



**Hokuetsu Corporation**

# **Accountability NOW: Hokuetsu Corp Gov**

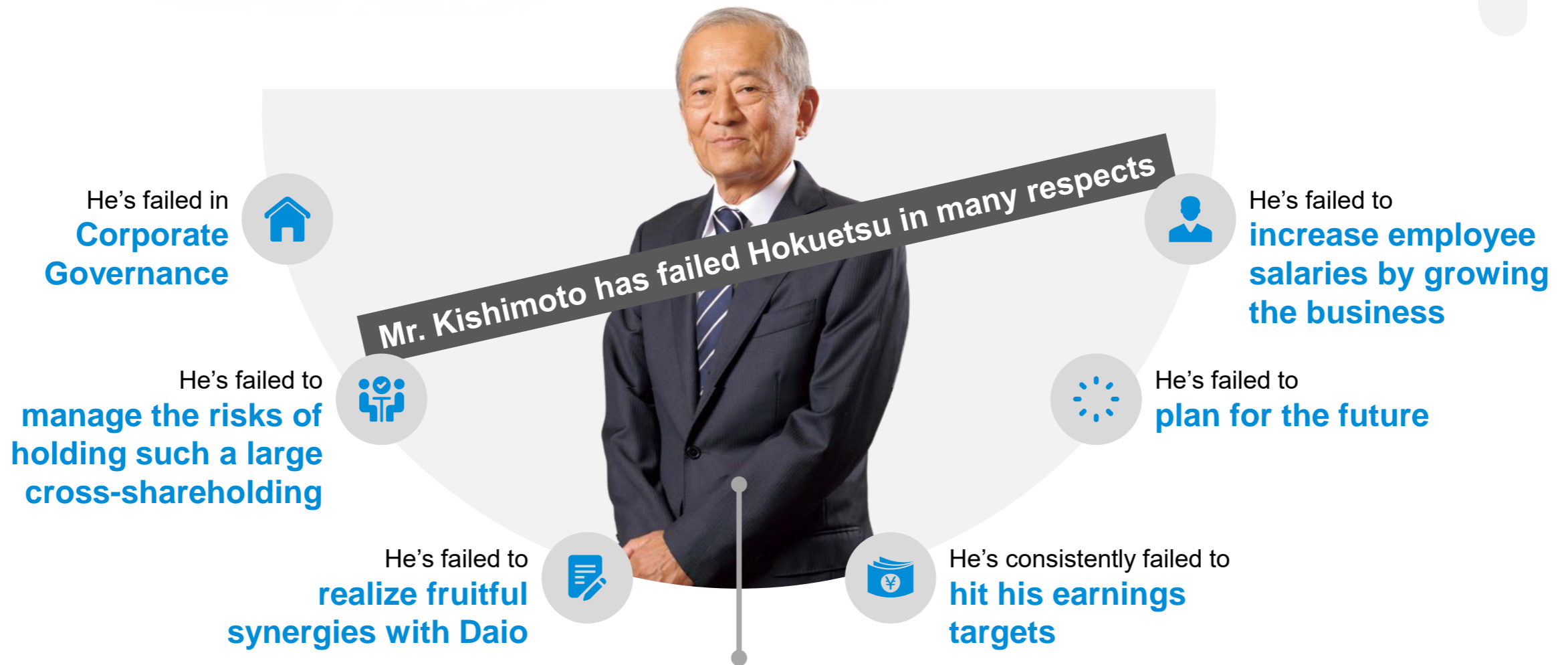
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**May 2023**

**OASIS**

[www.hokuetsucorpgov.com](http://www.hokuetsucorpgov.com)

# Oasis Message to the Hokuetsu Fellow Shareholders



And yet his total control over decision-making continues.  
The board should be held accountable for his failure

O A S I S

**Oasis will vote against Mr. Kishimoto at the upcoming AGM  
and recommends all Hokuetsu shareholders do the same**

**O A S I S**

# Better Governance at Hokuetsu

## OASIS

Oasis is the largest shareholder of Hokuetsu, **owning over 18%**



- Oasis has been engaging with Hokuetsu since 2019 to encourage the company to improve corporate governance, increase its corporate value and improve profitability



Oasis asked Hokuetsu Corporation (“Hokuetsu”) to sell its shares held in Daio Paper Corporation (“Daio”) on October 26, 2021.



Hokuetsu has refused, despite the lack of any synergies.



Daio’s share price has since declined -48%, resulting in a loss in economic value for Hokuetsu and its shareholders of **JPY 40bn, equivalent to 5 years of Hokuetsu’s net profit**

# Oasis Proposal for Better Governance at Hokuetsu, Cont'd



- Mr. Sekio Kishimoto has been Hokuetsu's CEO for ~15 years. Over his long tenure, he has retained strong control within the Company such that no one can oppose his decision making
- Under Mr. Kishimoto's leadership, the Company filed a lawsuit against Daio, which worsened the relationship between Hokuetsu and Daio, thus preventing the realization of synergies between the two businesses. Yet, the Company has refused to sell its Daio shares, thus retaining one of the largest cross-shareholdings as a percentage of NAV in Japan, without any synergies
- Under Mr. Kishimoto's leadership, the Company has failed to plan for the future in a world of declining use of paper
- Mr. Kishimoto has refused to meet Oasis, his largest shareholder, despite Oasis's repeated requests over multiple years
- Hokuetsu shares have traded below book value since 2006, right before the start of Mr. Kishimoto's tenure

## OASIS

### Oasis Proposals:

- Oasis will vote AGAINST Mr. Kishimoto at the upcoming AGM and recommends all Hokuetsu shareholders do the same
- The time has come to end Mr. Kishimoto's control and make way for better governance and clear, objective decision making on Hokuetsu's Daio shares

## OASIS

# Hokuetsu by the Numbers

(Latest figures as of May 2023, unless specified otherwise)

## Market Capitalization

JPY  
**152**bn

## Sales Volume in Domestic Paper Industry

#**5**

## # of Employees (As of March 2023)

**4,163**

## Latest FY Sales

JPY  
**301**bn

## Latest FY Operating Profit

JPY  
**17.3**bn

## Latest FY Operating Margin

**5.7**%

# Snapshot of Hokuetsu

## Corporate Details

Name	Hokuetsu Corporation
Ticker	3865 JT Equity
Founded	April 1907
Headquarters	3-2-2 Nihonbashihongoku-cho, Chuo-ku, Tokyo 103-0021 Japan
President	Sekio Kishimoto
Website	<a href="http://www.hokuetsucorp.com/en/index.html">http://www.hokuetsucorp.com/en/index.html</a>

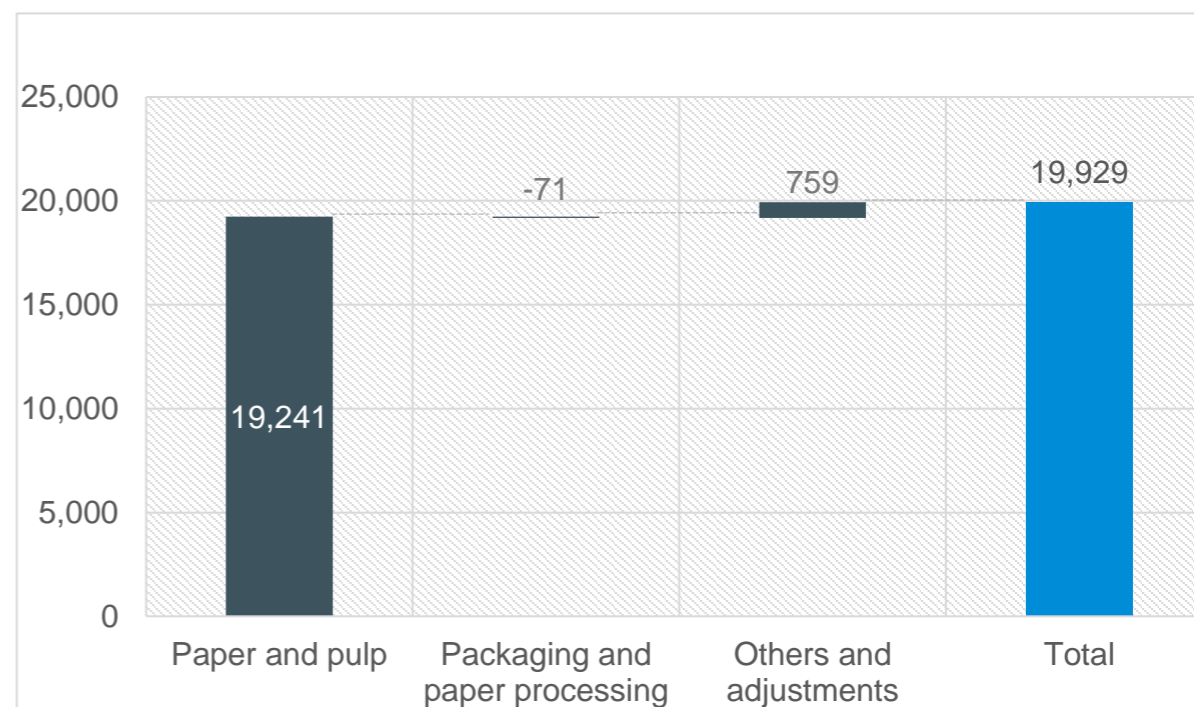
## Board of Directors

President and CEO	<ul style="list-style-type: none"> <li>Sekio Kishimoto</li> </ul>
Managing Directors	<ul style="list-style-type: none"> <li>Mitsushige Yamamoto</li> <li>Shigeharu Tachibana</li> </ul>
Directors	<ul style="list-style-type: none"> <li>Yasuyuki Kondo</li> <li>Shigeru Wakamoto</li> <li>Hiroyuki Otsuka</li> </ul>
Outside Directors	<ul style="list-style-type: none"> <li>Mitsuyasu Iwata</li> <li>Kazuo Nakase</li> <li>Hiromitsu Kuramoto</li> <li>Hiroko Nihei</li> </ul>

## Overview of the Business

		
<b>Paper and pulp segment</b>	<b>Packaging and paper processing segment</b>	<b>Others</b>
Production and sale of paper and pulp products	Production and sale of paper containers and liquid containers, etc.; production and sale of all types of printing products, including business forms; DPS (data processing services) business	Timber business, construction business, sales of various materials, real estate trading, transportation/warehouse business, etc.

## Operating Profit Breakdown (Mn JPY, FY3/23)





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  - a. Mr. Kishimoto Has Refused To Discuss Ways To Resolve Cross-Shareholdings or Realize Synergies With Daio
  - b. The Daio Cross-Shareholding is a Breach of the Corporate Governance Code & ISS/Glass Lewis Guidelines
  - c. Mr. Kishimoto Has Continuously Failed to Achieve Company Targets
  - d. Mr. Kishimoto Has Failed to Plan for the Future
  - e. Employees and Board Members are Suffering
2. Our Message to our Fellow Hokuetsu Shareholders:  
Remove Mr. Kishimoto

## Section 1-a

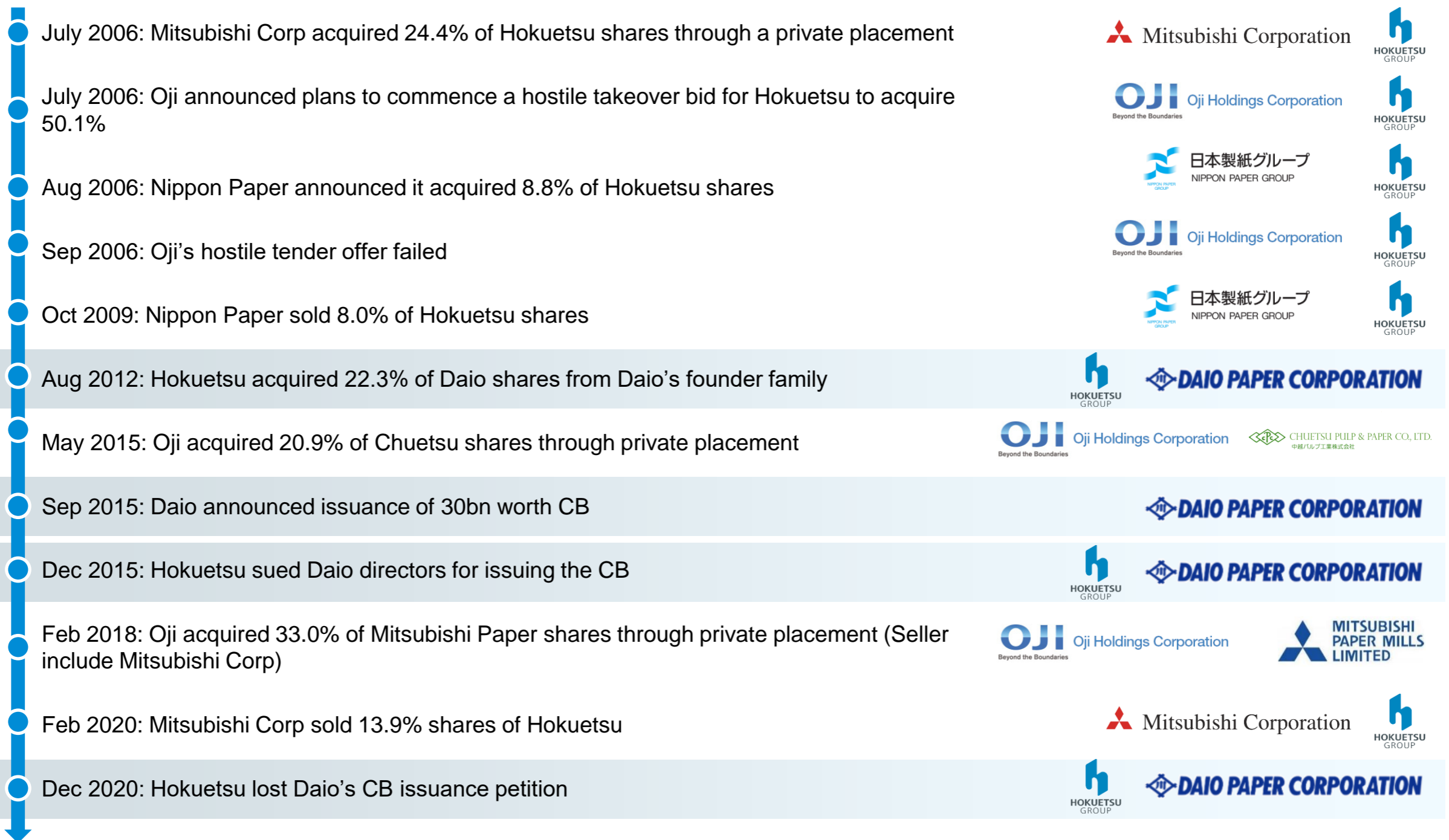
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Mr. Kishimoto Has Refused To Discuss Ways To Resolve Cross-Shareholdings or Realize Synergies With Daio



# A Bit of History: Despite Hokuetsu's Substantial Daio Shares, The Two Companies Have a Hostile Relationship

- There are no synergies achieved from the Daio cross-shareholding. The two companies have a hostile history
- Mr. Kishimoto led this hostility with Daio. We believe this important relationship cannot be repaired until Mr. Kishimoto steps down



# Because of This Hostile Relationship, Hokuetsu Cannot Realize Synergies With Daio

- There has been no disclosure on how the Company intends to create synergies with Daio after the relationship soured in 2017

## Release in 2017 showcasing lack of collaboration between the Company and Daio<sup>1</sup>

平成 29 年 4 月 12 日

各 位

北越紀州製紙株式会社

本日の大王製紙株式会社のプレスリリースについて

大王製紙株式会社（以下「大王製紙」といいます。）は、平成 29 年 4 月 12 日付け「北越紀州製紙株式会社との総合技術提携基本契約の終了に関するお知らせ」において、当社との間で締結した平成 24 年 11 月 14 日付け総合技術提携基本契約（以下「本件提携基本契約」といいます。）を終了することを公表いたしました。

しかしながら、本件提携基本契約の終了は、大王製紙が当社に一方的に通告し公表したものであり、当社としてこれを了解したものではありません。当社は、大王製紙との建設的な対話により、本件提携基本契約等を継続することが将来的に両社の企業価値を向上させるものであることを説明し、理解を得るべく努力してまいります。

以上



April 12, 2017

To Whom It May Concern,

Hokuetsu Kishu Paper co. Ltd,

Regarding the press release issued by Daio Corporation today

On a release released on April 12, 2017, Daio Corporation ("Daio") has announced the termination of the Basic Agreement for Collaborative Technology (the "Agreement") with Hokuetsu Kishu Paper co. Ltd, which was signed on November 14, 2012.

However, we would like to clarify that the termination of the Agreement was unilaterally announced and made public by Daio Corporation, and we did not consent to it. We believe that continuing the Agreement and constructive dialogue with Daio would enhance the corporate value of both companies in the future, and we will make efforts to explain this and seek understanding from Daio.

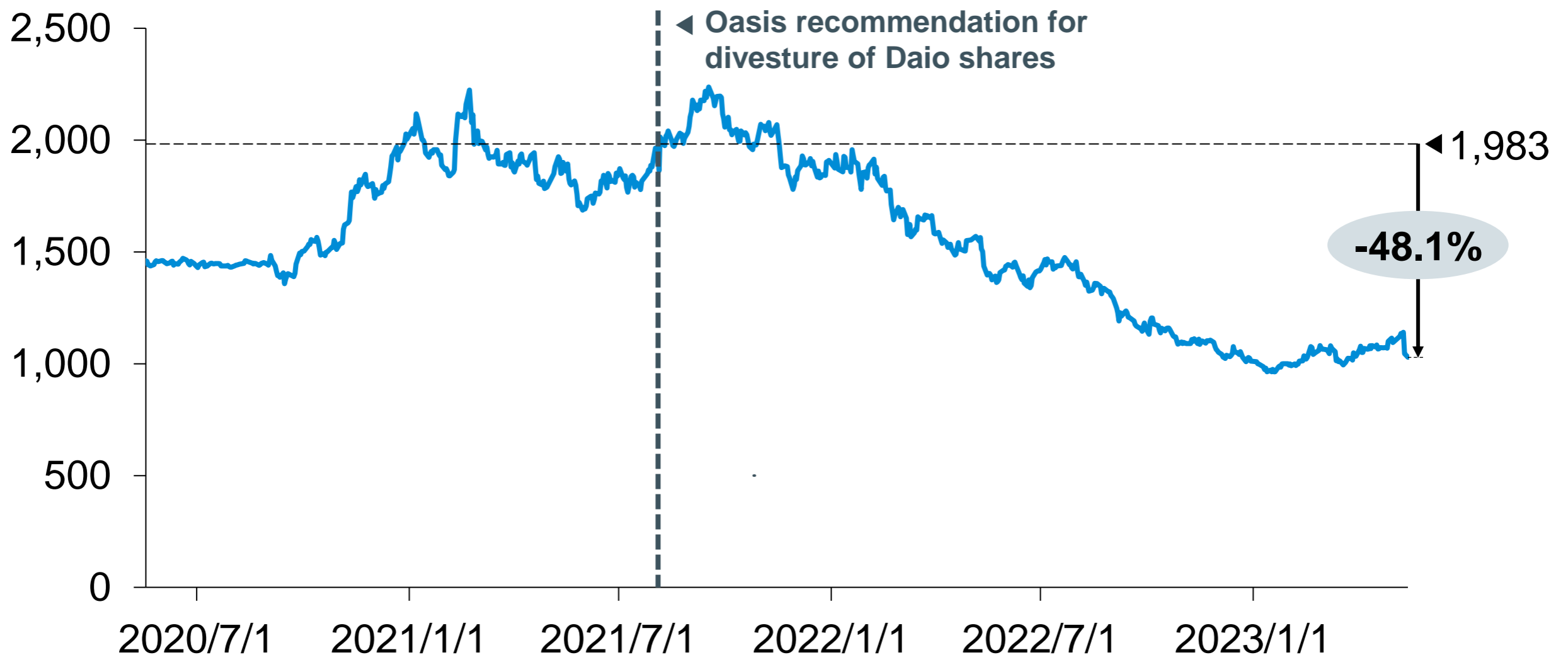
We appreciate your attention to this matter.

Sincerely,

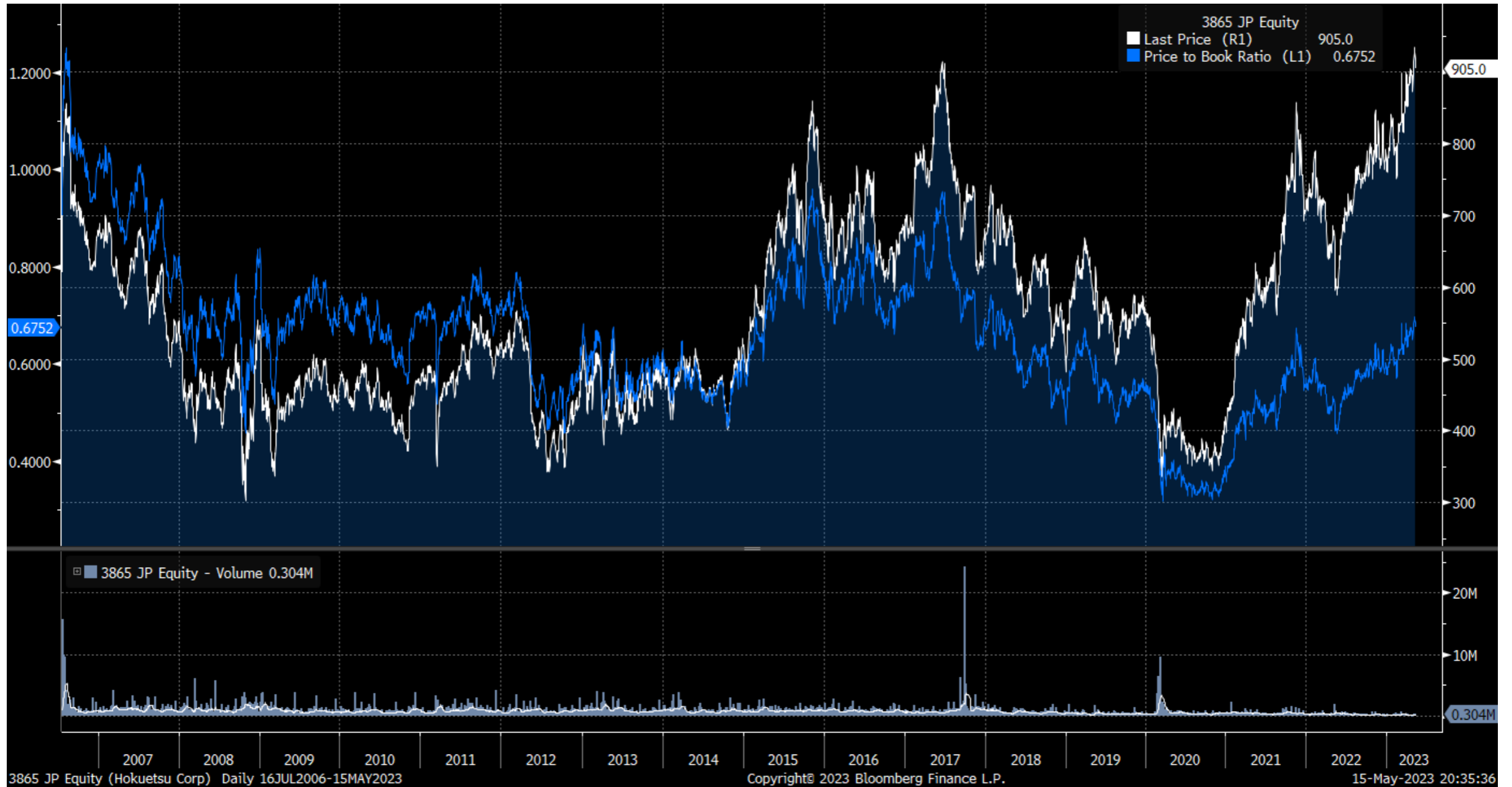
# Hokuetsu's Refusal to Sell its Daio Cross-Shareholdings Led to a JPY40Bn Loss in Economic Value

- As the two companies have a hostile relationship and cannot or will not achieve synergies, Oasis publicly recommended that Hokuetsu divest its Daio shares in 2021
- However, Mr. Kishimoto unreasonably persisted in holding Daio paper shares, and Hokuetsu did not divest them. Daio's share price has dropped by -48.1% since Oasis' public recommendation for divestiture of Daio shares, resulting in a significant loss of JPY40Bn in economic value to Hokuetsu & its shareholders. This is equivalent to approx. 5 years of Hokuetsu Net Profit
- We believe Hokuetsu is unable to make rational decisions while Mr. Kishimoto remains in power

### Daio Paper Share Stock Price (3 Years)



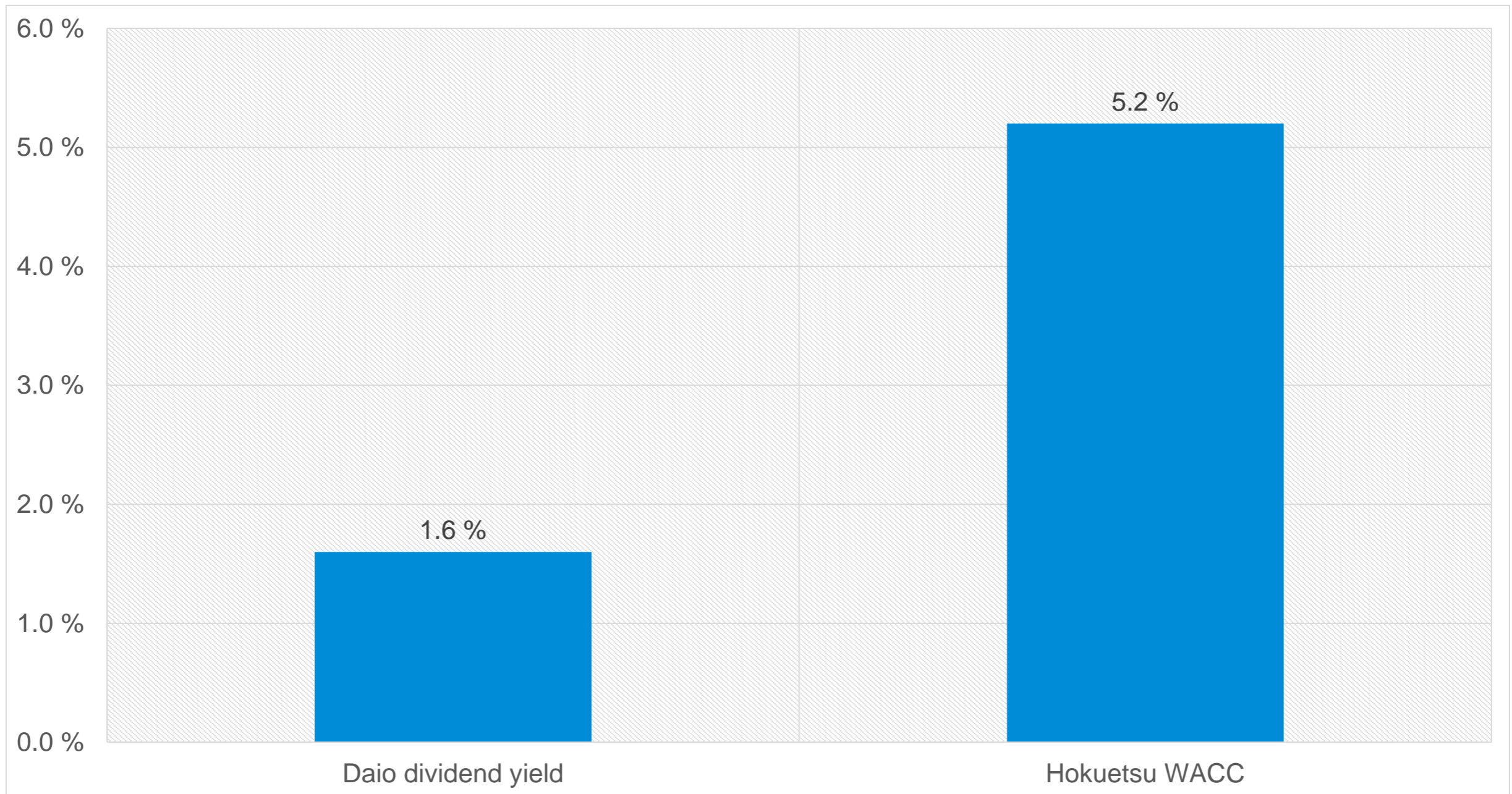
# Hokuetsu's Valuation Has Remained Far Below Book throughout Mr. Kishimoto's Tenure Due to its Massive Cross-Shareholdings



# Without Synergies, Dividends are NOT a Reason to Own Daio Shares. Rather, the Ownership Destroys the Value of Hokuetsu

- Daio's dividend yield is too low compared to the Hokuetsu WACC

**Daio Dividend Yield vs. Hokuetsu WACC**

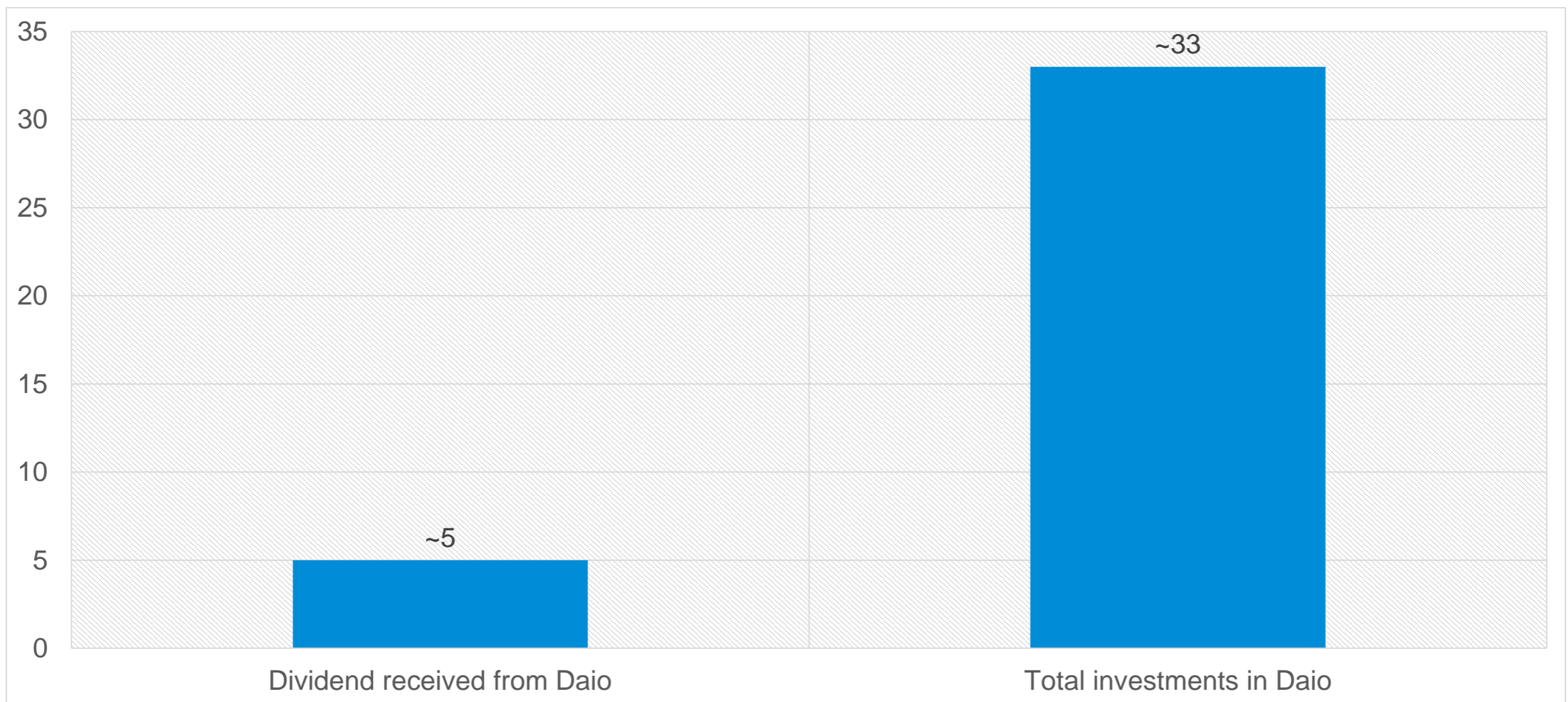




# Hokuetsu's Return From Its JPY ~33Bn Daio Investment is Only JPY ~5Bn In 17 Years

- Hokuetsu has made only JPY ~5bn in return, while its total investment in Daio shares is JPY ~33bn
- This means Hokuetsu has made a 15% return over 17 years, or an 0.90% return on an annual basis
- There is no objective reason for Hokuetsu to use such a substantial amount of its balance sheet on an investment that produces such a low annual return

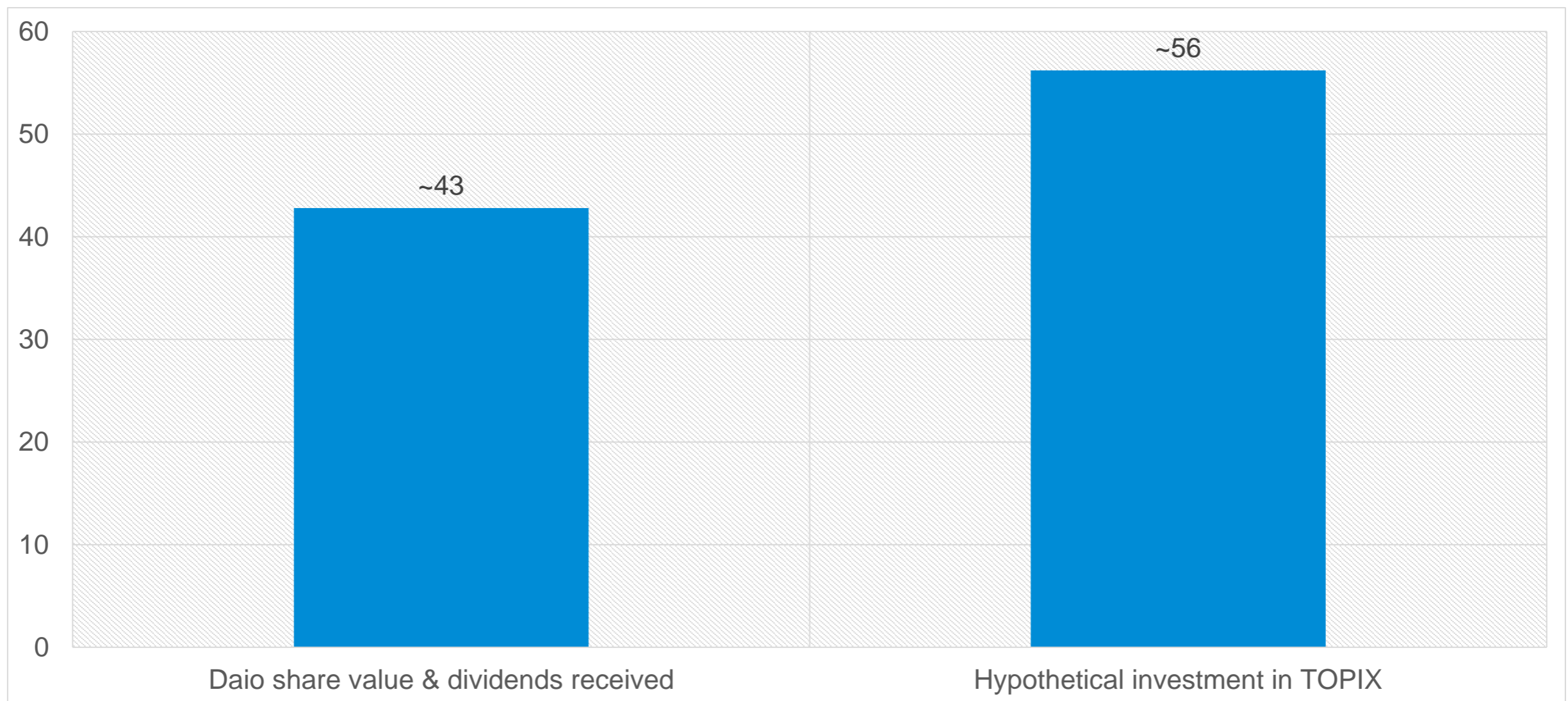
**Hokuetsu Return from Investing in Daio Shares (Bn JPY, Oasis estimate)**



# Investing In Topix Would Have Been a Better Investment For Hokuetsu

- Daio share value and dividends received from Daio amount to ~43 Bn JPY against a ~33 Bn JPY investment. This means the absolute return from Hokuetsu's investment in Daio is 29%.
- An investment in TOPIX over the same period would have returned ~56 Bn JPY, yielding a 72% return.

Hokuetsu Return from Investing in Daio Shares (Bn JPY, Oasis estimate)

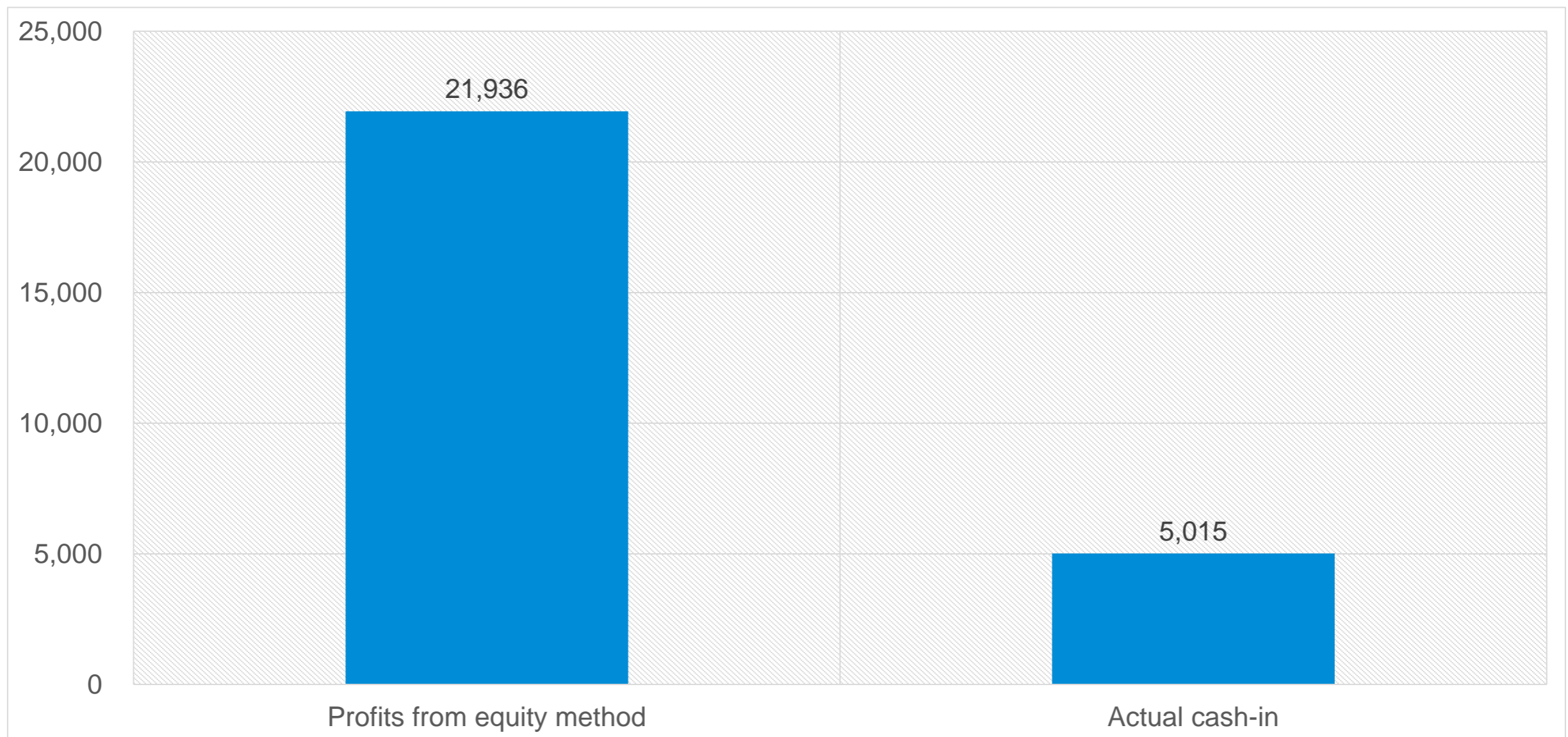




# Hokuetsu Should Not Rely on Accounting Games, but Rather, Should Focus on the Actual Cash-in

- Hokuetsu may claim that they made a profit from Daio by making it an equity method affiliate; however, actual cash-in is substantially smaller in amounts compared to profits considered through equity method
- An accounting game should not be a reason for owning Daio shares

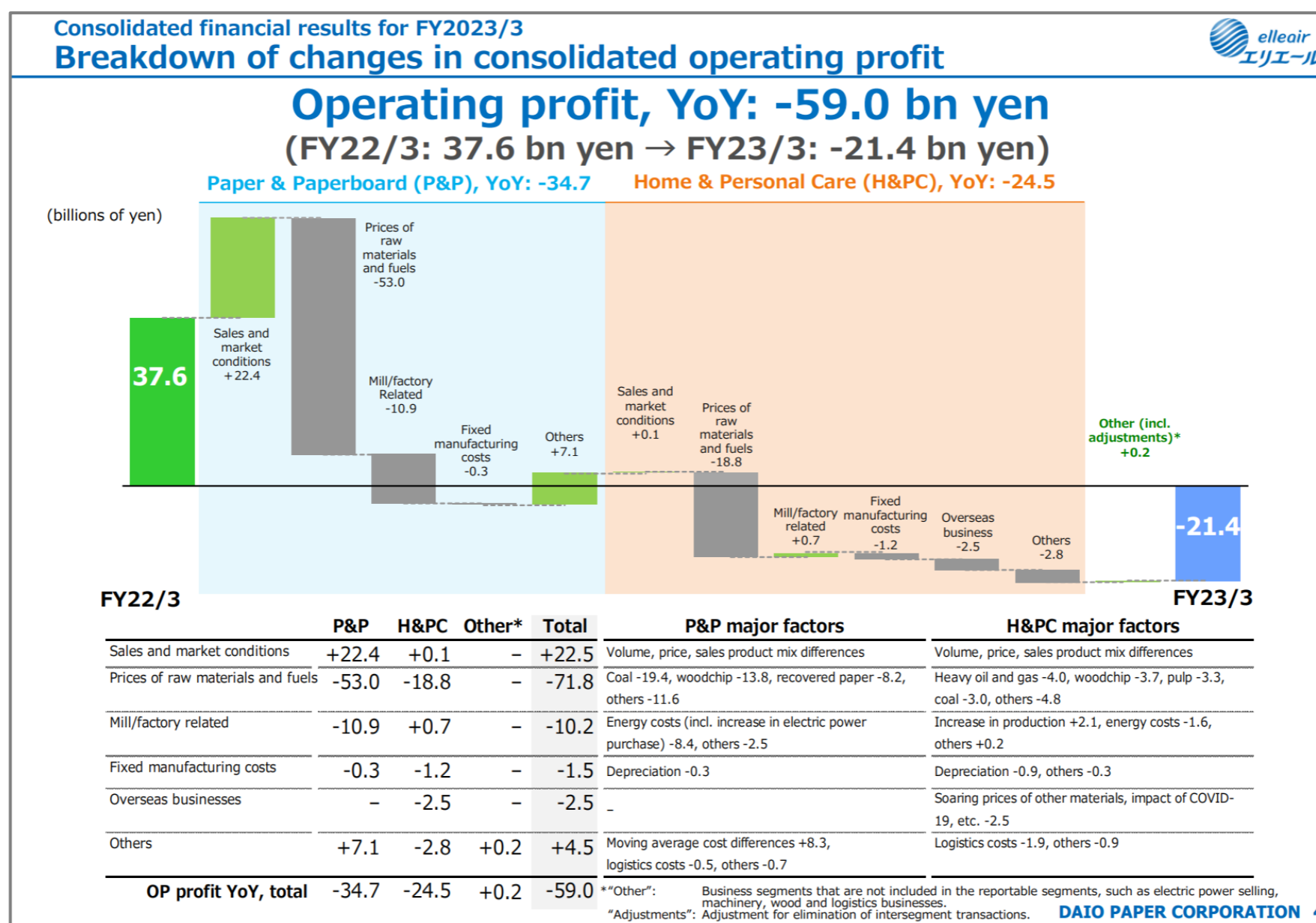
## Hokuetsu may claim Profit from Equity Method Affiliate vs. Cash In (Latest FY, Mn JPY)



# Daio's Earnings Have Severely Declined Due to the Energy Price Hike

- Daio shares have plunged due to the recent hike in prices of raw materials and fuels
- Despite this, Hokuetsu has taken no action, even though it is in the same industry and should have anticipated the severe earnings decline

## Daio Presentation Material



## Section 1-b

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The Daio Cross-Shareholding is a Breach of the Corporate Governance Code & ISS/Glass Lewis Guidelines

# Hokuetsu Explicitly Mentions the Purpose of Holding Daio Paper Shares as “Cross-Shareholdings” in the Significant Holder Disclosure

## Hokuetsu Significant Holder in Daio

### 第2【提出者に関する事項】

#### 1【提出者（大量保有者）／1】

##### (1)【提出者の概要】

###### ①【提出者（大量保有者）】

個人・法人の別	法人（株式会社）
氏名又は名称	北越コーポレーション株式会社
住所又は本店所在地	新潟県長岡市西蔵王三丁目5番1号
旧氏名又は名称	
旧住所又は本店所在地	

###### ②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

###### ③【法人の場合】

設立年月日	明治40年4月27日
代表者氏名	岸本 哲夫
代表者役職	代表取締役社長CEO
事業内容	洋紙・板紙その他の製造、加工、販売

###### ④【事務上の連絡先】

事務上の連絡先及び担当者名	経営戦略室長 一木 康司
電話番号	03(3245)4500

##### (2)【保有目的】

政策投資目的にて保有しております。

##### (3)【重要提案行為等】

該当事項なし

# Japan's Corporate Governance Code Encourages the Sale of Cross-Shareholdings

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- It is well known that the Corporate Governance Code encourages the sale of cross-shareholdings

## Corporate Governance Code Encourages to Sell Cross-Shareholdings

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### **Principle 1.4 Cross-Shareholdings**

When companies hold shares of other listed companies as cross-shareholdings<sup>2</sup>, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.



# ISS & Glass Lewis Recommend Voting Against CEOs with Significant Cross-Shareholdings

## ISS and GL Guidelines on Cross-Shareholdings



## Implications for Hokuetsu



At companies with a statutory auditor structure: vote for the election of directors, **except:** (...) **Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings;** (...)



Cross-shareholding equates to 39.8%<sup>1</sup> of the Company's net-assets

Glass Lewis will generally recommend voting against the chair of the board when the size of strategic shares held by the company **exceeds 10% or more of its net assets** disclosed in the securities report for the previous fiscal year.



Cross-shareholding equates to 36.6%<sup>1</sup> of the Company's net-assets



However, beginning with shareholder meetings held on and after February 1, 2023, when making these voting recommendations, we will carefully review a company's disclosure of its strategic shareholding policies and practices, and may refrain from recommending shareholders vote against directors for this issue alone **when the company has disclosed a clear plan for reducing the size of its strategic shareholdings including the specific amount of reduction and the timeframe for the reduction.**



No clear disclosures of plans for reducing the size of its strategic shareholdings

Additionally, we may also refrain from recommending voting against directors when the company has posted an average return on equity (ROE) of five percent or more over the past five fiscal years even **if the size of strategic shares** held by the company **falls in the range between 10% and 20% of its net assets.**



Cross-shareholding equates to 36.6%<sup>1</sup> of the Company's net-assets

Section 1-c

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Mr. Kishimoto Has Continuously Failed to Achieve Company Targets



# CEO Mr. Kishimoto Has Held His Role for 15 Years

- CEO Mr. Kishimoto (76) has served as a Hokuetsu board member for ~24 years and CEO for ~15 years
- The Company deserves a new CEO to execute a bold plan to secure Hokuetsu's future

## Biography of Mr. Kishimoto

候補者  
番号

1

きし もと せき お  
**岸 本 哲 夫**

再任

生年月日

1945年5月16日

取締役在任年数

22年（本株主総会終結時）

取締役会への出席状況

14回／14回

所有する当社の株式数

271,100株

### 略歴、地位及び担当

1969年7月	三菱商事(株)入社
1995年7月	同社製紙原料部長
1999年3月	当社参与物資本部資材部長
1999年6月	当社取締役物資本部副本部長兼資材部長
2001年6月	当社常務取締役物資本部長
2004年6月	当社専務取締役物資本部長
2006年7月	当社代表取締役副社長
2007年6月	当社代表取締役副社長 CO-CEO
2008年4月	当社代表取締役社長 CEO（現任）

### 取締役候補者とした理由

岸本哲夫氏は、2008年4月より代表取締役社長として強いリーダーシップを発揮して、当社グループの急速な拡大及びグローバル化を実現してまいりました。また、三菱商事(株)及び当社における豊富な業務経験とグローバルな事業経営に関する知見を有しており、昨年新たに策定した長期経営ビジョン「Vision 2030」および「中期経営計画 2023」達成のために欠くことのできない能力と経験を有する同氏には、今後も当社の長期安定的な企業価値の向上への貢献が期待できると判断し、引き続き取締役候補者といたしました。

# Mr. Kishimoto Has Failed to Deliver on Almost ALL of His Promises Over the Past Decade

Item	Target for midterm plan ending 2020/3 (Bn JPY)			Target for midterm plan ending 2017/3 (Bn JPY)			Target for midterm plan ending 2014/3 (Bn JPY)		
	Target		Actual	Target		Actual	Target		Actual
Sales	300.0	×	264.6	270.0	×	262.4	235.0	×	223.9
Operating income	15.0	×	11.2	13.5	×	12.9	—	—	—
Operating margin	5.0%	×	4.2%	5%	×	4.9%	—	—	—
Ordinary income	—	—	—	—	—	—	15.0	×	8.6
Ordinary income margin	—	—	—	—	—	—	6.3%	×	3.8%
ROE	6.0%	×	4.3%	—	—	—	—	—	—
EBITDA	40.0	×	34.9	33.0	✓	33.9	34.0	×	26.9
EBITDA margin	—	—	—	—	—	—	14.4%	×	12.0%
Net debt/ equity	Below 0.6	✓	0.47	—	—	—	—	—	—

## Mr. Kishimoto Failed Again this Year to Achieve the Mid-Term Plan

- Hokuetsu's results fell significantly short of the targets set in its current mid-term plan
- These results are unacceptable. Hokuetsu's reappointment of Mr. Kishimoto as CEO demonstrates clear governance failures, considering the Company's current and past results

	Hokuetsu Mid-term Plan Target	Current Hokuetsu Guidance	Achievement
Sales	280.0	301.2	✗
Operating Profit	15.0	17.3	✓
Ordinary Profit	20.0	11.5	✗
Net Income	15.0	8.3	✗
ROE	7.0%	3.8%	✗
EBITDA	35.0	30.0	✗

Section 1-d

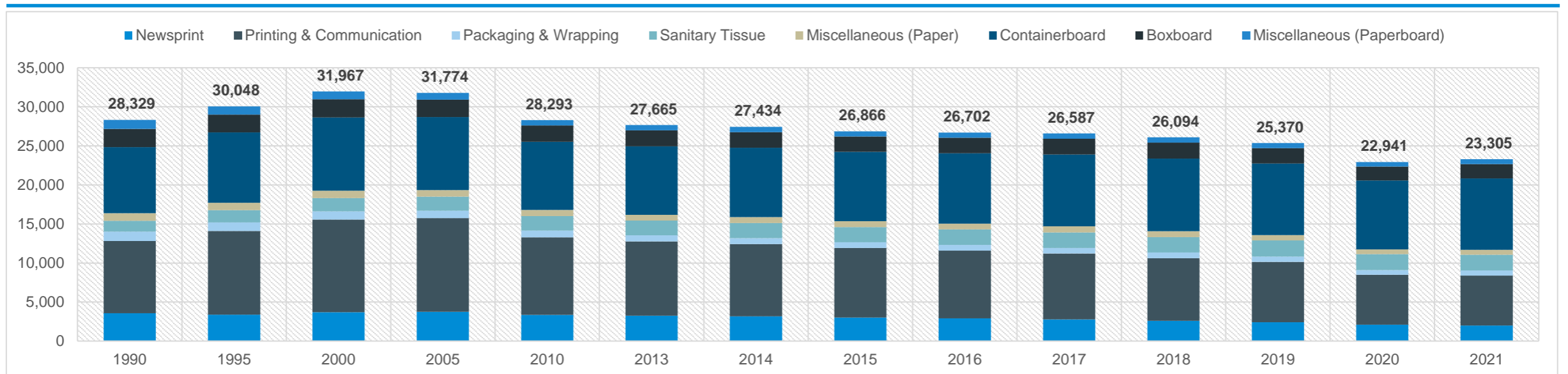
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# Mr. Kishimoto Has Failed to Plan for the Future

# Japan's Paper Industry Is In Severe Decline Due to the "Paperless" Trend

- The paper industry has been shrinking at -1.5% CAGR since 2010
- Sanitary paper and containerboard are the only products which have grown

Production of Paper in Japan (th tn)

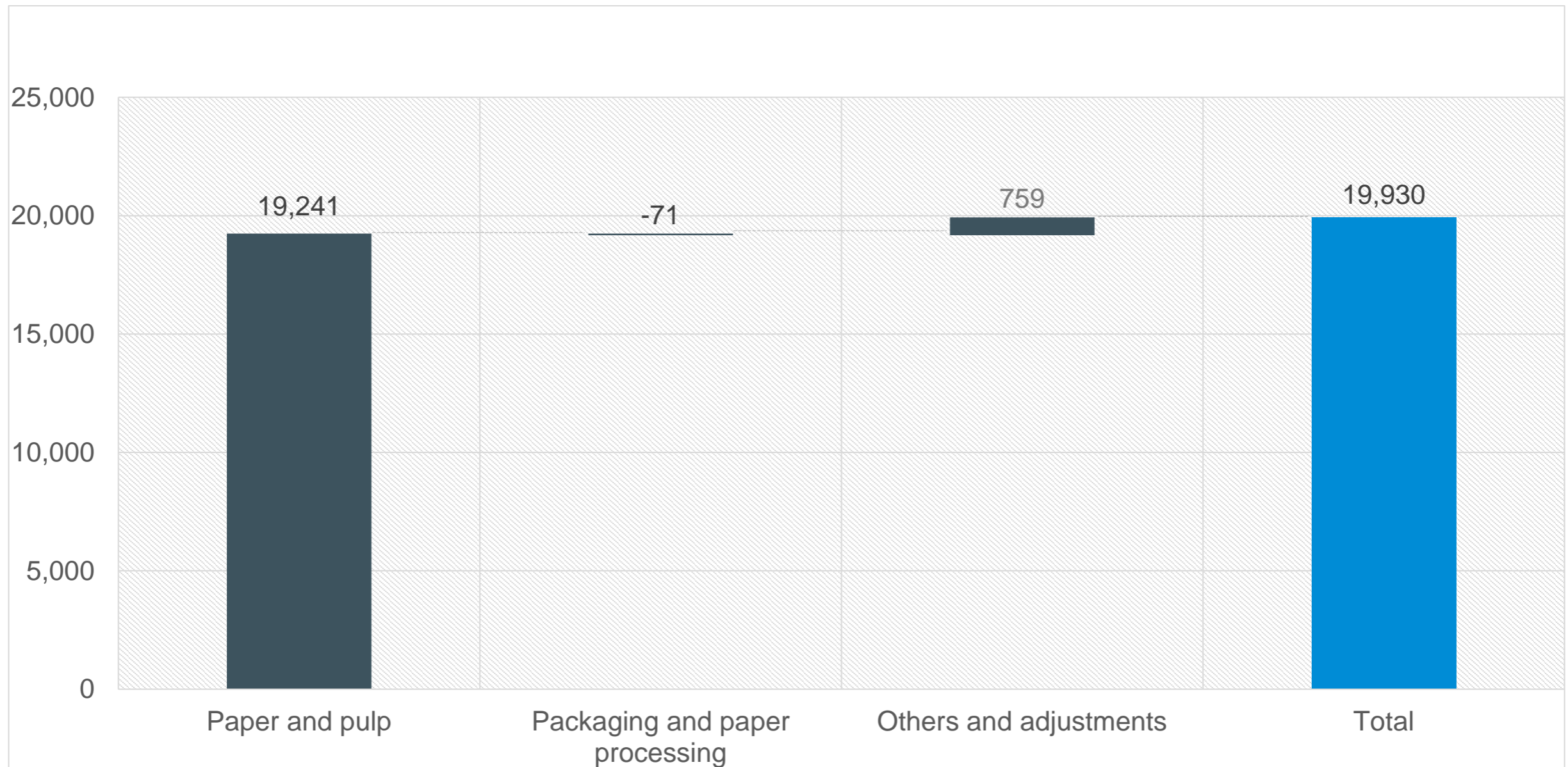


	1990	1995	2000	2005	2010	2013	2014	2015	2016	2017	2018	2019	2020	2021	2000-2021	2010-2021
<b>Newsprint</b>	3,579	3,381	3,699	3,759	3,349	3,247	3,181	3,033	2,926	2,777	2,609	2,409	2,099	2,001	-2.2%	-4.6%
<b>Printing &amp; Communication</b>	9,239	10,716	11,866	11,993	9,949	9,531	9,231	8,893	8,670	8,434	8,019	7,727	6,390	6,386	-2.2%	-3.5%
<b>Packaging &amp; Wrapping</b>	1,205	1,110	1,041	952	852	761	766	729	717	714	723	704	612	662	-2.0%	-2.7%
<b>Sanitary Tissue</b>	1,379	1,576	1,725	1,810	1,856	1,895	1,945	1,946	1,994	1,994	1,974	2,050	2,038	2,015	<b>0.9%</b>	<b>1.4%</b>
<b>Miscellaneous (Paper)</b>	988	920	924	826	797	728	758	747	730	775	743	694	612	629	-1.5%	-2.0%
<b>Containerboard</b>	8,443	9,020	9,392	9,342	8,728	8,788	8,877	8,884	9,022	9,204	9,314	9,167	8,818	9,143	-0.1%	<b>0.7%</b>
<b>Boxboard</b>	2,349	2,286	2,314	2,236	2,094	2,046	2,004	1,983	1,999	2,026	2,029	1,960	1,775	1,838	-0.9%	-0.9%
<b>Miscellaneous (Paperboard)</b>	1,147	1,040	1,006	858	667	669	674	650	645	662	682	658	597	630	-2.2%	-0.2%
<b>Total</b>	<b>28,329</b>	<b>30,048</b>	<b>31,967</b>	<b>31,774</b>	<b>28,293</b>	<b>27,665</b>	<b>27,434</b>	<b>26,866</b>	<b>26,702</b>	<b>26,587</b>	<b>26,094</b>	<b>25,370</b>	<b>22,941</b>	<b>23,305</b>	<b>-1.2%</b>	<b>-1.5%</b>

# Hokuetsu's Business is Heavily Weighted to Paper Pulp Prices

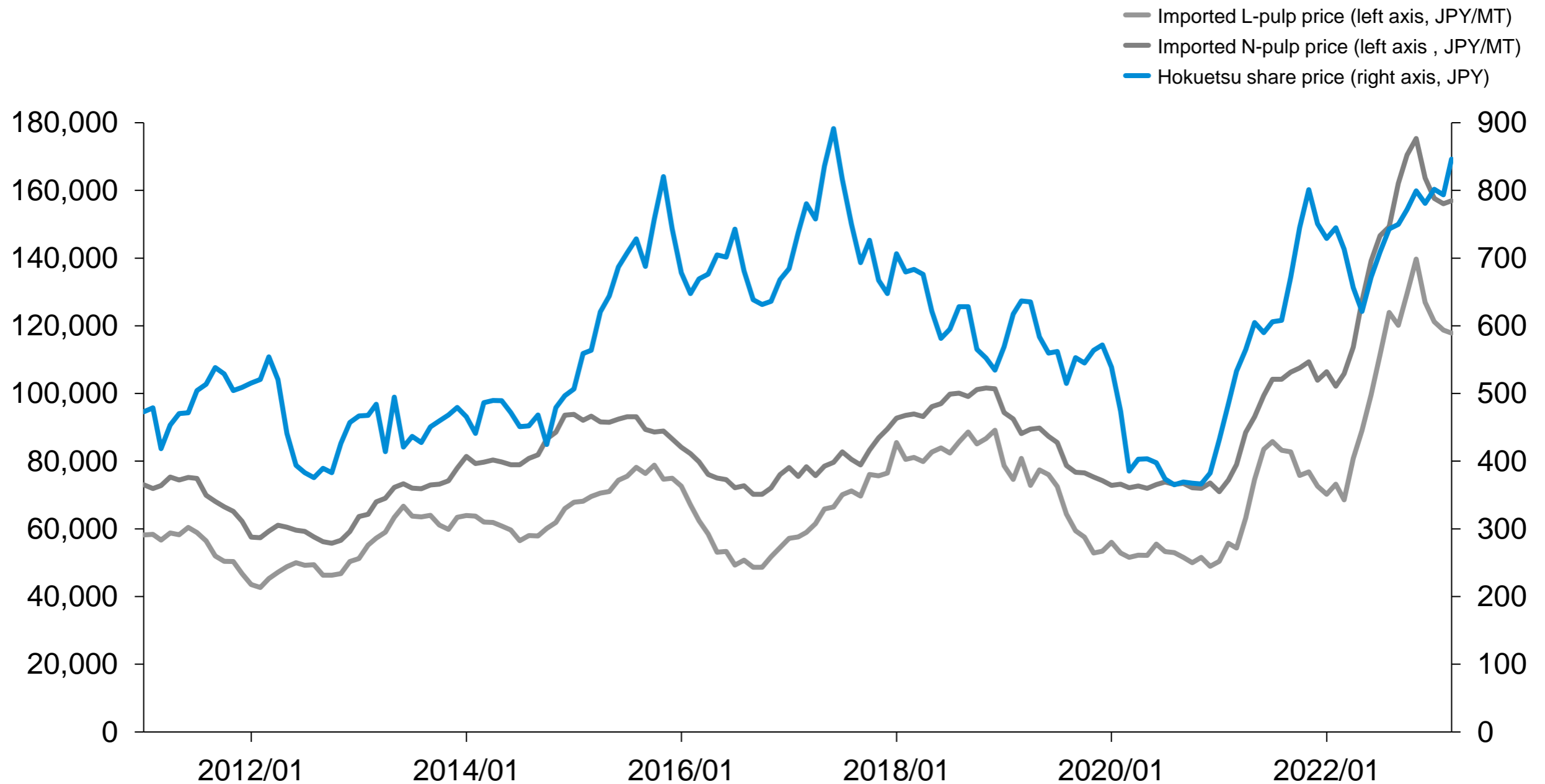
- Mr. Kishimoto led the Company's focus on the declining paper business, missing substantial opportunities in the renewable energy business

Hokuetsu Operating Profit Breakdown (FY3/23)



# Recent Hokuetsu Stock Price Strength is Due to High Pulp Prices, and NOT a Result of Good Management

## Paper Pulp Price Against Hokuetsu Share Price (JPY/MT, JPY)





# Hokuetsu's Management Have Had an Inconsistent Business Strategy



**May 2021**



Hokuetsu announces it will **enter the household paper business**, such as tissues and toilet papers, under which they will invest 15 Bn JPY to achieve a 5~6 Bn JPY of sales at max capacity

**November 2022**



Hokuetsu announces it will **pause its entrance into the household paper business**, as profitability of this is in question as competitors increase capacity and material prices rise

Section 1-e

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# Employees and Board Members are Suffering

# Employees are Suffering Due to the Company's Mismanagement

We heard from Hokuetsu employees who complained that the Company's mismanagement was due to Mr. Kishimoto's leadership and that, as a result, their salary has decreased, bringing down employee morale



Focus on printing paper business, amid a growing paperless trend

Unnecessary and fruitless litigation with Daio Paper

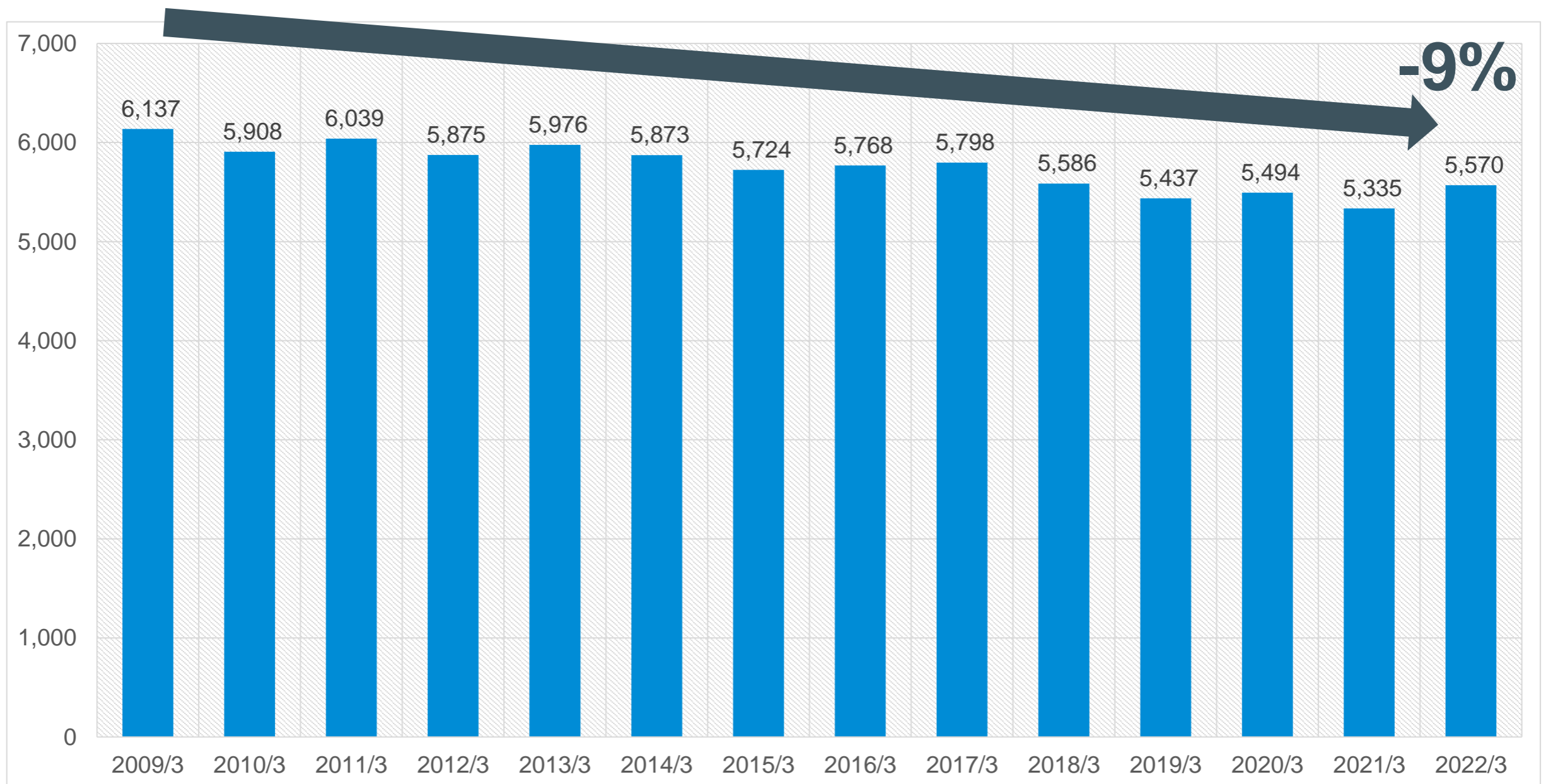
A 2015 embezzlement scandal that led to a JPY2.4bn loss

Decreased employee salary

# Hokuetsu Employee Salaries Have Decreased Over Mr. Kishimoto's Tenure

- During Mr. Kishimoto's tenure as CEO, the average salary of Hokuetsu employees decreased by -9%

Hokuetsu Average Salary (th yen)



# During Mr. Kishimoto's Tenure, An Employee Embezzled Funds in 2015

- In 2015, an employee of Hokuetsu embezzled funds
- The Company lost JPY2.5bn on the incident

## Wrongdoing in 2015

当社連結子会社における元従業員による不正行為に係る調査結果及び再発防止策について

当社は、平成 27 年 5 月 12 日付「平成 27 年 3 月期決算短信（連結）の発表の延期に関するお知らせ」においてお知らせしたとおり、連結子会社一社の会計処理に懸念を生じさせる事実が発覚したことから、調査委員会を立ち上げ、同委員会による調査等を進めた結果、連結子会社において元従業員による不正行為（以下「本件不正行為」といいます。）が確認されました。

本日、同委員会による調査結果の報告を受け、当社取締役会で再発防止策等について決議いたしましたので、調査結果及び再発防止策等について下記のとおりお知らせいたします。

株主及び取引先の皆さまをはじめ、関係各位の皆さまに多大なるご迷惑とご心配をおかけいたしましたことを、深くお詫び申し上げます。

### 記

#### 1. 調査委員会の組織

委員長	糸魚川 順（社外監査役、独立役員）
副委員長	松木 和道（常務取締役、チーフ・コンプライアンス・オフィサー）
委員	鈴木 信里（社外監査役、独立役員）
委員	堀川 淳一（常勤監査役）

#### 2. 不正行為の概要

当社の 100%子会社である北越トレーディング株式会社（以下「HTC」といいます。）の総務部長であった元従業員 1 名（以下「本件元従業員」といいます。）が、平成 12 年 4 月以降、本件不正行為が発覚するまでの間、HTC 名義で締結されていた銀行との当座貸越契約を利用して、不正に小切手を振り出し、現金に換金することなどにより着服していました。また、着服金の穴を埋めるため、架空の商品在庫や前払費用を計上していたほか、借入をオフバランスにするなどして、着服金の隠蔽を図っていました。不正借入からオフバランスの当座預金残高などを除いた着服合計金額は、2,476 百万円であります。着服金は、主にギャンブル、

# Mr. Kishimoto Fired All Younger Directors in an Effort to Preserve His Leadership

- Since Mr. Kishimoto became CEO in 2008, he has fired all the other senior directors in order to preserve his role and maintain his rule over the company
- For the upcoming AGM, the Company announced Mr. Yamamoto, Mr. Kondo and Mr. Otsuka will leave the company

## Board of Director of Hokuestu

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sekio Kishimoto															
Masaki Suzuki															
Kiyoshi Tamura															
Masahide Yano External															
Masaaki Miwa															
Norihiko Shimokoshi															
Minoru Hotta															
Osamu Suzuki															
Koichi Akagawa															
Hiroshi Sugawara															
Kazunori Hosoi															
Michio Tsuchida															
Sohei Onoda															
Yasuhiro Yamada															
Takayuki Sasaki															
Fumiki Asai															
Yoichi Haruki															
Shinichi Kinoshita															
Michio Kaga External															
Kazumishi Matsuki															
Fumio Abe															
Kazuhiro Aoki															
Yoshihisa Iezato															
Akira Murakoshi External															
Yasushi Nirasawa															
Masanori Sakamoto															
Yu Suzuki															
Yoshinori Kawashima															
Morigami Obata External till 2014															
Takahito Meguro															
Mitsushige Yamamoto															
Kimio Uchiyama															
Yasumitsu Iwata External															
Noboru Ushijima External															
Shuji Sekimoto															
Yasuyuki Kondo															
Shigeharu Tachibana															
Kazuo Nakase External															
Shigeru Wakamoto															
Hiroyuki Otsuka															
Masayuki Kuribayashi															
Hiromitsu Kuribayashi External															
Hiroko Nihei External															



# The Board Needs to be Refreshed for Future Growth

- The average age of directors on Hokuetsu's board is 67, and only one female director sits on the board
- Mr. Kishimoto should step down so the company can make decisions and take action for future growth
- We believe Mr. Tachibana has sufficient experience in the industry to run the Company after Mr. Kishimoto steps down. At the same time, we believe continuous efforts to bring the best talent to the board will be required for the future

## Board Members

No.	Position	Name	Age	Internal / Outside	Nationality	Gender	Former Career
1.	President and CEO	Sekio Kishimoto	77	Internal	Japan	Male	Mitsubishi Corp
2.	Managing Director	Mitsushige Yamamoto	66	Internal	Japan	Male	Hokuetsu
3.	Managing Director	Shigeharu Tachibana	64	Internal	Japan	Male	Hokuetsu
4.	Director	Yasuyuki Kondo	65	Internal	Japan	Male	Hokuetsu
5.	Director	Shigeru Wakamoto	65	Internal	Japan	Male	Hokuetsu
6.	Director	Hiroyuki Otsuka	65	Internal	Japan	Male	Hokuetsu
7.	Outside Director	Mitsuyasu Iwata	76	External	Japan	Male	METI
8.	Outside Director	Kazuo Nakase	73	External	Japan	Male	Mitsubishi Paper
9.	Outside Director	Hiromitsu Kuramoto	74	External	Japan	Male	Nippon Yusen
10.	Outside Director	Hiroko Nihei	46	External	Japan	Female	Lawyer

### Stats

67.1

External: 40% Japanese: 100% Female: 10%

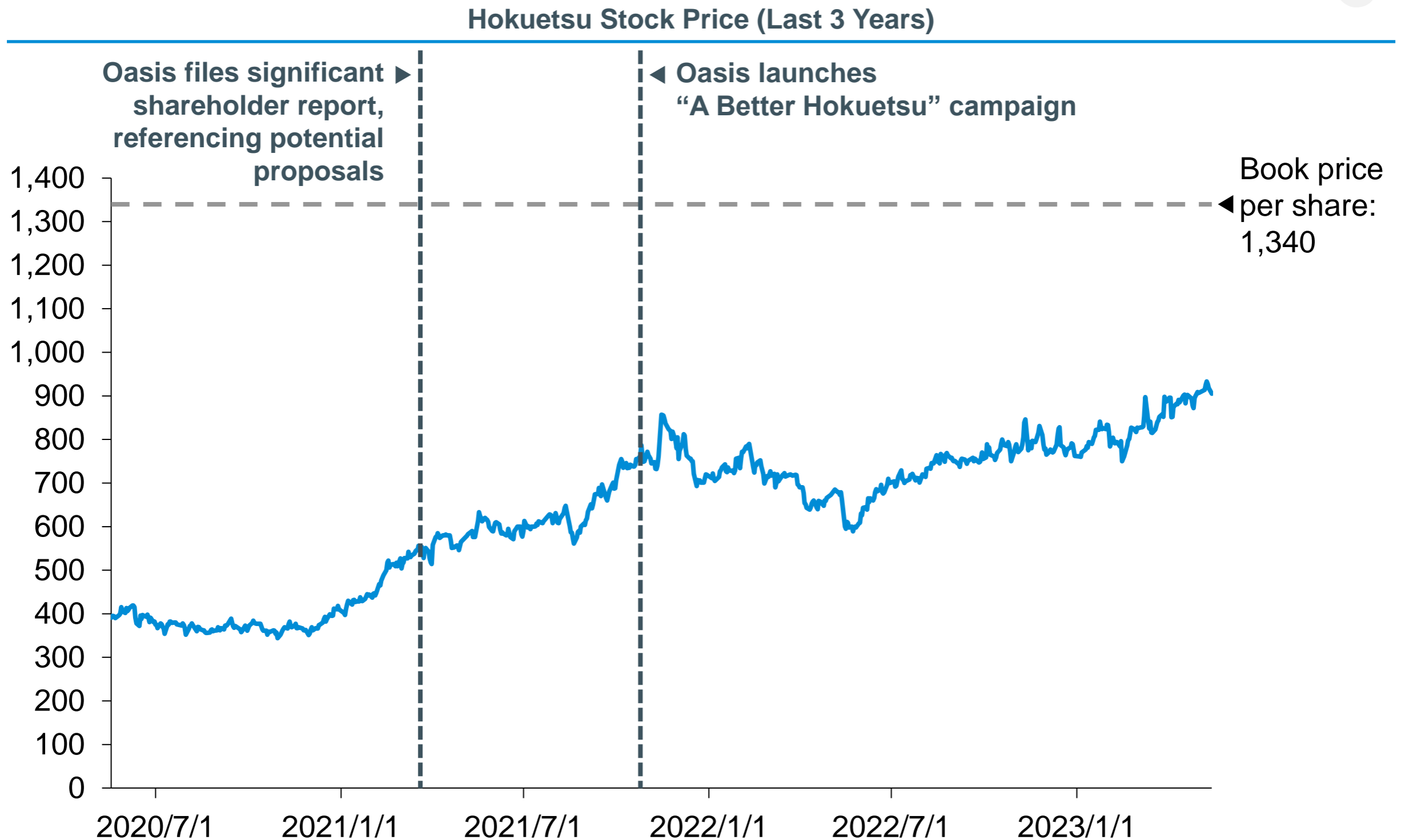


## Section 2

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# Our Message to our Fellow Hokuetsu Shareholders: Remove Mr. Kishimoto

# The Company's Stock Price Has Increased Since Our Engagement, Yet Hokuetsu Still Trades Far Below Book Value














# Oasis' Requests for a Meeting with Mr. Kishimoto Have Been Repeatedly Declined, Despite Being the Largest Shareholder

## Corporate Governance Code Supplementary Principle 5.1.1

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, and kansayaku, should have a basic position to engage in dialogue (management meetings) with shareholders.

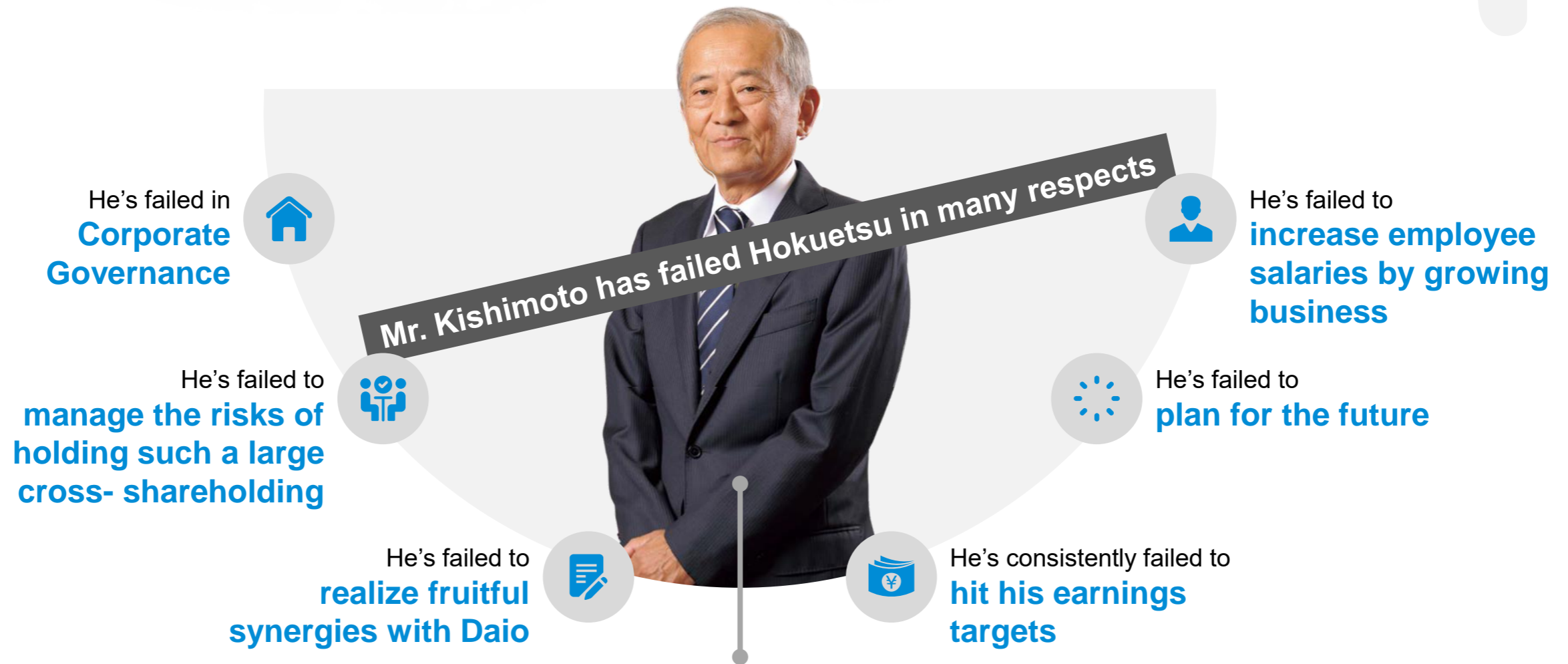
### History of Oasis' meeting requests with Mr. Kishimoto

Date	Oasis requests meeting with Mr. Kishimoto in ...
2021/5/13	 IR interview
2021/6/1	 Letter
2021/8/12	 Discussion session
2021/10/26	 Letter
2021/12/14	 Discussion session
2022/1/19	 IR interview
2022/5/27	 Discussion session
2022/8/19	 IR interview
2022/12/1	 IR interview
2023/2/24	 Discussion session
2023/2/10	 Letter
2023/3/17	 Discussion session

### Hokuetsu shareholders

Holder Name	% Out
1. + Oasis Management Co Ltd	18.00
2. Hokuetsu Corp	10.32
3. Misuga Kaiun Co Ltd	10.00
4. + Government Pension Investment Fund Japan	5.54
5. + Daishi Hokuetsu Financial Group Inc	4.59
6. + Sompo Holdings Inc	4.35
7. + Mizuho Financial Group Inc	3.81
8. HOKUETSU CORP MOCHIKABUKAI	3.64
9. Sumitomo Realty & Development Co Ltd	3.23
10. + Dimensional Fund Advisors LP	3.13
11. + Vanguard Group Inc/The	2.36
12. BNY GCM CLIENT ACCOUNT JPRD AC	2.32
13. + Merrill Lynch & Co Inc	2.03
14. + Nomura Holdings Inc	1.99
15. + Tokio Marine Holdings Inc	1.20
16. + BlackRock Inc	1.17
17. + Sumitomo Mitsui Trust Holdings Inc	1.02
18. + Daiwa Securities Group Inc	0.91
19. KPP Group Holdings Co Ltd	0.84
20. Japan Pulp & Paper Co Ltd	0.66

# Oasis Message to the Hokuetsu Fellow Shareholders



And yet his total control over decision-making continues.  
The board should be held accountable NOW for his failures.

O A S I S

**Oasis will vote against Mr. Kishimoto at the upcoming AGM  
and recommends all Hokuetsu shareholders do the same**

**O A S I S**



**Help us improve Hokuetsu by  
accountability NOW**

For questions, please reach out to:

[Info@hokuetsucorpgov.com](mailto:Info@hokuetsucorpgov.com)

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