

Medium-term Management Plan 2026

(April 2023 through March 2026)



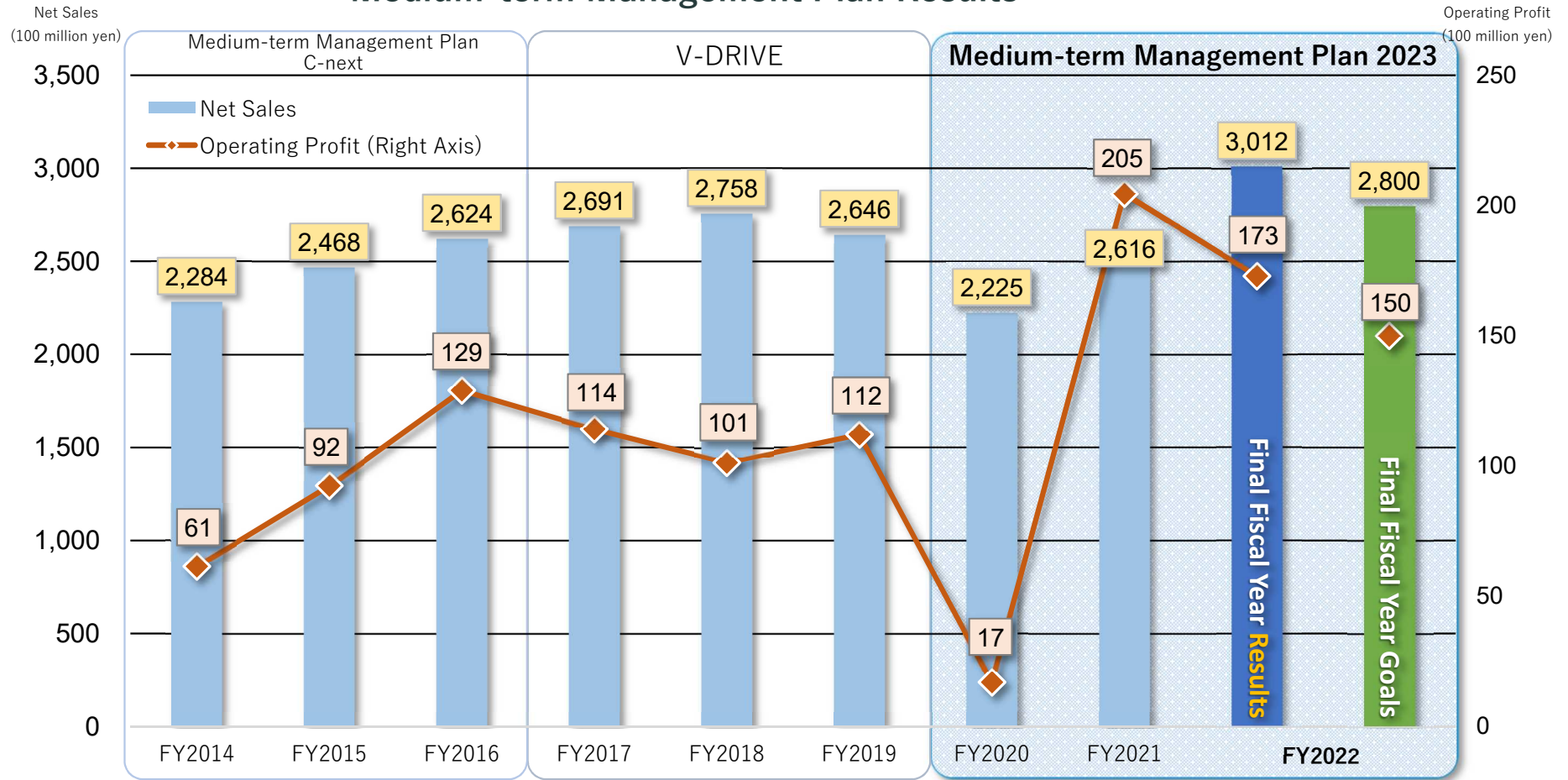
May 26, 2023

Hokuetsu Corporation

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Medium-term Management Plan Results



FX (USD/JPY)	111	120	109	111	111	109	106	113	136	108
Dubai Crude (USD/bbl)	86	47	45	55	69	60	45	78	93	50
Printing and Communication Paper Domestic Demand*	100	96	94	91	87	84	69	69	66	—

* Domestic demand volume of FY2014 serves as baseline of 100

Review of Medium-term Management Plan 2023 Results

Medium-term Management Plan 2023 Consolidated Management Indicators (FY2022)		FY2020 Results	FY2021 Results	FY2022 Results
Net Sales	¥280 billion	¥222.5 billion	¥261.6 billion	¥301.2 billion
Operating Profit	¥15 billion	¥17 billion	¥20.5 billion	¥17.3 billion
Ordinary Profit	¥20 billion	¥9.8 billion	¥29.5 billion	¥11.5 billion
Net Income <small>Attributable to owners of parent company</small>	¥15 billion	¥14.2 billion	¥21.2 billion	¥8.3 billion
ROE	7.0%	7.6%	10.3%	3.8%
EBITDA	¥35 billion	¥24.8 billion	¥43.3 billion	¥24.3 billion

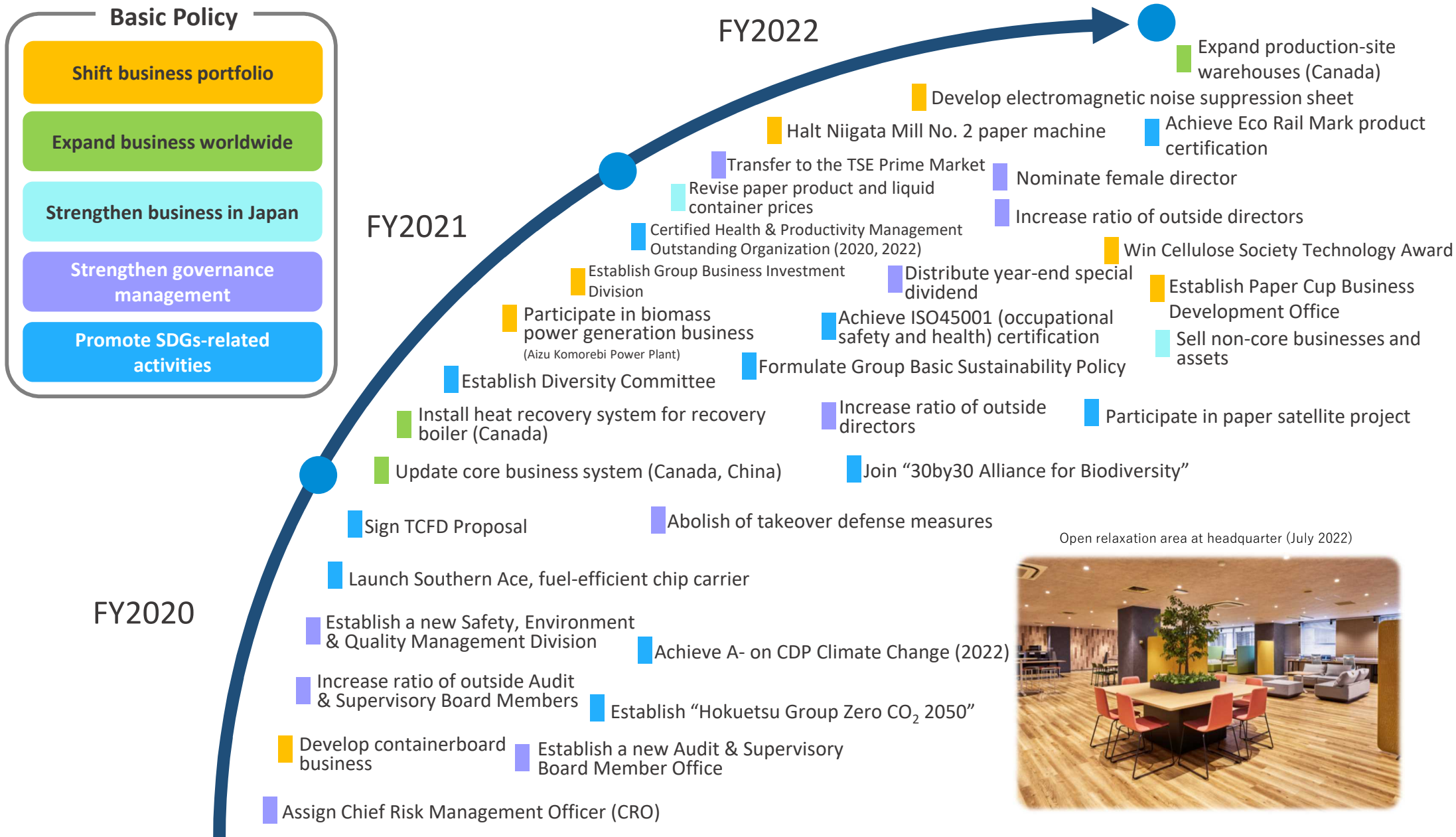
Plan Assumptions	
FX*	¥108/\$1USD
Dubai Crude	\$50/bbl

Results (Fiscal Year Average)		
¥106/\$1USD	¥113/\$1USD	¥136/\$1USD
\$45/bbl	\$78/bbl	\$93/bbl

*USD/JPY

All plan goals met amidst a challenging business environment

Review of Medium-term Management Plan 2023 Results



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 (10 years)
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



The current medium-term management plan is a critical period to achieve the goals of Vision 2030

Name: Medium-term Management Plan 2026

Period: April 1, 2023 through March 31, 2026 (3 years)

Consolidated management indicators (FY2025)

Net Sales

¥330 billion

Operating Profit

¥20 billion

Ordinary Profit

¥24 billion

Net Income
Attributable to Owners of Parent Company

¥20 billion

ROE

8.0%

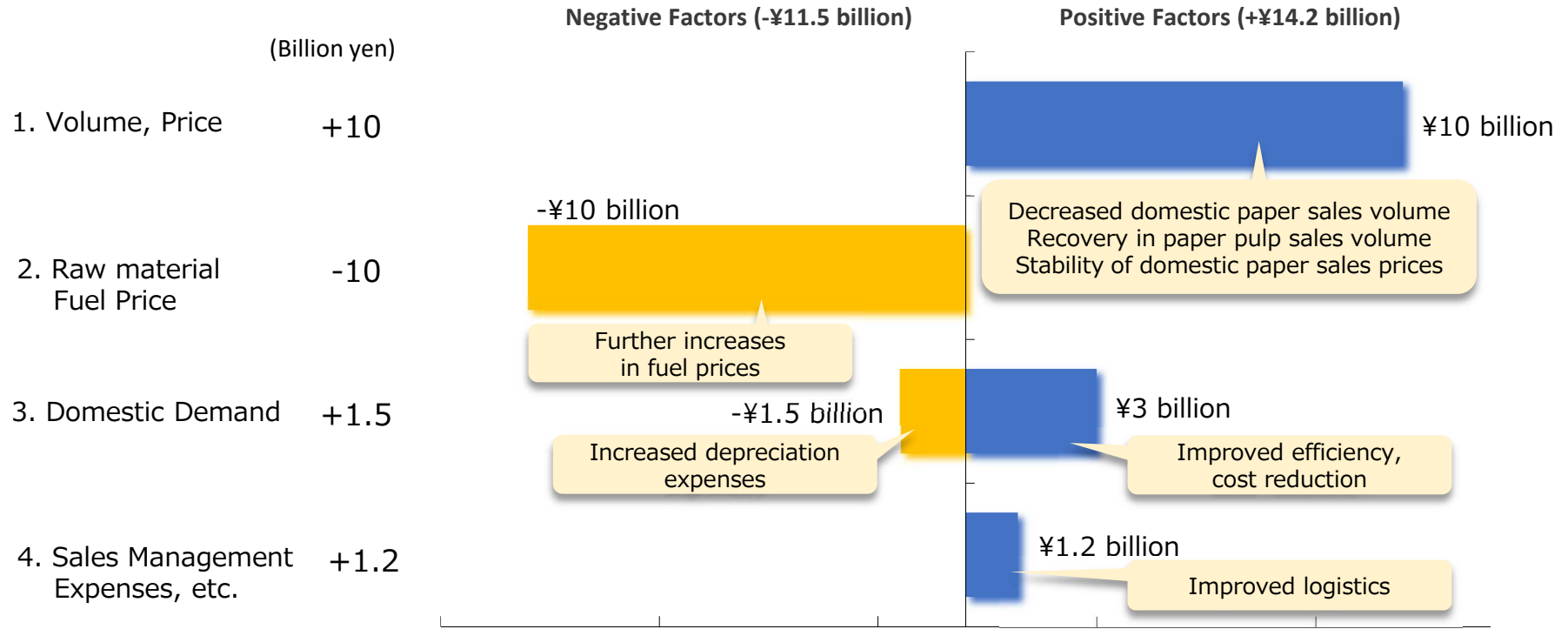
EBITDA

¥39 billion

Calculation assumptions: FX: ¥135/\$1USD Dubai Crude: USD90/bbl

Factors Affecting Consolidated Operating Profit in FY2025

FY2022 Results ¥17.3 billion ⇒ FY2025 Plan ¥20 billion: Difference = +¥2.7 billion

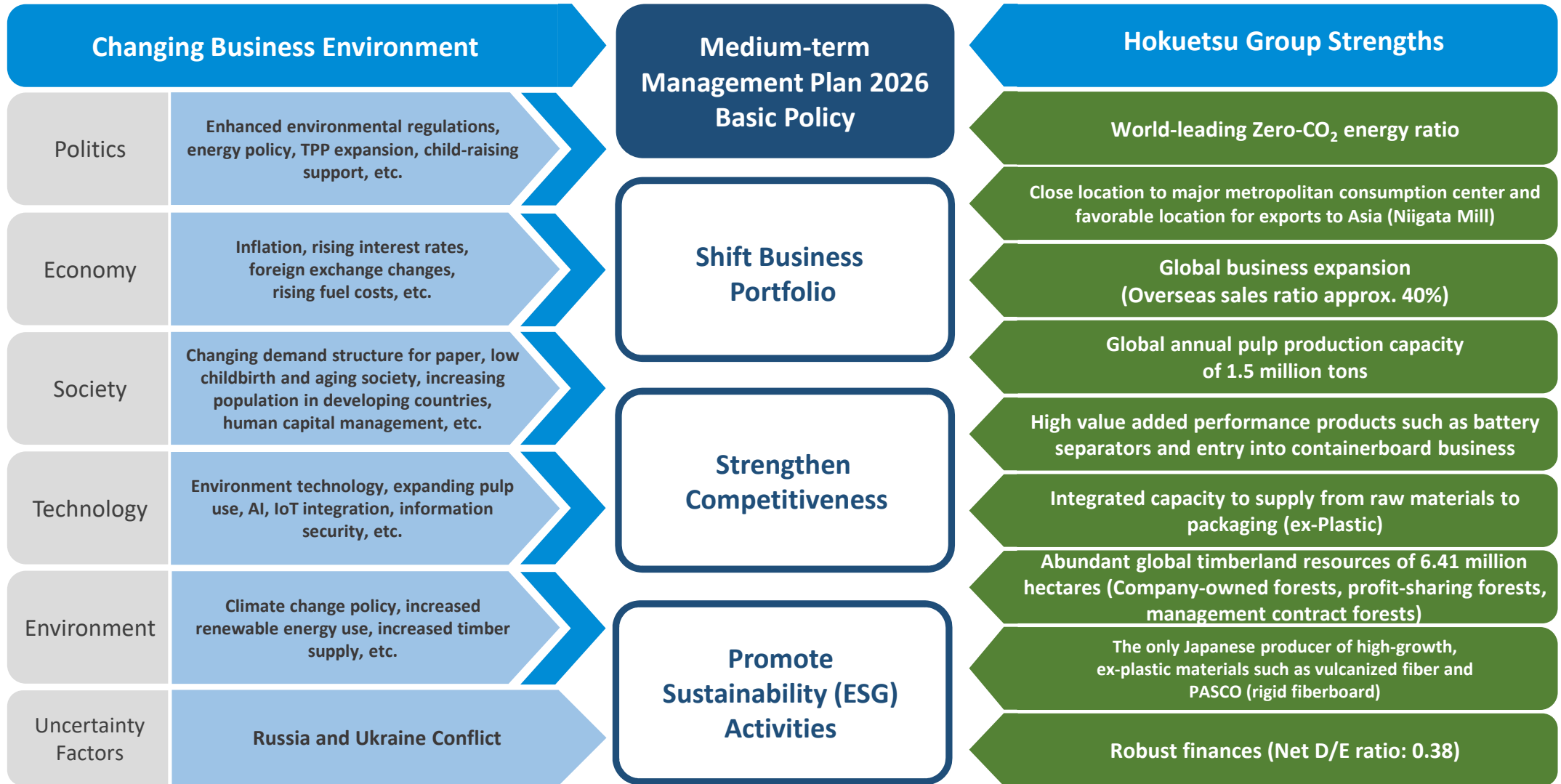


FY2022 (Actual)
FX: ¥136/\$1USD
Dubai Crude: \$93/bbl.



FY2022 (Estimate)
FX: ¥135/\$1USD
Dubai Crude: \$90/bbl.

In an environment of continued uncertainty, we will strengthen the foundation of our business to increase profitability, continuing the steady progress made throughout the Medium-term Management Plan 2023.



Strengthen Competitiveness

- We will further strengthen our competitiveness of “costs,” “the environment” and “safety,” and pursue a safe and stable production system that ensures profitability even within the contraction occurring in the domestic printing and communication paper market.
- Above all else, by further improving our industry-leading environmental competitiveness, we will solidify our position as the papermaking company group chosen by customers.

Shift Business Portfolio

- We will pioneer new core businesses to further accelerate our business portfolio shift, with the aim of the continuous growth of the Group.
- We will strive to expand our growth operations by exploring new businesses in Japan and overseas, promoting M&A, and developing new products that meet our customers’ needs.

Promote Sustainability (ESG) Activities

- We will promote responses to climate change, and the development of eco-friendly products.
- As a people-oriented company, we will promote diversity and work-style reforms, and build a resilient organization by promoting human capital management and business activities that respect human rights.
- We will strive to enhance our corporate governance, including by strengthening our risk management system.



Hokuetsu Group
Corporate Philosophy



Long-term
Management Vision
Vision 2030

The second phase of our Long-term Management Vision - Vision 2030

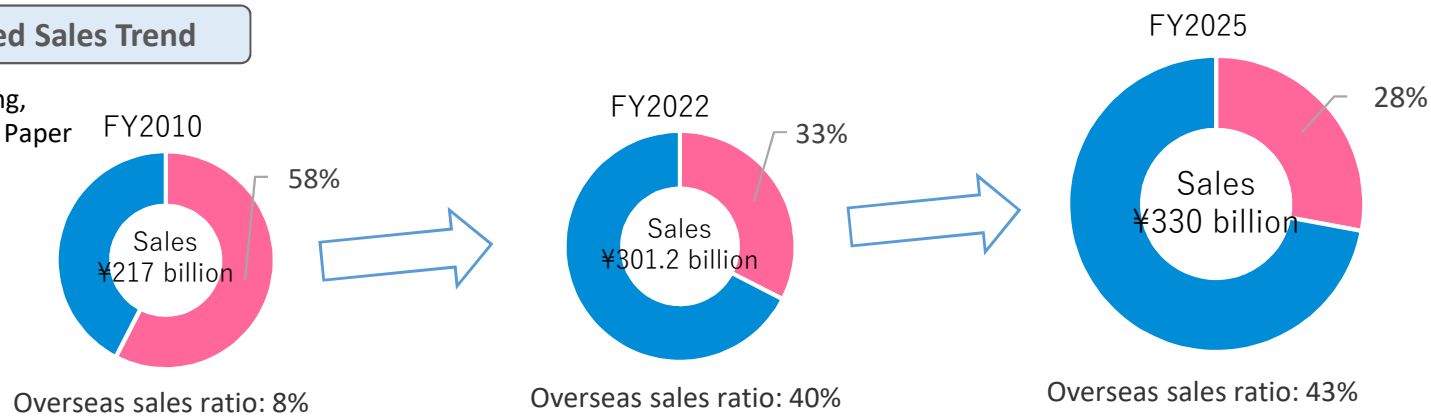
Shift Business Portfolio

We will pioneer new core businesses to further accelerate our business portfolio shift, with the aim of the continuous growth of the Group.

● Continue shifting business portfolio to meet changing demand

Consolidated Sales Trend

- Domestic Printing, Communication Paper
- Other



● Focus on high value added products

- Develop new products and enter new fields
Environmentally-friendly packaging material (high-performance packaging, flexible packaging, etc.)
Electromagnetic noise suppression sheet, etc.
- Develop demand for existing products
PASCO hooks and hangers, food containers, trays
Vulcanized fiber apparel accessories, etc.

● M&A, New Businesses

- Invest in pulp-related business, which has resilient global demand
- Research and development in specialty paper for manufacturing, etc.
- Paper processing to support the ex-plastic movement, etc.



Electromagnetic noise suppression sheet

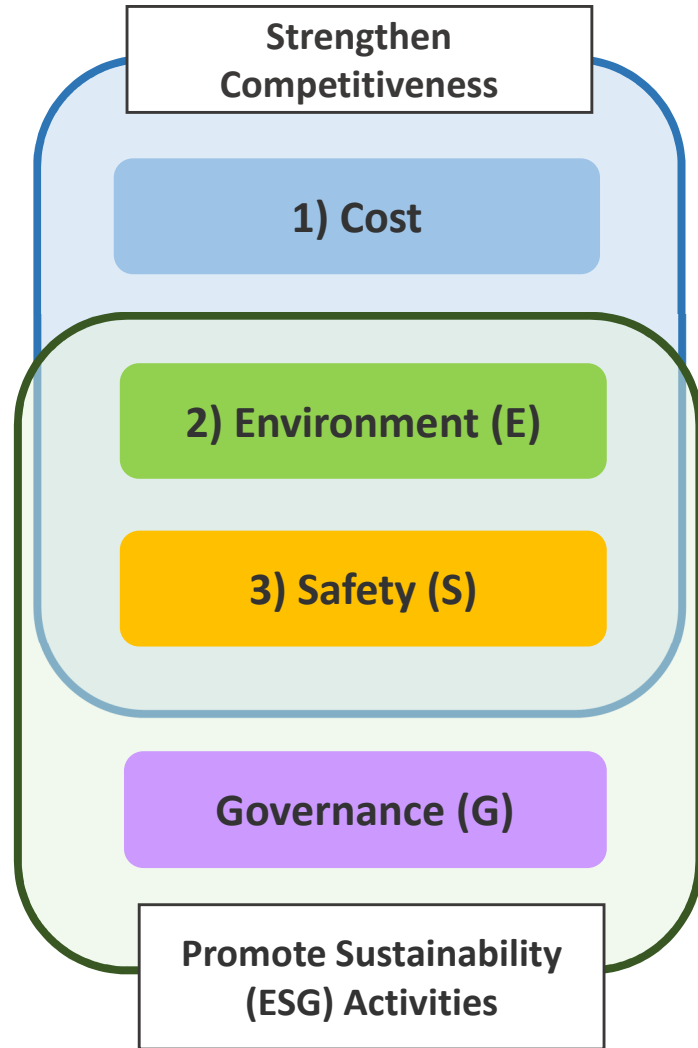


Paper-based flexible packaging



PASCO hooks and hangers

Strengthen Competitiveness and Promote Sustainability (ESG) Activities



1) Cost

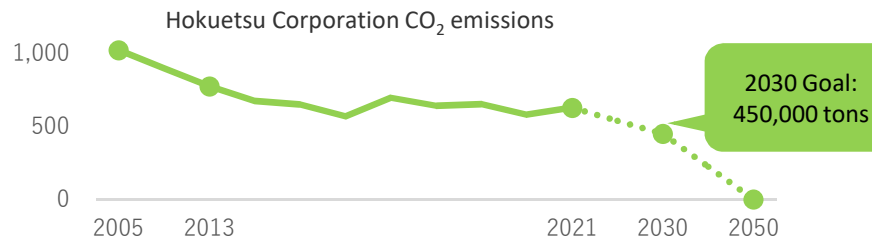
- **Agile and Optimized Manufacturing Structure**
Managed by the newly established Profit Management Office
- **Diversify Resources and Suppliers**
Promote the use of low quality recycled paper, etc.
Achieve favorable purchases and mitigate risk
- **Optimize Logistics**
Promote fair and equitable logistics
Establish distribution warehouses
- **Invest ¥4 Billion in IT and Systems**
Invest in material purchasing system, production monitoring system, etc.



Strengthen Competitiveness and Promote Sustainability (ESG) Activities

2) Environment (E)

- **Reduce CO₂ emissions, increase zero CO₂ energy ratio**
 Identify replacements for heavy oil
 Expand solar power generation at the Niigata Mill
 Prepare for effective net-zero emissions at the Kanto Mill (Katsuta)
 Develop next-generation technology and equipment to reduce CO₂ emissions, etc.



- **¥9 billion planned in environmental investments**
 Invest to reuse waste products
 Invest in adopting energy-saving equipment, etc.
- **Answer the CDP corporate sustainability survey**
 Achieved an A- in climate change in 2022
- **Review branding of environmentally friendly products**
 Acquire sustainable third-party certification and promote the development of environmentally friendly products
- **April 2023 - Participate in the GX League**
 Declared support for the GX League in December 2022
 Further improve environmental friendliness through participation

Example Products



Printable white paperboard products made from recycled paper pulp



Hooks made from vulcanized fiber, plastic alternatives



Paper cups made from environmentally-friendly PANSE, paper packaging materials



A suitcase made with vulcanized fiber



Jiangmen Xinghui Paper Manufacturing Linear Vacuum Pump (Achieves 37% energy savings compared to existing equipment)



Niigata Mill solar panels (Planned expansion)

Strengthen Competitiveness and Promote Sustainability (ESG) Activities

2) Environment (E)

Zero CO₂ 2050 Roadmap

Achieve Net-Zero CO₂ Emissions

2050

Pre-2050

Fuel Transition

Introduce new carbon neutral fuels

CO₂ Fixation

Review CCUS

Increase CO₂ fixation through the use of woodlands

Renewable Energy

Invest in renewable energy power generation



Utilize renewable energy



Increase use of biomass power generation

2030

Fuel Transition

Transition to low-CO₂ emitting fuels
 Transition from heavy oil to natural gas for pulp manufacturing (boilers, kilns)
 Stop coal use

Pre-2030

Continue energy saving (Save 1% per year)

Strengthen Competitiveness and Promote Sustainability (ESG) Activities

3) Safety (S)

- **Continue safety and health activity “hSA25 (hokuetsu Safety Action 25)”**

Strengthen health and safety management system
Introduce outside consultants



hSA25 Roadmap

- **Plan ¥6 billion investment in human resources (with ¥1.5 billion for safety measures)**

Invest to improve welfare facilities, workplace environment, etc.

- **Achieve human capital management**

Formulated the Hokuetsu Group Human Rights Policy in April 2023
Promote diversity, expand education and training
Foster a welcoming work environment, expand support systems, etc.

- **Ensure product quality and safety**

Conduct regular internal product quality audits

Governance (G)

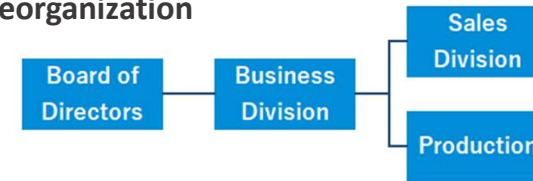
- **Further enhance corporate governance**

Organizational change implemented in April 2023

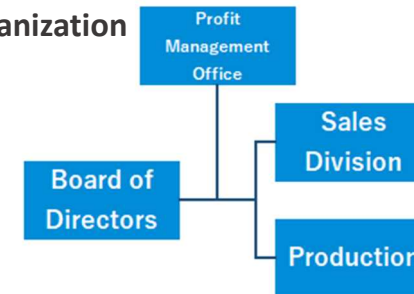
Adopted a new, function-based organization to better support major business changes and diversification.

⇒ Pursue customer-oriented management to improve efficiency and achieve enhanced results

Before Reorganization



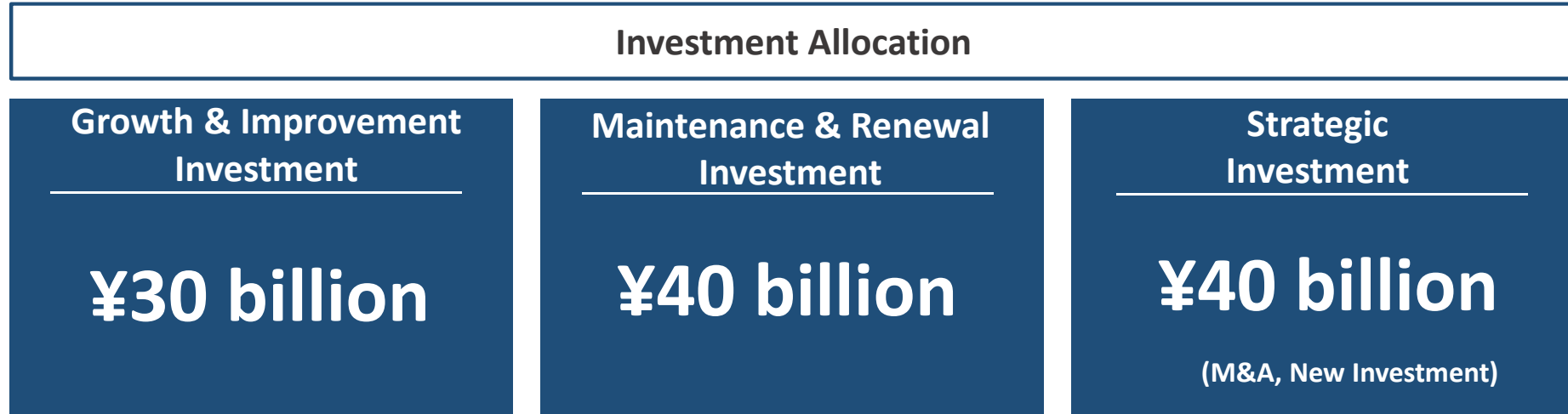
After Reorganization



- **Promote our corporation philosophy and strictly adhere to all laws**

- **Conduct BCP-oriented risk management**

Total Investment: ¥110 billion



Growth & improvement and maintenance & renewal investment includes





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 be come, 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.

The goals and statements in this document are based on multiple assumptions at the time of planning and their feasibility is not guaranteed. Please use these materials as points of consideration to inform decision making. No liability is assumed in the event of losses that may occur from investment decisions. The company has no responsibility to revise these projections based on new information.

Inquiries regarding these materials

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