

March 15, 2024

Name of Company: Hokuetsu Corporation  
Name of Representative: Sekio Kishimoto, President and CEO  
(Securities Code: 3865 (Prime Market of Tokyo Stock Exchange))  
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## Notice of Change in Consolidated Subsidiary (Partial Transfer of Shares)

Hokuetsu Corporation hereby announces that at the Board of Directors meeting held on March 15, 2024, it was decided to transfer 90% of the shares (hereinafter “the Share Transfer”) of the Company’s consolidated subsidiary, Xing Hui Investment Holdings Co., Ltd. (Hong Kong, China), to W. R. Fibers (Hong Kong) International Holdings Limited (Hong Kong, China). The details are as follows.

Due to the Share Transfer, Xing Hui Investment Holdings Co., Ltd. and its wholly owned subsidiary Jiangmen Xinghui Paper Mill Co., Ltd. (Guangdong Province, China) will no longer be subsidiaries of the Company.

### 1. Reasons for the Share Transfer

In April last year, the Hokuetsu Group launched its “Medium-term Management Plan 2026” as the second step toward the realization of our Long-Term Corporate Vision “Vision 2030.” In addition to setting numerical targets, including consolidated net sales of 330 billion yen, we are promoting business activities to further enhance corporate value based on three basic policies: “Shift Business Portfolio,” “Strengthen Competitiveness,” and “Promote Sustainability (ESG) Activities.”

Jiangmen Xinghui Paper Mill Co., Ltd., a wholly owned subsidiary of Xing Hui Investment Holdings Co., Ltd., has been manufacturing and selling white paperboard in Jiangmen City, Guangdong Province since 2015. However, since the global spread of COVID-19, the company’s performance has continued to be below the planned level due to the delayed recovery in economic activities. As a result of comprehensive consideration of the outlook for the future business environment and other factors, we came to the conclusion that it is desirable to collaborate with W. R. Fibers (Hong Kong) International Holdings Limited, which is well-versed in the Chinese paper industry, and have decided on the Share Transfer.

Furthermore, the Share Transfer is in line with “Shift Business Portfolio,” one of the basic policies of the “Medium-term Management Plan 2026,” and will contribute to the enhancement of the corporate value of our Group.

### 2. Outline of the Subsidiary and Sub-Subsidiary Subject to the Share Transfer

(1) Outline of the Corresponding Subsidiary (Xing Hui Investment Holdings Co., Ltd.)

(1)	Name	Xing Hui Investment Holdings Co., Ltd.		
(2)	Address	Room 315-316 & 318 3/F., Park Fook Industrial Building, No.615-617 Tai Nan West Street, Lai Chi Kok, Kowloon, Hong Kong		
(3)	Name and title of representative	Makoto Yanagisawa, Chairman		
(4)	Business content	Management of Chinese white paperboard manufacturing and sales company		
(5)	Capital	237 million USD		
(6)	Date of establishment	June 13, 2011		
(7)	Major shareholder and shareholding ratio	Hokuetsu Corporation, 100%		
(8)	Relationship between the Company and the subsidiary	Capital relationship	The Company owns 100% of the shares of the corresponding subsidiary.	
		Personnel relationship	One of the Company's officers concurrently serves as an officer of the corresponding subsidiary.	
		Business relationship	There is a business relationship between the Company and the corresponding subsidiary in the form of a loan of funds.	
(9)	Operating results and financial position of the corresponding subsidiary for the past three years			
	Accounting period	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	Net assets	-66,539 thousand USD	-74,388 thousand USD	55,494 thousand USD
	Total assets	74,528 thousand USD	66,653 thousand USD	73,594 thousand USD
	Net sales	-	-	-
	Net profit	132 thousand USD	-7,849 thousand USD	-5,116 thousand USD

(2) Outline of the Corresponding Sub-Subsidiary (Jiangmen Xinghui Paper Mill Co., Ltd.)

(1)	Name	Jiangmen Xinghui Paper Mill Co., Ltd.		
(2)	Address	Guangdong Yinzhouhu Paper Industry Base Area A, Shuangshui Town, Xinhui District, Jiangmen City, Guangdong Province		
(3)	Name and title of representative	Satoshi Okamoto, Chairman		
(4)	Business content	Manufacture and sale of white paperboard		
(5)	Capital	236 million USD		
(6)	Date of establishment	October 25, 2011		
(7)	Major shareholder and shareholding ratio	Xing Hui Investment Holdings Co., Ltd., 100%		
(8)	Relationship between	Capital	The Company's subsidiary, Xing Hui Investment	

the Company and the sub-subsidiary	relationship	Holdings Co., Ltd., owns 100% of the shares of the corresponding sub-subsidiary.	
	Personnel relationship	One of the Company's officers concurrently serves as an officer of the corresponding sub-subsidiary.	
	Business relationship	There is a business relationship between the Company and the corresponding sub-subsidiary in the form of a loan of funds. The business relationship is scheduled to be terminated upon the Share Transfer.	
(9) Operating results and financial position of the corresponding sub-subsidiary for the past three years			
Accounting period	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net assets	268,417 thousand yuan	165,408 thousand yuan	310,863 thousand yuan
Total assets	679,012 thousand yuan	592,947 thousand yuan	451,103 thousand yuan
Net sales	801,559 thousand yuan	876,293 thousand yuan	613,667 thousand yuan
Net profit	46,079 thousand yuan	-103,009 thousand yuan	-137,431 thousand yuan

### 3. Outline of the Counterparty to the Share Transfer

(1)	Name	W. R. Fibers (Hong Kong) International Holdings Limited	
(2)	Address	Units A & B, 15/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong	
(3)	Name and title of representative	Wu Minghua, Chairman	
(4)	Business content	Used paper recycling business	
(5)	Capital	4 million USD	
(6)	Date of establishment	July 17, 2012	
(7)	Major shareholder and shareholding ratio	Wu Minghua, 100%	
(8)	Relationship between the Company and the counterparty company	Capital relationship	No applicable items.
		Personnel relationship	No applicable items.
		Business relationship	No applicable items.
		Applicable status of related parties	No applicable items.

#### 4. Number of Shares Transferred, Transfer Price, and Status of Shares Held Before and After Transfer

(1)	Number of shares held before transfer	934,500,000 shares (ownership ratio of voting rights: 100.0%)
(2)	Number of shares transferred	854,550,000 shares
(3)	Number of shares held after transfer	79,950,000 shares (ownership ratio of voting rights: 10.0%)

\*The transfer price will not be disclosed based on the confidentiality obligation in the transfer agreement with the transfer counterparty.

#### 5. Schedule

(1)	Date of resolution by the Board of Directors	March 15, 2024
(2)	Date of agreement	March 15, 2024
(3)	Execution date of share transfer	March 31, 2024 (planned)

#### 6. Future Outlook

Please refer to the “Notice of Recording of Extraordinary Losses and Revision of Earnings Forecasts” disclosed at the same time today for the impact of the Share Transfer and other aspects on the consolidated business results.