

# OASIS

## **Statement by Oasis Management Company Ltd. on “A Better Hokuetsu” (Stock Code: 3865 JT)**

**\* Oasis launches campaign focused on improving operations and governance at paper manufacturer Hokuetsu**

**\* Oasis urges Hokuetsu to invest in biomass power plant business and reduce cross-shareholdings**

*More information available at [www.ABetterHokuetsu.com](http://www.ABetterHokuetsu.com)*

*October 26, 2021, Tokyo and Hong Kong* - Oasis Management Company Ltd. (“Oasis”) is the manager to funds that beneficially own over 7.3% of paper manufacturer Hokuetsu Corporation (3865 JT) (“Hokuetsu” or the “Company”). Oasis has adopted the Japan FSA’s “Principles of Responsible Ownership” (a/k/a the Japan Stewardship Code) and in line with those principles, Oasis monitors and engages with its investee companies.

Today, Oasis announces its “A Better Hokuetsu” campaign in an effort to transform Hokuetsu to meet the challenges of a paperless future and enhance Hokuetsu’s corporate value over the long-term to the benefit of all stakeholders.

### Hokuetsu’s Challenges

Oasis is a long-term shareholder of Hokuetsu and has been engaging closely with the Company on operational and governance improvements. As the digital world evolves, Hokuetsu’s core paper pulp business has declined along with the rest of the paper industry -- a decline that has accelerated in the era of Covid-19.

Hokuetsu’s CEO, Mr. Kishimoto, has led the Company for 13 years. He has been reluctant to accept this reality and adapt the business model to survive. During his tenure, the average Hokuetsu employee’s salary has declined by -13%. Recently, the Company has expanded into the growth areas of sanitary tissues and containerboards; however, this step was too little, too late.

Hokuetsu also has substantial cross-shareholdings representing nearly 75% of the Company’s market value, in direct contradiction to guidance in Japan’s Corporate Governance Code to reduce such holdings. It is clear that Hokuetsu stakeholders, including Hokuetsu employees, have suffered under Mr. Kishimoto’s leadership. Now is the time for change.

## A Better Hokuetsu

We urge Hokuetsu to:

- Resolve its cross-shareholdings with Daio Paper; and
- Invest in the biomass power plant business.

Hokuetsu's biomass plant business, started in 2006, represents a massive opportunity. Renewable energy, including biomass energy, will only become more important in the future as more companies and investors focus on sustainability. With shrinking demand for printing paper, pivoting to focus on biomass power plants as the core business and investing with the proceeds from the sale of cross-shareholdings would generate substantial corporate value for Hokuetsu into the future. We view this as the best way for the Company to survive and succeed. If the company executes on this plan, we believe Hokuetsu's market value could quadruple to JPY534 billion.

Seth Fischer, Founder and Chief Investment Officer of Oasis, said:

*"Hokuetsu is massively undervalued and has a generational opportunity in the biomass power plant business. After 13 years of underperformance, Hokuetsu's stakeholders and employees deserve leadership that is dedicated to bold action and change."*

Full details of Oasis's proposals are available at [www.abetterhokuetsu.com](http://www.abetterhokuetsu.com). We urge Hokuetsu to swiftly execute on these proposals. This is an important mission in which all stakeholders should be engaged. We all want the same thing: a better Hokuetsu.

We welcome all stakeholders to contact Oasis at [info@abetterhokuetsu.com](mailto:info@abetterhokuetsu.com) to help build A Better Hokuetsu.

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**Oasis Management Company Ltd. manages private investment funds focused on opportunities in a wide array of asset classes across countries and sectors. Oasis was founded in 2002 by Seth H. Fischer, who leads the firm as its Chief Investment Officer. More information about Oasis is available at <https://oasiscm.com>. Oasis has adopted the Japan FSA's "Principles of Responsible Institutional Investors" (a/k/a Japan Stewardship Code) and in line with those principles, Oasis monitors and engages with our investee companies.**

**The information contained in this press release (referred to as the "Document") is an information resource for shareholders in Hokuetsu offered by Oasis, the investment manager to funds that are shareholders of Hokuetsu (the "Oasis Funds"). The Document is not intended to solicit or seek shareholders' agreements to jointly exercise any voting rights with Oasis. Shareholders that have an agreement to jointly exercise their voting rights are regarded as Joint Holders under the Japanese large shareholding disclosure rules and they must file notification of their aggregate share ownership with the relevant Japanese authority for public disclosure under the Financial Instruments and Exchange Act. Oasis does not intend to be subjected to such notification requirement. The Document exclusively represents the opinions, interpretations, and estimates of Oasis.**

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