

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

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May 22, 2020

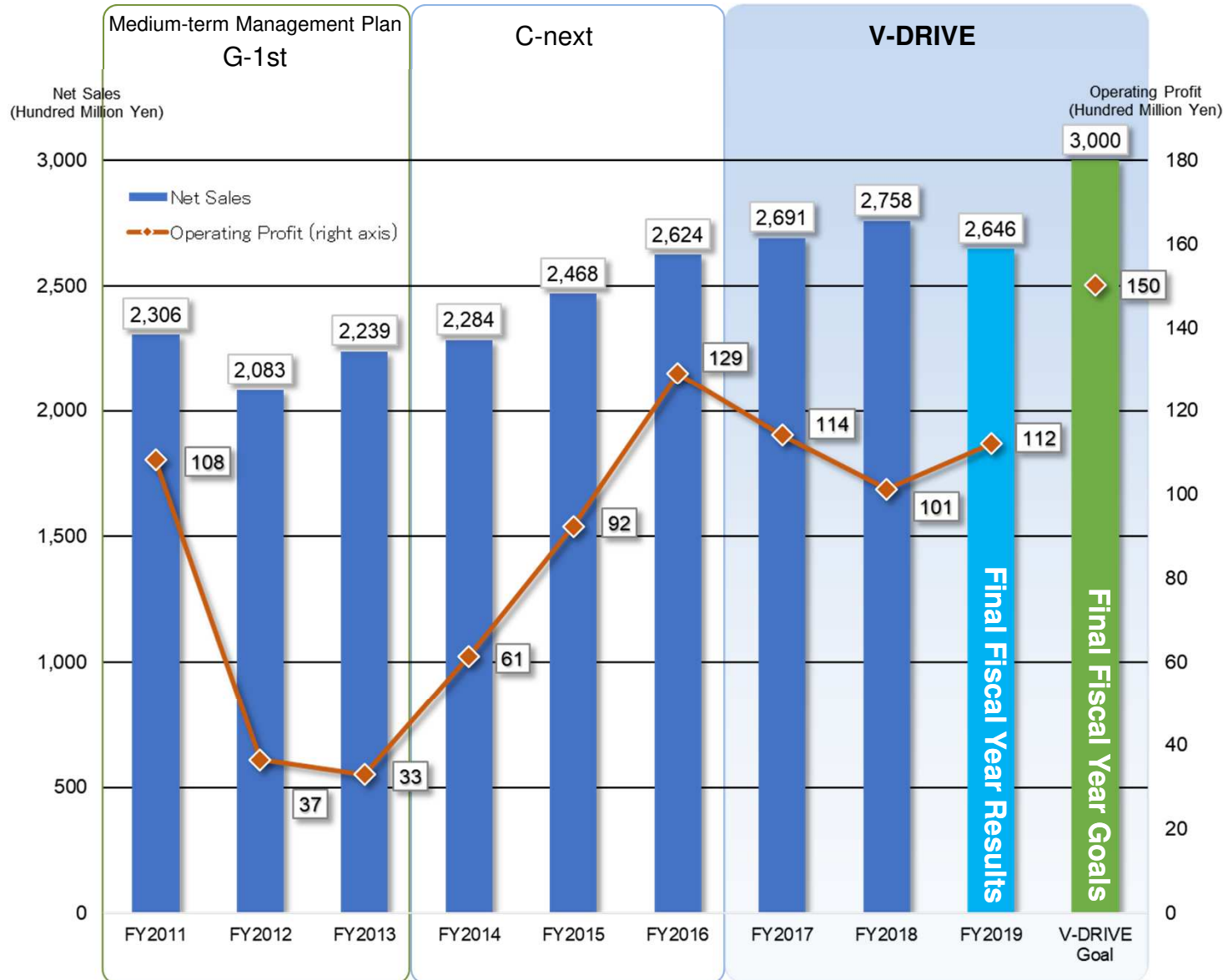
**Hokuetsu Corporation**



# Long-term Corporate Vision & Medium-term Management Plan



## Long-term Vision – “Vision 2020” Business Results



### Vision 2020 Corporate Image

Net Sales Over ¥300 billion  
Overseas Sales Percentage 25%

### FY2019 Results

Net Sales ¥264.6 billion  
Overseas Sales Percentage 30.5%

### FY2019 Target Consolidated Management Indicators

Net Sales ¥300 billion  
Operating income ¥15 billion  
Operating income Percentage 5.0%  
ROE 6.0%  
EBITDA ¥40 billion  
Net D/E Ratio Less than 0.6

### FY2019 Consolidated Management Results

Net Sales ¥264.6 billion  
Operating income ¥11.2 billion  
Operating income Percentage 4.2%  
ROE 4.3%  
EBITDA ¥34.9 billion  
Net D/E Ratio 0.47

## 2020 Corporate Image Target

■ A business that promotes environmental management and places importance on the environment in its various business activities.

■ A business that provides attractive products with high quality and cost-competitiveness, through advanced technology.

■ A business that continues steady growth and endless challenges with passion.

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

- Gas turbine facility installed in the Niigata Mill
- Calculations of greenhouse gases begun across the entire supply chain (from FY2013)
- CO<sub>2</sub> emission levels (single substance)  
FY2011 437kg/CO<sub>2</sub>/t → FY2018 398kg/CO<sub>2</sub>/t 9% reduction
- High-efficiency Black Liquor evaporator activated at Niigata Mill
- New wood chip carrier (eco ship) introduced
- Expansion of FSC certified products lineup
- Operation of solar power generator facilities (Niigata Mill, Kanto Mill, Hokuetsu-Material)
- Exhibited at EcoPro exhibition

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

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

## FY2019

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

Business developed in line with the “Vision 2020” corporate image

# Medium-term Management Plan “V-DRIVE” Results Examination

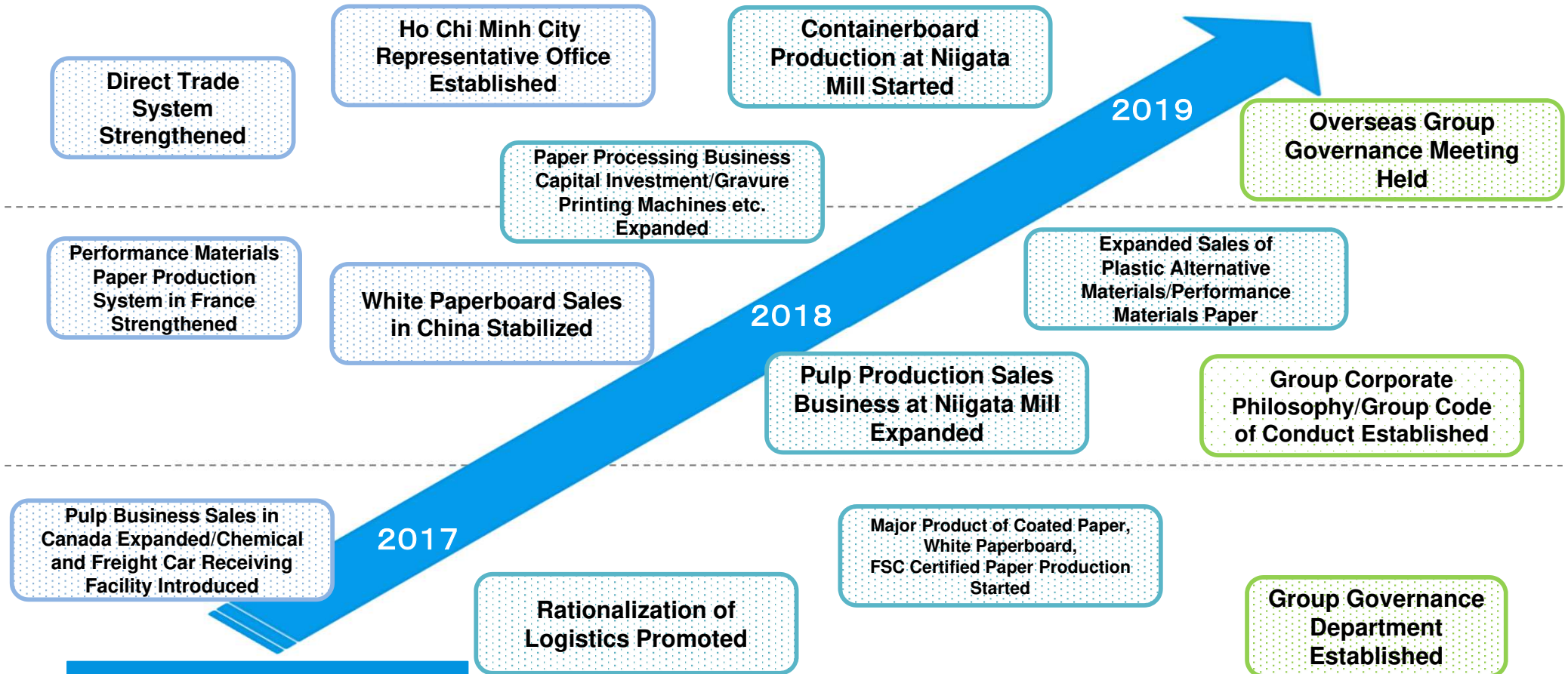


## Basic Policy

### Expansion of Overseas Business

### Re-Strengthen Mill Competitiveness

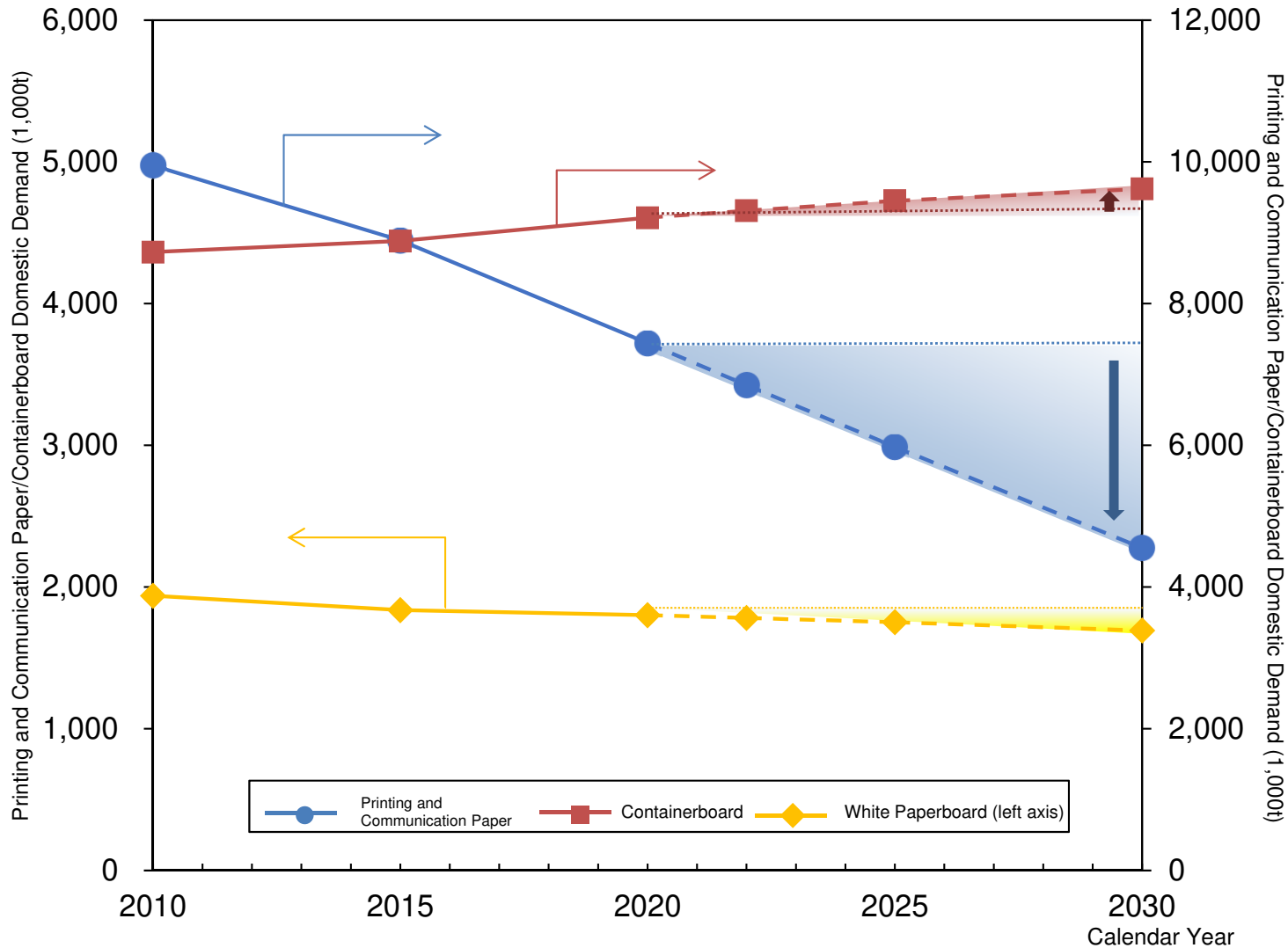
### Strengthen Foundations of Consolidated Management System



## V-DRIVE Overview

- By steadily implementing measures in line with the Basic Policy, we have been able to expand overseas business operations, deliver attractive products to our customers, realize the creation of a firm compliance/governance system, and establish our position as a global business.
- Target Consolidated Management Indicators were not achieved due to a reduction in the amount of produced/sold paper, and other factors.

## Outlook on Domestic Demand for Printing and Communication Paper, White Paperboard and Containerboard (Company Estimation)



(Estimated based on the Japan Paper Association domestic demand performance trends and the annual report on the aging society)  
 \*2020 domestic demand is a prediction

Domestic demand for printing and communication paper is expected to decrease by 3 million tons over the 10 years from 2020.

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

A stable demand for containerboard is expected.

Promotion of containerboard business

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

Responding to new customers and demand

## 【Positive Factors】

Increased demand for plastic alternatives (packaging paper, paperboard for paper containers, processed paper products, vulcanized fibers etc.)

Increased demand for performance materials paper (RO membrane backings, chip carrier tape base paper)

Increased demand for containerboard

## 【Uncertain Factors】

Market/Price fluctuations (pulp, used paper, fuel, chemicals etc.)

Stagnation in economic activities due to the impact of the novel coronavirus disease

## 【Negative Factors】

Reduction in domestic demand (printing and communication paper etc.)

Slow growth in the printing and writing paper market in the East Asian region

Domestic and overseas logistics problems (lack of human resources, rising costs)

## Basic Policy

**In a business environment that is subject to major changes, the Group and all its stakeholders will aim for continuous growth by promoting management with effective governance and compliance, and developing and providing services and products that are both high quality and cost-competitive through environmentally-friendly business activities.**

### **1. Name of the Vision: Vision 2030**

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

### **3. Target Image of the Group in 2030**

- **A business group that contributes to sustainable social development based on environmental management**
- **A business group that makes use of diverse human resources and the latest technology to challenge ourselves in new business fields in step with the times**
- **A business group made up of people working proactively with dreams, hopes and pride**

- Formulation Background: the first step towards the realization of the Group image set out in “Vision 2030.”

<b>Name</b>	Medium-term Management Plan 2023	
<b>Period</b>	April 1, 2020 through March 31, 2023 (3 years)	
<b>Target Consolidated Management Indicators (FY2022)</b>	Net sales:	¥280 billion
	Operating income:	¥15 billion
	Ordinary income:	¥20 billion
	Net income: <small>attributable to owners of parent company</small>	¥15 billion
	ROE:	7.0%
	EBITDA:	¥35 billion

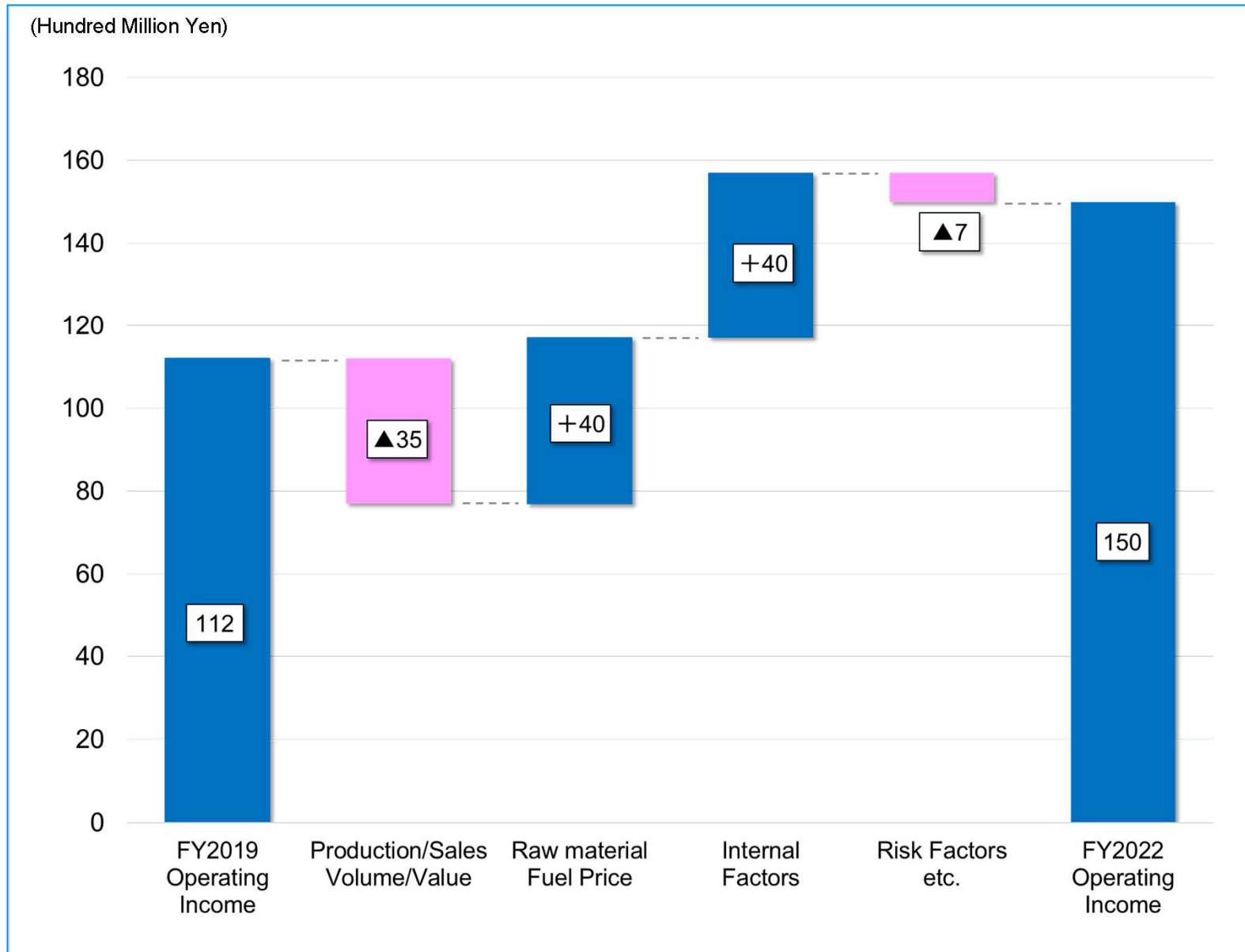
Premise

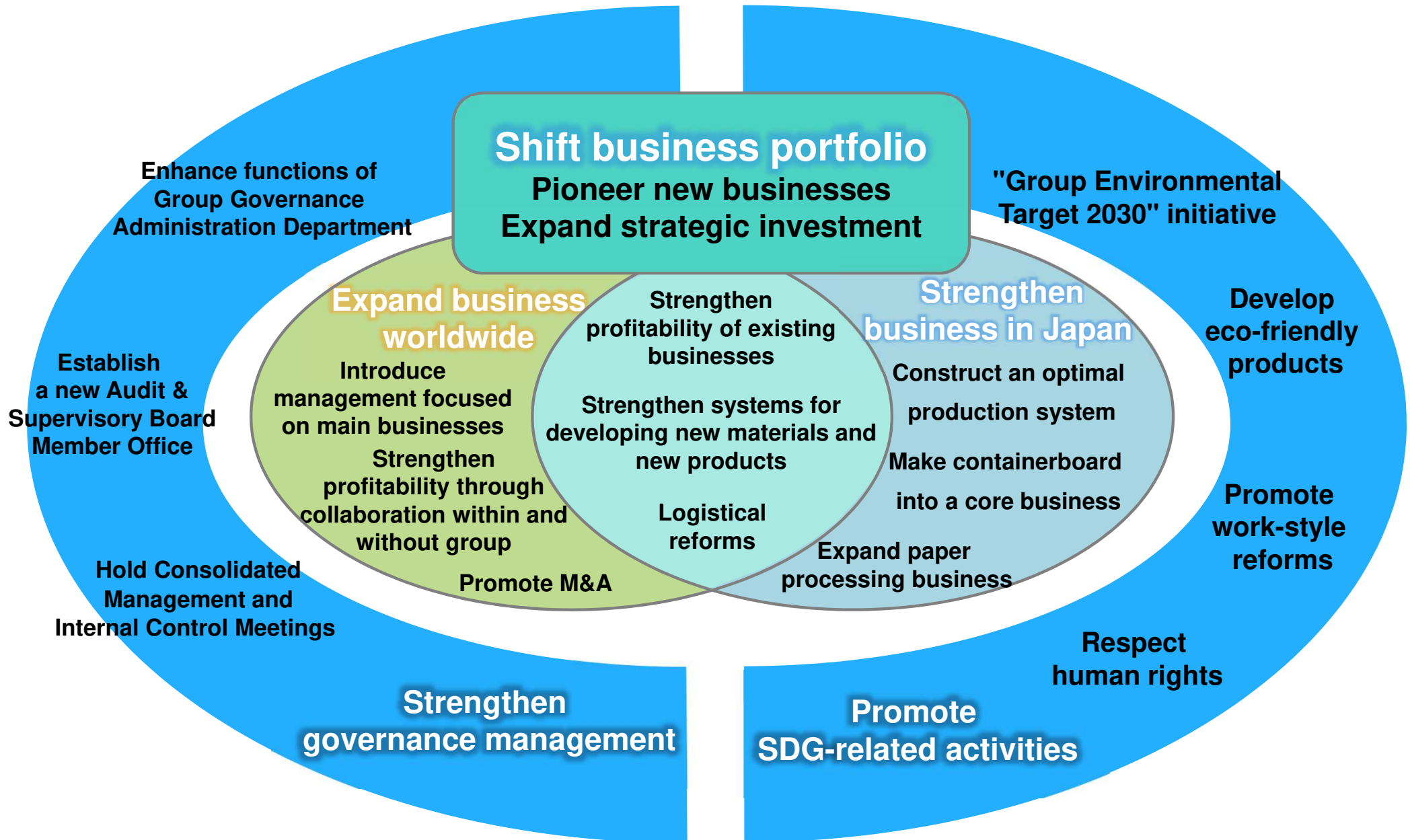
Exchange Rate: ¥108/USD

Dubai Crude Oil: USD50/bbl.



# FY2022 Consolidated Management Profits Factors for Fluctuation





## Shift Business Portfolio

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

### Expand Business Worldwide

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

### Strengthen Business in Japan

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

### Strengthen Corporate Governance

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

### Promote SDG-related activities

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

## Total Investment

¥110 billion

## Investment Allocation

Strategic Investment: ¥70 billion

Maintenance and renewal investment: ¥40 billion

**Strategic Investment**

**Capital investment with the main goal of strengthening competitiveness**  
**Policy investment, including M&A**  
**R&D investment**

## Currently Progressing Items

**Canada Pulp Business: extension of onsite warehouses, heat recovery equipment installed in the recovery boiler (expansion of electricity sales business)**

**Nagaoka Mill: revision to increased production of chip carrier tape base paper**

**Kanto Mill (Katsuta): Measures for boiler fuel diversification**

## Paper Business

### ■ Policy

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



Niigata Mill



Kishu Mill



Paper, plastic alternative materials, usage examples

## White Paperboard Business

### ■ Policy

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



Kanto Mill  
(Ichikawa)



Kanto Mill  
(Katsuta)

## Specialty Paper Business

### ■ Policy

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



Plastic alternative materials, usage examples

PASCO products

Spray prevention panel



## Paper Processing Business

### ■ Policy

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



Hokuetsu Package Co., Ltd  
Katsuta Production  
Department  
Eight-color rotogravure  
printing press

Hokuetsu Package Co., Ltd  
Tokorozawa Production  
Department



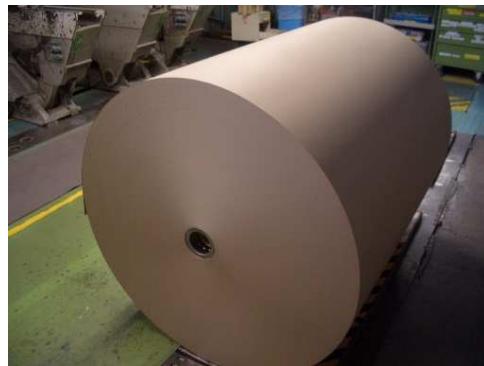
## Containerboard Business

### ■ Policy

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



No. 6 board machine  
at Niigata Mill  
and a product



## Overseas Business

### ■ Policy

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



Alberta-Pacific  
Forest Industries Inc.



Jiangmen Xinghui  
Paper Mill Co., Ltd

## Basic Policy

- 1) Develop and launch of plastic alternative substrates
  - ▶ Practical commercialization of new paper material “Panse”
  - ▶ Development of vulcanized fiber applications
  - ▶ White paperboard with new functions and new processed paper container products
- 2) Develop new functional materials
  - New filter media use products, CNF usable products, etc.
- 3) Concentrate the development/investment into products that are expected to grow in the market
  - ▶ Packaging paper
  - ▶ Food packaging/materials for containers/processed paper products
  - ▶ Performance material paper section

### “Panse” usage examples



### Fiber materials production examples





## Basic Policy

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

## Group Environmental Target 2030

### 1. Measures to combat global warming

- Reduce CO<sub>2</sub> emissions by 43% compared to FY2005 (approx. 450,000t).
- Promote reduction of CO<sub>2</sub> emissions generated from logistics.

### 2. Forest management/cultivation

- Obtain all used wood raw materials from forests that have been certified as legal and sustainable (maintain 100% utilization).
- Continue forest management with the aim of improving biodiversity and multifaceted functions of forests.

### 3. Resource utilization/recycling

- Advance reduction of water usage.
- Promote the use of waste paper by expanding the products that use it.

### 4. Measures on waste

- Improve the effective utilization rate of waste.

### 5. Compliance with environmental laws/emission management

- Aim to reduce environmentally hazardous substances that accompany drainage and exhaust.

### 6. Environmentally-friendly products/technology

- Expand environmentally friendly products. (Development of products that contribute to solving marine plastic problems etc.)
- Use raw materials and chemicals that have a low environmental impact.



Black liquor  
(A biomass fuel made from resin content of wood chips, the raw material of pulp)



Company-owned forests in South Africa

Applicable to all group production bases both domestic and overseas

**The contents related to the goals and other information contained in this document are based on various assumptions at the time of formulating this plan, and they do not guarantee the feasibility of this plan.**

**In addition, we are not under any obligation to update the forward-thinking statements of this plan based on new information, future events, etc.**

**For inquiries regarding this document**

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