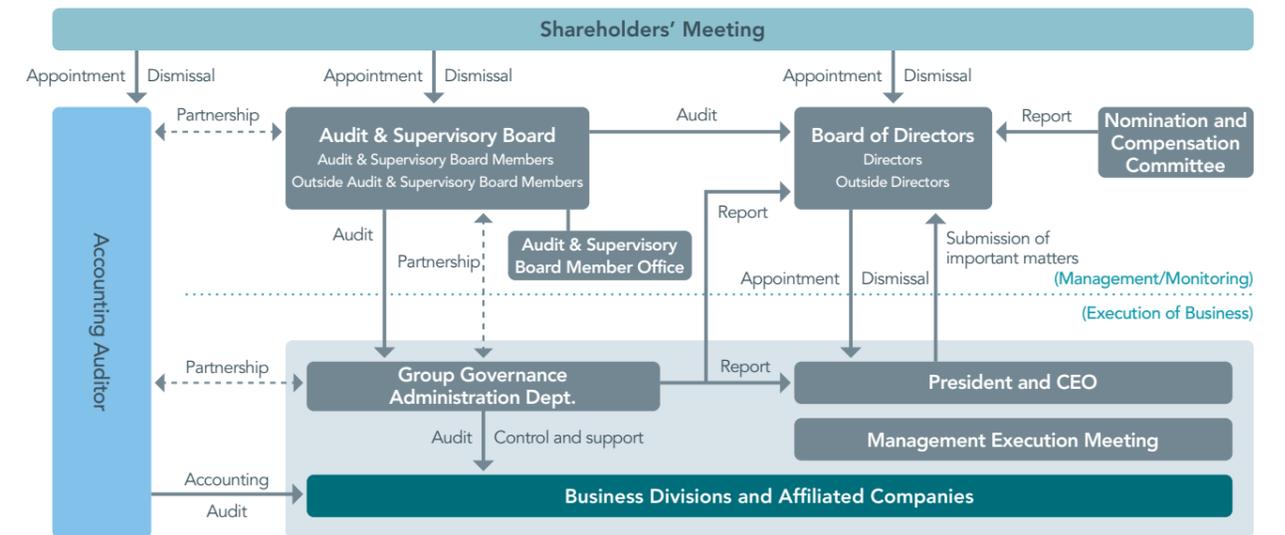
- We respect the rights of our shareholders and will strive to establish an environment in which shareholders can exercise their rights appropriately and to secure equality between shareholders.
- We recognize the importance of corporate social responsibility and will strive to collaborate appropriately 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 supervisory functions of the board of directors through its analysis and assessment.
- We will actively and constructively engage in dialogue with our shareholders based on our Basic Policy for Active and Constructive Dialogue with Shareholders to support the enhancement of our stable, long-term corporate value.

The Board of Directors shall establish and disclose the Group Code of Conduct to be shared by all employees and executive officers of our corporate group.

Organizational Structure Chart of Corporate Governance



Composition and achievements

Organization design Company with a Board of Directors and Board of Corporate Auditors	Number of directors*1 10 (4 outside corporate auditors included)	Number of Audit & Supervisory Board Members*1 3 (2 outside Audit & Supervisory Board Members included)	Number of independent directors and auditors*1 6
Number of meetings of the Board of Directors*2 12	Number of Board of Corporate Auditors meetings*2 15	Attendance rate of outside directors at Board of Directors meetings*2 100%	Attendance rate of outside Audit & Supervisory Board Members at Board of Corporate Auditors meetings*2 100%
Accounting auditor KPMG AZSA LLC			

*1 As of June 29, 2022. *2 Results for fiscal 2021.

Organizational Structure of Corporate Governance

Board of Directors

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

Outside directors give advice from a neutral position independent from management to enhance our stable, long-term corporate value, and play a significant role in the decision-making for the important management issues of our company. They oversee conflicts of interest between our company and management.

The Board of Directors establishes the institutional

systems for internal discipline and cooperates with the relevant departments to supervise and ensure that they are operating effectively.

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

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

In order to improve the function of the Board of Directors, we assessed the effectiveness (such as strategic, decision-making, and supervisory functions) of the Board of Directors by all executive officers, including outside directors, and discussed the analysis results at the Board of Directors meeting. As a result, the members of the Board of Directors had constructive discussions on the knowledge, experience, and skills, etc. needed to effectively fulfill their roles and responsibilities. The Board also reaffirmed its effectiveness has been secured as they deemed it to have the appropriate supervisory functions.

Audit & Supervisory Board Members and the Board of Corporate Auditors

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

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

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

The number of members of the Board of Corporate Auditors is 5 or less, as stipulated in the Articles of Incorporation, with more than half of the members composed of outside corporate auditors in order to ensure the independence of the Board of Corporate Auditors. The Board is chaired by a standing corporate auditor. Outside corporate auditors are determined by the independence judgment criteria set by the Financial Instruments Exchange.

Nomination and Compensation Committee

The Board of Directors consists of a total of 10 directors, including 4 independent outside directors, and a voluntary Nomination and Compensation Committee, all designed to strengthen corporate governance.

We believe that the independence and objectivity of this committee is sufficiently ensured by the fact that the majority of its members are independent outside directors. The committee is chaired by the President and CEO, who is most familiar with the Company's overall

business. The Nomination and Compensation Committee, based on its mandate from the Board of Directors, fairly deliberates on director nominations

(including succession planning) and compensation from an independent and objective standpoint, and reports the results of its deliberations to the Board of Directors.

Risk management

Risk management system

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

The Hokuetsu Group has established a Chief Risk Management Officer who reports directly to the

president to promote risk management activities. Through regular Risk Management Officer meetings and Consolidated Management Internal Control Meetings, the Chief Risk Management Officer determines policies to avoid or minimize the Group's management risks and inspects the internal management system.

Risk management activities

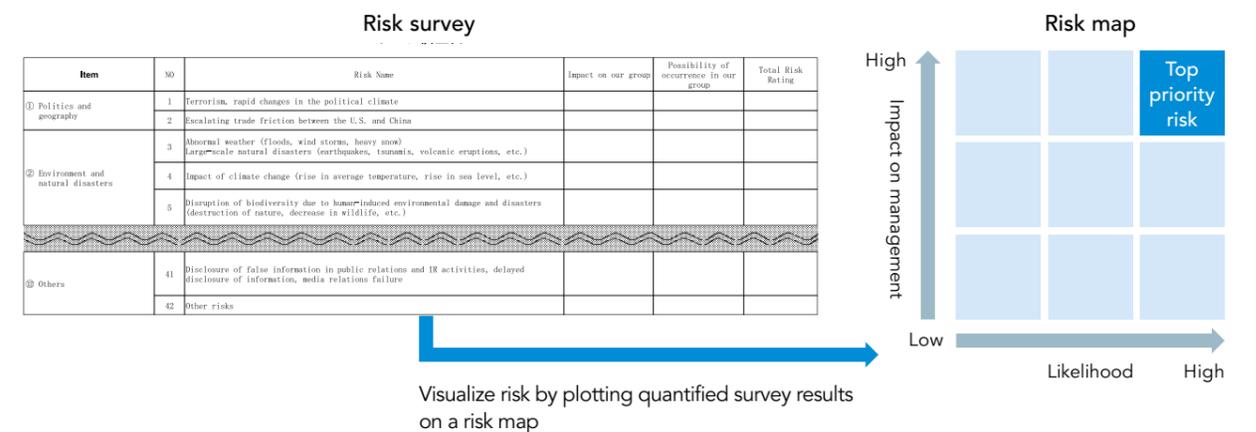
In FY2021, in order to develop and strengthen the Group's risk management activities, we set the eradication of occupational accidents and appropriate management of working hours as important issues and promoted efforts to minimize risks.

In addition, in order to identify management risks that could hinder the development of the Group, we conducted a group-wide risk survey after classifying management risks into 42 categories. We quantified risks and created risk maps to identify management

risks. Furthermore, in order to regularly promote these efforts, we revised the Group Risk Management Basic Regulations and reviewed our overall risk management activities.

At the same time, as in FY2020, in response to the COVID-19 pandemic, we consolidated Group-wide information and disseminated specific countermeasures, revised our business continuity plan (BCP) for infectious diseases at each workplace and Group company, and promoted actions to prevent the spread of infectious diseases.

Identifying management risks with a risk map



Compliance

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

In FY2021, we conducted workshops on the theme of complying with the Anti-Monopoly Act to reiterate the purpose and content of the "Basic Regulations for Compliance with Competition Law" and "Guidelines for Compliance with Competition Laws," which have already been established. The workshop also covered labor management to properly manage employees' working hours and cyberattacks to alert employees to the possibility of a system failure and information

leakage outside the company. We also hold waste compliance training every year for Hokuetsu employees and employees of Group companies involved in waste management operations. We have raised the compliance awareness of all Group employees through these programs.

In 2019, we became the first pulp and paper manufacturer to be registered as a self-conformity declaration registrant under the "Whistleblowing Compliance Management System (System of self-declaration of Conformity Registration)" introduced by the Consumer Affairs Agency to highly evaluate companies that establish and operate excellent internal reporting systems. We will renew this certification in FY2021 and strive to further improve our credibility.

Outside director's message

Stimulating constructive discussions that go beyond ensuring compliance

Twenty-five years ago, while many paper manufacturers were using coal as boiler fuel, we shifted to natural gas and biomass. Today, we are facing a difficult situation with soaring fuel prices, and I sense that our business performance is strongly supported by the visionary management decisions we made at that time. Ensuring compliance is an important role for me as a lawyer and in a position independent from management, but I would like to go beyond that and contribute to the medium- to long-term development of the Company by engaging in free and constructive discussions at Board of Directors meetings from a variety of perspectives.



Hiroko Nihei
Director (Outside Director)

Business Locations

Japanese Group companies

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

■ Tokyo Head Office



- Hokuetsu Paper Sales Co., Ltd.
- Hokuetsu Package Co., Ltd.
- Hokuetsu Pallet Co., Ltd.

● Hokuetsu Toyo Fibre Co., Ltd.



■ Niigata Mill



- Hokuetsu Paper Tec Niigata Co., Ltd.
- Techno-Hokuetsu, Ltd.
- MC Hokuetsu Energy Service Company
- Hokuetsu Logistics Co., Ltd.
- Hokuetsu Suiun Co., Ltd.
- Hokuetsu Engineering Co., Ltd.

■ Nagaoka Mill



■ Central Research Laboratory



● Hokuetsu Material Co., Ltd.

■ Kanto Mill Katsuta



- Hokuetsu Package Co., Ltd. Kanto Mill
- Hokuetsu Paper Tec Katsuta Co., Ltd.

■ Nagoya Office

■ Osaka Branch

■ Osaka Mill



■ Kishu Mill



● Hokuetsu Paper Tec Kishu Co., Ltd.

■ Kanto Mill Ichikawa



Overseas Group companies

Main locations
 ● Overseas Group company
 ▲ Overseas location



● Bernard Dumas S.A.S.



● Alberta-Pacific Forest Industries Inc.



▲ HOKUETSU CORPORATION USA

▲ Ho Chi Minh Representative Office

● Jiangmen Xinghui Paper Mill Co., Ltd.



● Shanghai Toh Tech Co., Ltd.



Production/research locations		Niigata Mill/Kishu Mill/Kanto Mill Ichikawa/Kanto Mill Katsuta/Nagaoka Mill/Osaka Mill/Central Research Laboratory
Consolidated subsidiaries	Japan	Paper and pulp segment Hokuetsu Paper Sales Co., Ltd./Hokuetsu Toyo Fibre Co., Ltd./Hokuetsu Paper Tec Niigata Co., Ltd. Hokuetsu Paper Tec Kishu Co., Ltd./Hokuetsu Paper Tec Katsuta Co., Ltd. Techno-Hokuetsu, Ltd./MC Hokuetsu Energy Service Company
		Packaging and paper processing segment Hokuetsu Package Co., Ltd.
		Timber business Hokuetsu Material Co., Ltd.
		Engineering business Hokuetsu Engineering Co., Ltd.
		Transportation/warehousing business Hokuetsu Logistics Co., Ltd./Hokuetsu Suiun Co., Ltd.
	Other Hokuetsu Pallet Co., Ltd.	
Overseas	Paper and pulp segment	Alberta-Pacific Forest Industries Inc./Xing Hui Investment Holdings Co., Ltd. Jiangmen Xinghui Paper Mill Co., Ltd./Bernard Dumas S.A.S.
	Packaging and paper processing segment	Shanghai Toh Tech Co., Ltd.
Affiliated companies accounted for under the equity method		Daio Paper Corporation/Nikkan Co., Ltd./Niigata GCC Co., Ltd./Niigata PCC Co., Ltd.

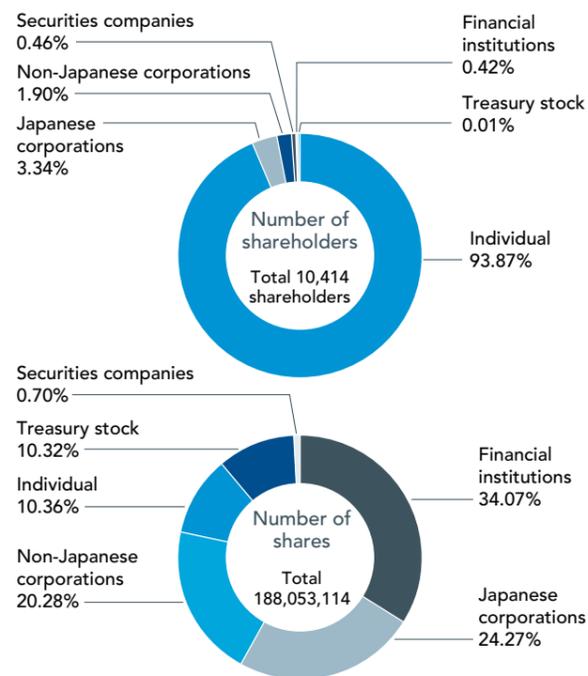
Equity Data

Stock Information (as of March 31, 2022)

Shareholder registry administrator Mizuho Trust & Banking Co., Ltd.
Number of shares authorized 500,000,000
Number of shares issued (including own shares) 188,053,114
Number of shareholders 10,414

Listed Stock Exchange Tokyo
Share unit number 100 shares
Independent audit firm KPMG AZSA LLC

Distribution of shares by shareholders (as of March 31, 2022)



Major Shareholders (as of March 31, 2022)

Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Trust Bank of Japan, Ltd. (Trust Account)	19,804	11.74
Daishi Hokuetsu Bank, Ltd.	8,632	5.12
Daio Kaiun Co., Ltd.	8,011	4.75
Hokuetsu Corporation Ownership Association	6,644	3.94
Sumitomo Realty & Development Co., Ltd.	6,066	3.60
OASIS JAPAN STRATEGIC FUND LTD.-CLIENT ACCOUNT	5,615	3.33
Sompo Japan Insurance Inc.	4,499	2.67
Misuga Kaiun Co., Ltd.	4,400	2.61
Kawasaki-kami Unyu Co., Ltd.	4,350	2.58
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	3,822	2.27

* In addition to the above, the Company holds 19,420 thousand shares of treasury stock

Change in stock price and trading volume



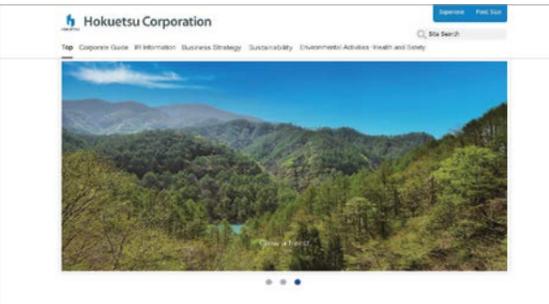
Corporate Data (as of March 31, 2022)

Corporate Name: Hokuetsu Corporation
Established: April 27, 1907
Head office: 3-5-1, Nishizao, Nagaoka, Niigata Prefecture
Capital: 42,020,940,239 yen
Fiscal year ending: March 31
Number of consolidated subsidiaries: 18 (13 in Japan, 5 overseas)
Number of affiliated companies accounted for under the equity method: 4
Number of employees: 4,270 (consolidated); 1,537 (non-consolidated)

Website information (Hokuetsu Corporation and major Japanese Group companies)

Hokuetsu Corporation 

<https://www.hokuetsucorp.com/en/index.html>



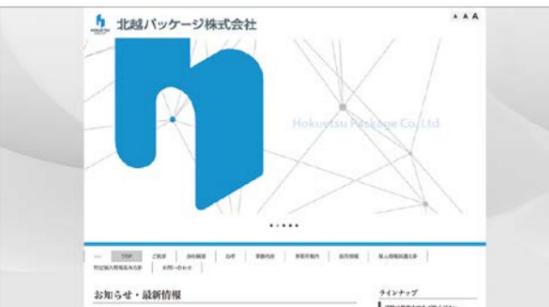
Hokuetsu Paper Sales (Japanese) 

<https://hokuetsu-kami.jp/>



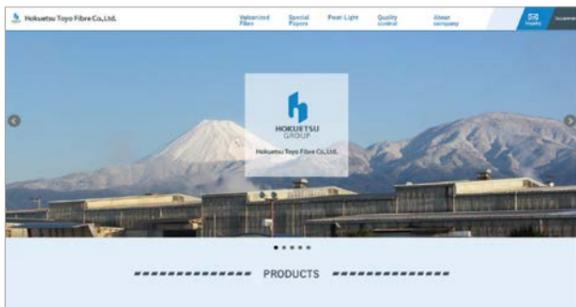
Hokuetsu Package (Japanese) 

<https://www.hokuetsu-pc.co.jp/>



Hokuetsu Toyo Fibre 

<https://hokuetsu-toyofibre.jp/e-index/>



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