Consolidated Financial Statements

April 1, 2025-March 31, 2026

Hokuetsu Corporation

Consolidated Balance Sheets

Hokuetsu Corporation and Consolidated Subsidiaries
As of March 31, 2026 and 2025

ASSETS	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars (Note 1) 2026
CURRENT ASSETS:			
Cash and deposits (Notes 4 & 5)	**¥ 30,123**	¥ 27,644	**$ 188,351**
Notes and accounts receivable (Note 5)			
Trade	**75,539**	76,225	**472,325**
Unconsolidated subsidiaries and affiliates	**458**	852	**2,864**
Allowance for doubtful accounts	**(2)**	(64)	**(13)**
Inventories (Note 7)	**75,972**	69,451	**475,033**
Prepaid expenses and other	**7,240**	5,378	**45,270**
TOTAL CURRENT ASSETS	**189,330**	179,486	**1,183,830**
PROPERTY, PLANT AND EQUIPMENT:			
Land and timberland	**20,507**	20,210	**128,225**
Buildings and structures	**89,754**	87,748	**561,208**
Machinery and equipment	**478,228**	465,326	**2,990,233**
Leased assets	**241**	193	**1,507**
Right-of-use assets	**2,502**	2,388	**15,644**
Construction in progress	**4,420**	5,781	**27,637**
	595,652	581,646	**3,724,454**
Less accumulated depreciation	**(467,479)**	(459,658)	**(2,923,023)**
NET PROPERTY, PLANT AND EQUIPMENT (Notes 3 & 19)	**128,173**	121,988	**801,431**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 5 & 6)	**68,667**	30,609	**429,357**
Investments in and receivables from unconsolidated subsidiaries and affiliates	**4,525**	64,524	**28,294**
Long-term loans receivable	**66**	71	**413**
Intangible assets (Note 3)	**3,605**	3,232	**22,541**
Guarantee deposits (Note 10)	**4,375**	4,395	**27,356**
Asset for retirement benefits (Note 17)	**19,796**	12,152	**123,779**
Deferred income taxes (Notes 3 & 12)	**952**	1,557	**5,953**
Other	**1,121**	1,073	**7,009**
Allowance for doubtful accounts	**(36)**	(205)	**(225)**
TOTAL INVESTMENTS AND OTHER ASSETS	**103,071**	117,408	**644,477**
TOTAL ASSETS	**¥420,574**	¥418,882	**$2,629,738**

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2026	2025	Thousands of U.S. dollars (Note 1) 2026
CURRENT LIABILITIES:			
Short-term loans (Notes 5 & 9)	**¥ 2,397**	¥ 9,586	**$ 14,988**
Current maturities of long-term debt (Notes 5 & 9)	**30,942**	17,942	**193,472**
Notes and accounts payable (Note 5)			
Trade	**29,865**	31,551	**186,738**
Unconsolidated subsidiaries and affiliates	**716**	825	**4,477**
Income taxes payable (Note 12)	**3,933**	4,548	**24,592**
Accrued expenses	**10,655**	10,409	**66,623**
Other	**10,184**	7,145	**63,678**
TOTAL CURRENT LIABILITIES	**88,692**	82,006	**554,568**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 & 9), less current maturities	**64,011**	61,444	**400,243**
Deferred income taxes (Note 12)	**8,349**	1,820	**52,204**
Accrued environmental expenditures	**428**	1,379	**2,676**
Provision for reforestation	**431**	400	**2,695**
Liability for retirement benefits (Note 17)	**3,222**	3,467	**20,146**
Asset retirement obligations (Note 18)	**2,278**	2,244	**14,244**
Other	**416**	252	**2,602**
TOTAL LONG-TERM LIABILITIES	**79,135**	71,006	**494,810**
CONTINGENT LIABILITIES (Note 10)			
NET ASSETS (Note 11)			
SHAREHOLDERS' EQUITY:			
Common stock:			
authorized			
–500,000,000 shares in 2026 and 2025			
issued and outstanding			
–163,053,114 shares in 2026 and 2025	**42,021**	42,021	**262,746**
Capital surplus	**45,188**	44,958	**282,549**
Retained earnings	**122,793**	151,826	**767,792**
Treasury stock	**(3,063)**	(9,576)	**(19,152)**
TOTAL SHAREHOLDERS' EQUITY	**206,939**	229,229	**1,293,935**
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized holding gains on securities, net of taxes	**19,219**	9,741	**120,171**
Unrealized gains or losses on hedging derivatives, net of taxes	**—**	60	**—**
Foreign currency translation adjustment	**15,677**	19,637	**98,024**
Accumulated adjustments for retirement benefit, net of taxes (Note 17)	**9,981**	6,385	**62,409**
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES	**44,877**	35,823	**280,604**
SHARE SUBSCRIPTION RIGHTS	**73**	76	**456**
NON-CONTROLLING INTERESTS	**858**	742	**5,365**
TOTAL NET ASSETS	**252,747**	265,870	**1,580,360**
TOTAL LIABILITIES AND NET ASSETS	**¥420,574**	¥418,882	**$2,629,738**

Consolidated Statements of Income

Hokuetsu Corporation and Consolidated Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
NET SALES (Notes 19 & 20)	**¥287,737**	¥305,718	**$1,799,143**
COST OF SALES	**231,278**	236,920	**1,446,120**
GROSS PROFIT	**56,459**	68,798	**353,023**
SELLING,GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**48,919**	49,070	**305,877**
OPERATING INCOME	**7,540**	19,728	**47,146**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**2,196**	1,810	**13,731**
Interest expenses	**(865)**	(766)	**(5,409)**
Foreign exchange gains(losses)	**—**	629	**—**
Equity in income (loss) of affiliates (Note 21)	**2,233**	(2,703)	**13,962**
Gain on sales of investments in securities	**4,173**	4,108	**26,093**
Gain on sales on property, plant and equipment	**50**	35	**313**
Loss on sales or disposal on property, plant and equipment	**(1,760)**	(1,371)	**(11,005)**
Loss on reduction of property, plant and equipment	**(1)**	(2)	**(6)**
Impairment loss on long-lived assets (Notes 3 & 14)	**(203)**	(176)	**(1,269)**
Loss on sale of shares of affiliated companies	**(1,696)**	—	**(10,605)**
Reversal of provision for environmental measures	**933**	—	**5,833**
Restoration costs	**(321)**	—	**(2,007)**
Taxes and dues	**(413)**	—	**(2,582)**
Loss on disaster	**(540)**	—	**(3,376)**
Other, net	**199**	247	**1,244**
	3,985	1,811	**24,917**
INCOME BEFORE INCOME TAXES	**11,525**	21,539	**72,063**
INCOME TAXES (Note 12):			
Current	**3,726**	5,617	**23,298**
Deferred	**345**	245	**2,157**
	4,071	5,862	**25,455**
NET INCOME	**7,454**	15,677	**46,608**
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**154**	147	**963**
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT COMPANY	**¥ 7,300**	¥ 15,530	**$ 45,645**

	Yen		U.S. dollars (Note 1)
	2026	2025	**2026**
AMOUNTS PER SHARE OF COMMON STOCK (Note 2):			
Net income	**¥43.59**	¥92.34	**$0.27**
Diluted net income	**43.56**	92.26	**0.27**
Cash dividends applicable to the year	**26.00**	22.00	**0.16**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Hokuetsu Corporation and Consolidated Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
NET INCOME	**¥ 7,454**	¥15,677	**$ 46,608**
OTHER COMPREHENSIVE INCOME (Note 22)			
Unrealized holding gains on securities, net of taxes	**4,927**	(1,385)	**30,807**
Unrealized gains or losses on hedging derivatives, net of taxes	**(42)**	51	**(263)**
Foreign currency translation adjustments	**3,396**	1,802	**21,234**
Adjustments for retirement benefit, net of taxes	**4,321**	(238)	**27,018**
Share of other comprehensive income of associates accounted for using equity method	**(2,526)**	1,770	**(15,794)**
TOTAL OTHER COMPREHENSIVE INCOME	**10,076**	2,000	**63,002**
COMPREHENSIVE INCOME	**¥17,530**	¥17,677	**$109,610**
Comprehensive income attribute to owners of the parent company	**17,364**	17,507	**108,573**
Comprehensive income attribute to non-controlling interests	**166**	170	**1,037**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Hokuetsu Corporation and Consolidated Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	**¥11,525**	¥21,539	**$ 72,063**
Depreciation and amortization	**13,833**	13,142	**86,494**
Impairment loss on long-lived assets	**203**	176	**1,269**
Loss(gain) on sales or disposal of property, plant and equipment	**1,710**	1,336	**10,692**
Loss on reduction of property, plant and equipment	**1**	1	**6**
Loss (gain) on sale of investment securities	**(4,173)**	(4,108)	**(26,093)**
Loss (gain) on sale of shares of subsidiaries and associates	**1,696**	—	**10,605**
Interest and dividend income	**(2,196)**	(1,810)	**(13,731)**
Interest expenses	**865**	766	**5,409**
(Increase) decrease in notes and accounts receivable	**1,842**	9,108	**11,518**
(Increase) decrease in inventories	**(5,407)**	(1,767)	**(33,809)**
Increase (decrease) in notes and accounts payable	**(2,005)**	1,789	**(12,537)**
Increase (decrease) liability for retirement benefits	**(7,636)**	388	**(47,746)**
Equity in (income) losses of affiliates	**(2,233)**	2,703	**(13,962)**
Increase (decrease) in allowance for doubtful accounts	**(231)**	(16)	**(1,444)**
Other, net	**6,073**	(3,623)	**37,973**
SUBTOTAL	**13,867**	39,624	**86,707**
Interest and dividend income received	**2,834**	2,488	**17,720**
Interest paid	**(724)**	(773)	**(4,527)**
Income taxes (paid) refund	**(6,014)**	(590)	**(37,604)**
Insurance payment received	**230**	183	**1,438**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**10,193**	40,932	**63,734**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for time deposits	**(2,382)**	(2,482)	**(14,894)**
Payment for purchases of investment securities	**(2,984)**	(3,571)	**(18,658)**
Proceeds from sales of investment securities	**7,388**	7,146	**46,195**
Payment for purchases of property, plant and equipment	**(16,691)**	(17,653)	**(104,364)**
Proceeds from sales of property, plant and equipment	**73**	43	**456**
Proceeds from sale of shares of subsidiaries and associates	**12,331**	—	**77,102**
Other, net	**(1,015)**	(2,300)	**(6,346)**
NET CASH USED IN INVESTING ACTIVITIES	**(3,280)**	(18,817)	**(20,509)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term loans	**(7,202)**	634	**(45,032)**
Increase (decrease) in commercial paper	**—**	(7,000)	**—**
Proceeds from long-term loans	**18,205**	8,000	**113,831**
Repayment of long-term loans	**(17,599)**	(16,990)	**(110,042)**
Proceeds from issuance of unsecured yen straight bonds	**15,000**	—	**93,791**
Dividends paid	**(4,051)**	(3,373)	**(25,330)**
Purchase of treasury shares	**(10,986)**	—	**(68,693)**
Other, net	**378**	(392)	**2,364**
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	**(6,255)**	(19,121)	**(39,111)**
TRANSLATION LOSS ON CASH AND CASH EQUIVALENTS	**615**	14	**3,845**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,273**	3,008	**7,959**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**25,148**	22,140	**157,244**
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**¥26,421**	¥25,148	**$165,203**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hokuetsu Corporation and Consolidated Subsidiaries
For the Years ended March 31, 2026 and 2025

Millions of yen

	Number of shares	Common stock	Captital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustment	Accumulated adjustments for retirement benefit, net of taxes	Total accumulated other comprehensive income, net of taxes	Share subscription rights	Non-controlling interests	Total net assets
Balance at March 31, 2024	188,053,114	¥42,021	¥44,954	¥140,481	¥(9,594)	¥217,862	¥11,152	¥ (21)	¥16,391	¥6,326	¥33,848	¥ 78	¥677	¥252,465
Cumulative effect of a change in accounting policy	—	—	—	1	—	1	(1)	—	—	—	(1)	—	—	—
Adjustment of hyperinflation by affiliate company	—	—	—	(822)	—	(822)	—	—	—	—	—	—	—	(822)
Restated balance	—	¥42,021	¥44,954	¥139,660	¥(9,594)	¥217,041	¥11,151	¥ (21)	¥16,391	¥6,326	¥33,847	¥ 78	¥677	¥251,643
Cash dividends (¥20.00 per share)	—	—	—	(3,364)	—	(3,364)	—	—	—	—	—	—	—	(3,364)
Net income attributable to owners of parent company	—	—	—	15,529	—	15,529	—	—	—	—	—	—	—	15,529
Disposal of treasury stock	—	—	4	—	20	24	—	—	—	—	—	—	—	24
Purchases of treasury stock	—	—	—	—	(2)	(2)	—	—	—	—	—	—	—	(2)
Net changes during the year	—	—	—	—	—	—	(1,410)	81	3,247	59	1,977	(2)	65	2,040
Balance at March 31, 2025	188,053,114	¥42,021	¥44,958	¥151,825	¥(9,576)	¥229,228	¥9,741	¥ 60	¥19,638	¥6,385	¥35,824	¥ 76	¥742	¥265,870
Cumulative effect of a change in accounting policy	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustment of hyperinflation by affiliate company	—	—	—	88	—	88	—	—	—	—	—	—	—	88
Restated balance	—	¥42,021	¥44,958	¥151,913	¥(9,576)	¥229,316	¥ 9,741	¥ 60	¥19,638	¥6,385	¥35,824	¥ 76	¥742	¥265,958
Cash dividends (¥26.00 per share)	—	—	—	(4,037)	—	(4,037)	—	—	—	—	—	—	—	(4,037)
Net income attributable to owners of parent company	—	—	—	7,300	—	7,300	—	—	—	—	—	—	—	7,300
Disposal of treasury stock	—	—	222	—	512	734	—	—	—	—	—	—	—	734
Purchases of treasury stock	—	—	—	—	(10,281)	(10,281)	—	—	—	—	—	—	—	(10,281)
Cancellation of treasury shares	(25,000,000)	—	(16,767)	—	16,767	—	—	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	16,540	(16,540)	—	—	—	—	—	—	—	—	—	—
Purchase of treasury shares by stocks benefit trust	—	—	—	—	(705)	(705)	—	—	—	—	—	—	—	(705)
Increase (decrease) due to exclusion of companies accounted for using equity method from the scope of equity method	—	—	235	(15,843)	220	(15,388)	—	—	—	—	—	—	—	(15,388)
Net changes during the year	—	—	—	—	—	—	9,478	(60)	(3,961)	3,596	9,053	(3)	116	9,166
Balance at March 31, 2026	163,053,114	¥42,021	¥45,188	¥122,793	¥(3,063)	¥206,939	¥19,219	¥ —	¥15,677	¥9,981	¥44,877	¥ 73	¥858	¥252,747

Thousands of U.S. dollars (Note 1)

	Number of shares	Common stock	Captital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustment	Accumulated adjustments for retirement benefit, net of taxes	Total accumulated other comprehensive income, net of taxes	Share subscription rights	Non-controlling interests	Total net assets
Balance at March 31, 2025	188,053,114	$262,746	$281,110	$ 949,322	$(59,876)	$1,433,302	$60,908	$ 375	$122,791	$39,924	$223,998	$475	$4,640	$1,662,415
Cumulative effect of a change in accounting policy	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustment of hyperinflation by affiliate company	—	—	—	550	—	550	—	—	—	—	—	—	—	550
Restated balance	—	$262,746	$281,110	$949,872	$(59,876)	$1,433,852	$60,908	$ 375	$122,791	$39,924	$223,998	$475	$4,640	$1,662,965
Cash dividends ($0.14 per share)	—	—	—	(25,242)	—	(25,242)	—	—	—	—	—	—	—	(25,242)
Net income attributable to owners of parent company	—	—	—	45,645	—	45,645	—	—	—	—	—	—	—	45,645
Disposal of treasury stock	—	—	1,388	—	3,201	4,589	—	—	—	—	—	—	—	4,589
Purchases of treasury stock	—	—	—	—	(64,283)	(64,283)	—	—	—	—	—	—	—	(64,283)
Cancellation of treasury shares	(25,000,000)	—	(104,840)	—	104,840	—	—	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	103,420	(103,420)	—	—	—	—	—	—	—	—	—	—
Purchase of treasury shares by stocks benefit trust	—	—	—	—	(4,409)	(4,409)	—	—	—	—	—	—	—	(4,409)
Increase (decrease) due to exclusion of companies accounted for using equity method from the scope of equity method	—	—	1,471	(99,063)	1,375	(96,217)	—	—	—	—	—	—	—	(96,217)
Net changes during the year	—	—	—	—	—	—	59,263	(375)	(24,767)	22,485	56,606	(19)	725	57,312
Balance at March 31, 2026	163,053,114	$262,746	$282,549	$767,792	$(19,152)	$1,293,935	$120,171	$ —	$98,024	$62,409	$280,604	$456	$5,365	$1,580,360

Notes to Consolidated Financial Statements

Hokuetsu Corporation and Consolidated Subsidiaries
Years ended March 31, 2026 and 2025

Note 1: Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP")

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of HOKUETSU Corporation ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2026, which was ¥159.93 to U.S. $1.00. The convenience translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2: Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries ("the Companies"). All significant inter-company balances, transactions and unrealized gains have been eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill, except for immaterial amounts, are amortized within twenty years from the day of the occurrence of goodwill for the period when the effect exists.

Investments in all significant unconsolidated subsidiaries and affiliates are accounted for by the equity method.

The number of consolidated subsidiaries and affiliates accounted for by the equity method is as follows:

	Number of Companies	
	2026	2025
Consolidated subsidiaries	**16**	16
Affiliates accounted for by the equity method	**3**	4

(Excluded) Daio Paper Corporation

During the current consolidated fiscal year, the Company tendered a portion of its shares in Daio Paper Corporation, which had been an affiliate accounted for by the equity method, in response to the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) conducted by Daio Paper Corporation, and transferred a portion of the shares it held. As the Company's influence over Daio Paper Corporation has decreased as a result, Daio Paper Corporation has been excluded from the scope of equity-method application.

The consolidated financial statements are prepared using their financial statements as of March 31 except for following companies;

Companies	Fiscal year end
Alberta-Pacific Forest Industries Inc.	December 31
Bernard Dumas S.A.S.	December 31
Shanghai Toh Tech Co., Ltd.	December 31

Significant transactions, which occurred during the period between these fiscal year ends and March 31, are adjusted in the accompanying consolidated financial statements.

(b) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents, and which represent an insignificant risk of change in value.

(c) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the fiscal year end, with the translation gains or losses reported in profit or loss.

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rates as of the fiscal year end, and their income and expenses are translated into Japanese yen at the average exchange rates during the fiscal year with the translation gains or losses included in foreign currency translation adjustment and non-controlling interests in the net assets section of the consolidated balance sheet.

(d) Securities

Under the Japanese accounting standard for financial instruments, all companies are required to classify those securities as (a) securities held for trading purposes ("trading securities"), (b) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliates or (d) all other securities that are not classified in any of the above categories ("available-for-sale securities"). The Companies did not have the securities defined as (a) and (b) above in the years ended March 31, 2026 and 2025.

Equity securities issued by unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at the moving-average cost.

If the market value of available-for-sale securities declines significantly, such securities are stated at market value and the difference between market value and the carrying amount is recognized as loss in the period of the decline. If the market value of equity securities, except for those accounted for by the equity method, is not readily available, such securities should be written down to these fair values with a corresponding charge in the statement of income in the event net asset value declines significantly.

Available-for-sale securities are included in investments and other assets.

Available-for-sale securities with market values are stated at market value. Unrealized gain and loss on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income, net of tax in net assets section. Cost on sale of such securities are computed using the moving-average cost.

(e) Allowance for doubtful accounts
The Companies provide the allowance for doubtful accounts in an amount sufficient to cover probable losses on collection by estimating individually uncollectible amounts in addition to applying an historical rate of bad debts incurred in the past.

(f) Inventories
Inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value. Cost is primarily determined by the monthly average method for raw materials, supplies and merchandise and finished goods. Cost of work-in-process is primarily determined using the FIFO (first-in, first-out) method. Cost of timber is primarily determined using the specific identification method.

(g) Property, plant and equipment (excluding leased assets)
Property, plant and equipment are stated at cost. Subsidies related to the acquisition of assets are deducted directly from the cost of the related assets.

- Buildings, structures and machinery and equipment
  Mainly straight-line method over the useful lives.
- Other tangible fixed assets
  Mainly declining-balance method at rates determined based on the useful lives.

Expenditures for new facilities and those that substantially increase the future benefits of existing plant and equipment are capitalized. Maintenance, repair and minor renewals are charged to expenses as incurred.

(h) Finance leases
Finance leases, except for certain immaterial or short-term finance leases which are accounted for as operating leases, are capitalized.

Leased assets related to finance leases without transferring ownership are depreciated over the lease period as useful life using the straight-line method with no residual value.

(i) Right-of-use assets
The right-of-use asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease or the useful life of the asset determined on the same basis as the Company's property, plant and equipment. Overseas subsidiaries using International Financial Reporting Standards applies IFRS No.16 Lease (hereinafter referred to as "IFRS16"). In accordance with IFRS16, lessees are required to recognize almost all leases as assets or liabilities in the consolidated balance sheet.

(j) Revenue recognition
The Companies manufactures and sells mainly paper, pulp, folding cartons and processed paper products. For such sales of merchandise and products, revenue is recognized when the merchandise and products are delivered to the customer or when the customer accepts inspection because it is determined that our performance obligation is satisfied when we transfer control of the merchandise and products to the customer at the time of delivery or at the time of acceptance by the customer. However, for certain sales in Japan, if the period from shipment to delivery to the customer is the normal period, revenue is recognized at the time of shipment.

For sales of pulp and paper, which are considered to be agent sales, the Company and its consolidated subsidiaries recognize revenues on a net basis.

The sales contracts for such goods and products include variable consideration due to discounts and rebates after the contracts are signed, and the estimated amount of such variable consideration is included in the transaction price. Estimates are based on the Group's past experience and reasonable expectations based on negotiations with the customer at the time the estimate was made, and are included in the transaction price to the extent that it is very likely that a material reversal will not occur.

In addition, there is consideration paid to customers, such as sales incentives, which is reduced from the transaction price unless it is paid in exchange for separate goods or services received from the customer.

The consideration for transactions related to the sale of such goods and products is received in the short term after revenue is recognized, and does not include a significant financial component with respect to the receivables under the contracts with such customers.

(k) Accrued environmental expenditures
Accrued environmental expenditures are provided at an estimated amount for environmental expenses, including disposal cost of contaminated soil caused by the use of snow-melting agent by the Company's Canadian subsidiary and disposal of PCB (polychlorinated biphenyl) waste.

(l) Provision for reforestation
Based on an agreement with the state government, the Company's Canadian subsidiary is engaged in forest harvesting for the purpose of procuring raw timber for pulp materials and the anticipated costs arising from reforestation and silviculture (coniferous forest) have been incorporated into accounts as liabilities.

(m) Issuance costs of stocks and bonds
Issuance costs of stocks and bonds are expensed as incurred.

(n) Derivatives and hedge accounting
The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless hedge accounting is applied.

If derivative financial instruments are used as hedges and meet certain hedging criteria, unrealized gains or losses on derivatives are recorded for changes in fair value of derivative financial instruments until the related loss or gain on the hedged items is recognized.

Special treatment has been adopted for interest rate swaps that qualify for special treatment.

In addition, integrated treatment has been adopted for interest rate and currency swaps that qualify for integrated treatment (special treatment / appropriated treatment).

(o) Income taxes
The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(p) Per share information

Net income per share is computed based upon the average number of shares of common stock outstanding during each fiscal year. The average number of common shares used in the computation was 167,454,050 shares and 168,175,699 shares in 2026 and 2025, respectively.

For the year ended March 31, 2026, diluted net income per share was ¥43.56 ($0.27).

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

Starting from the fiscal year ended March 31, 2026, the Company has introduced a Stock Benefit Trust (Employee Stock Ownership Association Disposal-Type). The Company's shares remaining in the trust, which are recorded as treasury stock in shareholders' equity, are included in the treasury stock deducted from the total number of issued shares outstanding at the fiscal year-end for the purposes of calculating net assets per share (731 thousand shares in the current consolidated fiscal year).

In addition, such shares are included in the treasury stock deducted in the calculation of the weighted average number of shares for the purposes of calculating net income per share and diluted net income per share (56 thousand shares in the current consolidated fiscal year).

(q) Reclassification and restatement

Certain prior year amounts have been reclassified to conform to the current year presentation.

These reclassifications had no impact on previously reported results of operations or retained earnings.

(r) Accounting methods for retirement benefits

(1) Attribution method for projected retirement benefits
In calculating retirement benefit obligations, the projected retirement benefits are attributed to the period up to the end of the current consolidated accounting period based on benefit formula basis.

(2) Method of amortization relating to actuarial gain or losses and past service cost.
Actuarial gains or losses are amortized from the subsequent financial year using the straight-line method over 10 years, which is not longer than an estimated average remaining service period of the employees when the gains or losses are incurred.

(3) Simplified method for small enterprises, etc.
When calculating retirement benefit obligations and retirement benefit costs, some consolidated subsidiaries use the simplified method, in which the year-end voluntary payments relating to retirement benefits are treated as retirement benefit obligations.

(s) Accounting standards issued but not yet applied

Following accounting standards and guidance are those issued but not yet applied.

(Accounting Standard for Leases)

- Accounting Standard for Leases (ASBJ Statement No.34, September 13,2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No.33, September 13,2024)

(1) Overview
As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the Accounting Standards for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration.

Accordingly, the ASBJ issued the Accounting Standard for Leases, etc. that adopts only the key provisions of IFRS16 that is based on the single accounting model. The revision aims to be simple and highly convenient, and to make it unnecessary to revise non-consolidated financial statements that apply IFRS16 in the Accounting Standard for Leases, etc.

Regarding the method for allocating the lease expenses in the lessee's accounting treatment, using the same approach as IFRS16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

(2) Schedule date of application
The above standard and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the standards, etc.
The effects of the application on the consolidated financial statements are currently being assessed.

(Accounting Standard for Financial Instruments)

- Practical Guidelines on Accounting for Financial Instruments (ASBJ Transferred Guidance No.9, March 11, 2025)

(1) Overview
In recent years, financial products that incorporate unlisted equity securities into funds have been increasing. By measuring these unlisted equity securities at fair value, it is expected that useful information will be disclosed and provided to investors, resulting in a greater supply of growth capital to venture capital funds and similar vehicles from institutional investors both domestically and abroad.

In response to this situation, the "Practical Guidelines on Accounting for Financial Instruments" have been published. These guidelines address the current practices whereby constituent assets of partnerships and similar entities in which companies invest are measured at cost even when those assets consist of equity securities without market prices, and permit all equity securities without market prices that are included in the constituent assets of partnerships and similar entities meeting certain requirements to be measured at fair value, and for such measurement to serve as the basis for accounting by investors in those partnerships and similar entities.

(2) Scheduled date of application
The above guidelines are scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the standards, etc.
The effects of the application of the "Practical Guidelines on Accounting for Financial Instruments" on the consolidated financial statements are currently being assessed.

(t) Additional Information

(Transactions in which shares of the company are delivered to employees, etc. through a trust)
Stock Benefit Trust (Employee Stock Ownership Association Disposal-Type)

At its meeting held on September 25, 2025, the Company's Board of Directors passed a resolution to introduce a "Stock Benefit Trust (Employee Stock Ownership Association Disposal-Type)" plan (hereinafter, the "Plan") with the aim of enhancing the welfare of the Company Group's employees and providing incentives linked to the improvement of the Company's corporate value. Furthermore, at its meeting held on February

13, 2026, the Board of Directors passed a resolution to dispose of treasury shares through third-party allotment in connection with the introduction of the Plan.

(1) Overview of the transaction

The Plan is an incentive plan for all Company Group employees who are members of the "Hokuetsu Corporation Employee Stock Ownership Association" (hereinafter, the "Employee Stock Ownership Association"), designed to pass on the benefits of any increase in the Company's share price.

In connection with the introduction of the Plan, the Company entered into a "Stock Benefit Trust Agreement" (hereinafter, the "Trust Agreement") with the Company as settlor and Mizuho Trust & Banking Co., Ltd. (hereinafter, the "Trustee") as trustee (the trust established under the Trust Agreement is hereinafter referred to as the "Trust").

The Trustee has also entered into a sub-trust agreement with Custody Bank of Japan, Ltd., under which Custody Bank of Japan, Ltd. acts as sub-trustee for the management of trust assets consisting of securities and other assets. Under the Trust E Account established at Custody Bank of Japan, Ltd. (hereinafter, the "Trust E Account"), Custody Bank of Japan, Ltd. will acquire in advance, in a lump sum, the number of shares of the Company's common stock equivalent to the number expected to be purchased by the Employee Stock Ownership Association over the next five years, and will thereafter sell the Company's shares on a regular basis when the Employee Stock Ownership Association purchases shares. In the event that, through the sale of the Company's shares to the Employee Stock Ownership Association via the Trust E Account, an amount equivalent to gains on the sale of shares has accumulated in the trust assets of the Trust by the time the Trust is terminated, such amount will be distributed as residual assets to Employee Stock Ownership Association members (employees) who satisfy the beneficiary eligibility requirements.

In addition, the Company will provide a guarantee in connection with any borrowings made by the Trustee for the Trust E Account to acquire the Company's shares. Accordingly, in the event that, due to a decline in the Company's share price or other factors, a borrowing balance equivalent to losses on the sale of shares remains outstanding at the time the Trust is terminated, the Company will repay such outstanding balance pursuant to the guarantee agreement.

In line with the introduction of the Plan, the Company transferred 731,000 shares of treasury stock to Mizuho Trust & Banking Co., Ltd. (sub-trustee: Custody Bank of Japan, Ltd.) through third-party allotment on March 25, 2026.

(2) Shares of the Company remaining in the trust

With respect to the accounting treatment for the Plan, the Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (ASBJ PITF No.30, March 26, 2015), under which the assets and liabilities of the trust are recognized as assets and liabilities of the Company in the consolidated balance sheets on a gross basis (gross method).

The Company's shares remaining in the trust are recorded as treasury stock in the net assets section at the book value in the trust (excluding incidental costs). The book value and number of shares of such treasury stock in the current consolidated fiscal year are ¥704 million ($4,408 thousand) and 731 thousand shares, respectively.

(3) Book value of borrowings recognized through application of the gross method

Current consolidated fiscal year: ¥705 million ($4,408 thousand)

Note 3: Significant accounting estimates

1. Recoverability of deferred income tax assets

The recoverability of deferred income tax assets must be determined based on estimates of future taxable income following future financial budget according to reasonable assumptions.

(1) Amount recorded in consolidated financial statements for the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Deferred income tax assets	**¥15,842**	¥15,311	**$99,056**

(2) Other information on accounting estimates that aids user understanding of the consolidated financial statements

(i) Measurement method for amount recorded in consolidated financial statements for the current fiscal year

The Company records deferred income tax assets based on future taxable income estimated using future financial budget.

(ii) Main assumptions used in the measurement of the amount recorded in the consolidated financial statements for the current fiscal year

Future financial budget will be affected mainly by the raw fuel prices, product market conditions and exchange rates. As a certain assumption in performing the best possible estimates, it is assumed that raw fuel prices, product market conditions and exchange rates will remain at the current situation in the next fiscal year. Thus, the Company has estimated future taxable income considering these impacts on the financial budget.

(iii) Impacts on the financial statements for the next fiscal year

The timing and amount of taxable income may be affected by uncertain fluctuations in future economic conditions. If the actual timing and amount differs from estimates, the deferred income tax assets recorded in the consolidated financial statements for the current fiscal year could experience material impacts. It is assumed that, although the procurement environment for raw materials and other items remains uncertain due to the escalating tensions in the Middle East, this will not have a material impact on the medium- to long-term business environment of the Group.

2. Impairment loss on long-lived assets

If the Company recognizes indication of impairment loss on long-lived assets the Company must conduct an impairment test.

(1) Amount recorded in consolidated financial statements for the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Property, plant and equipment	**¥128,173**	¥121,988	**$801,431**
Intangible assets	**¥ 3,605**	¥ 3,232	**$ 22,541**
Impairment loss on long-lived asset	**¥ 203**	¥ 176	**$ 1,269**

(2) Other information on accounting estimates that aids user understanding of the consolidated financial statements

(i) Measurement method for amount recorded in consolidated financial statements for the current fiscal year
Whether there is an indication of impairment is assessed based on the usage scope/method or situation of profit/loss occurring from sales activities in the business using the assets or asset group, in addition to the situation of related business environment or market prices.
If an indication of impairment exists, the Company will determine whether or not to recognize an impairment loss. The Company will recognize an impairment loss if the total amount of undiscounted future cash flow obtained from the asset or asset group falls below the carrying amount. The carrying amount of the asset or asset group in excess of the recoverable amount is recorded as an impairment loss. The recoverable amount is the higher amount of either the value in use or the fair value less costs of disposal.
In addition, overseas subsidiaries that use IFRS assess whether there is an indication of impairment based on external factors (raw material market, product market, interest rates, legal environment, etc.) and internal factors (more than expected deterioration in economic results, etc.) related to assets or cash-generating units.
If an indication of impairment exists, the carrying amount of the asset or cash-generating unit in excess of the recoverable amount is recorded as an impairment loss. The recoverable amount is the higher amount of either the value in use or the fair value less costs of disposal.

(ii) Main assumptions used in the measurement of the amount recorded in the consolidated financial statements for the current fiscal year
The assessment of whether there is an indication of impairment and measurement of impairment loss will be affected mainly by the raw fuel prices, product market conditions and exchange rates. As a certain assumption in performing the best possible estimates, it is assumed that raw fuel prices, product market conditions and exchange rates will remain at the current situation in the next fiscal year. Thus, the Company has estimated future cash flow considering these impacts on the financial budget.

(iii) Impacts on the consolidated financial statements for the next fiscal year
The effect of future market environment on business performance remain uncertain. If future business performance differs from the budget reflecting the above assumptions, there may be a need to record significant impairment losses for property, plant and equipment recorded on the consolidated financial statements for the current fiscal year. It is assumed that, although the procurement environment for raw materials and other items remains uncertain due to the escalating tensions in the Middle East, this will not have a material impact on the medium- to long-term business environment of the Group.

3. Measurement of accrued environmental expenditures for Alberta-Pacific Forest Industries Inc.

The Company's consolidated subsidiary Alberta-Pacific Forest Industries Inc. has recorded the present value of estimated expenditures for soil treatment following the use of snow-melting agent as an accrued environmental expenditure.

(1) Amount recorded in consolidated financial statements for the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Accrued environmental expenditures - current	**¥ 23**	¥ 39	**$ 144**
Accrued environmental expenditures - long-term	**¥346**	¥1,296	**$2,163**

(2) Other information on accounting estimates that aids user understanding of the consolidated financial statements

(i) Measurement method for amount recorded in consolidated financial statements for the current fiscal year and main assumptions used in the measurement
The provincial laws of Alberta, Canada require soil remediation and administration as a response for soil treatment following the use of snow-melting agent. Alberta-Pacific Forest Industries Inc. has already submitted a remediation plan to the regulatory authority, but there is a possibility that the plan could require revisions due to findings during the process of plan implementation or guidance provided by the authority. The accrued environmental expenditures are measured based on the costs expected to occur in the future following the remediation plan based on the findings and instructions of the authority so far. In the current consolidated fiscal year, the Company has revised its estimate of the accrued environmental expenditures based on a quantitative model analysis conducted by an external specialist and the results of a review conducted by the environmental department of Alberta-Pacific Forest Industries Inc.

(ii) Impacts on the consolidated financial statements for the next fiscal year
The current remediation plan could require revisions based on findings identified or instructions of the authority following implementation of the remediation plan in the future. In such cases, there is a possibility that significant revisions to the accrued environmental expenditures recorded in the consolidated financial statements will be required for the current fiscal year.

Note 4: Cash and Cash Equivalents

A reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents presented in the consolidated statements of cash flows at March 31, 2026 and 2025 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Cash and deposits	**¥30,123**	¥27,644	**$188,351**
A time deposit with a term exceeding three months	**¥ (3,702)**	¥(2,496)	**$ (23,148)**
Cash and cash equivalents	**¥26,421**	¥25,148	**$165,203**

Note 5: Financial Instruments

Information on financial instruments for the year ended March 31, 2026 and 2025 are as follows.

Status of Financial Instruments

The Companies raises necessary funds for investment plans to conduct its business of manufacturing, sale and processing of paper mainly by bank loans or issuance of bonds. Temporary cash surpluses are invested in deposits and short-term working capital are raised by bank borrowings or issuance of commercial paper. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described below.

The Company manages and mitigates customer credit risk from trade receivables in accordance with its Debt Management Policy. Consolidated subsidiaries also implement the same control in accordance with the Company's Debt Management Policy.

Investments in securities are exposed to the risk of market price fluctuations. Those securities are composed of mainly stocks associated with business and capital alliances with principal business partners.

The Companies regularly obtain their fair value.

The Company uses interest rate swap contracts to reduce the risk of fluctuations in interest costs related to debt, and interest rate and currency swaps to reduce the risk of fluctuations in principal and interest costs related to foreign currency-denominated debt.

The Company and certain consolidated subsidiaries use forward exchange contracts to reduce the risk of fluctuations in foreign exchange rates regarding certain trade receivables and payables denominated in foreign currencies.

Fair Values of Financial Instruments

The book values, fair values and differences of the financial instruments as of March 31, 2026 and 2025 are as follows. Financial instruments with fair values not readily determinable (see (b)), and "Cash and deposits," "Notes and accounts receivable," "Notes and accounts payable," "Short-term loans" and "Commercial paper" are excluded from the following table because they are cash and their fair value approximates their book value due to their short maturities:

	Millions of yen		
			2026
	Book value	Fair value	Difference
(1) Investments in securities:			
Available-for-sale securities	**¥65,424**	**¥65,424**	**¥ —**
(2) Investments in and receivables from unconsolidated subsidiaries and affiliates			
Stocks of affiliates	**—**	**—**	**—**
Total assets	**¥65,424**	**¥65,424**	**¥ —**
(3) Bonds*1	**¥40,000**	**¥39,731**	**¥ (269)**
(4) Long-term loans payable*2	**53,484**	**52,235**	**(1,249)**
Total liabilities	**¥93,484**	**¥91,966**	**¥ (1,518)**
Derivative transactions*3	**¥ —**	**¥ —**	**¥ —**

	Millions of yen		
			2025
	Book value	Fair value	Difference
(1) Investments in securities:			
Available-for-sale securities	¥27,383	¥27,383	¥ —
(2) Investments in and receivables from unconsolidated subsidiaries and affiliates			
Stocks of affiliates	59,994	34,236	(25,758)
Total assets	¥87,377	¥61,619	¥(25,758)

(3) Bonds*1	¥25,000	¥24,695	¥ (305)
(4) Long-term loans payable*2	52,783	52,296	(487)
Total liabilities	¥77,783	¥76,991	¥ (792)
Derivative transactions*3	¥ 59	¥ 59	¥ —

			Thousands of U.S. dollars
			2026
	Book value	Fair value	Difference
(1) Investments in securities:			
Available-for-sale securities	**$409,079**	**$409,079**	**$ —**
(2) Investments in and receivables from unconsolidated subsidiaries and affiliates			
Stocks of affiliates	**—**	**—**	**—**
Total assets	**$409,079**	**$409,079**	**$ —**
(3) Bonds*1	**$250,109**	**$248,427**	**$(1,682)**
(4) Long-term loans payable*2	**334,421**	**326,612**	**(7,809)**
Total liabilities	**$584,530**	**$575,039**	**$(9,491)**
Derivative transactions*3	**$ —**	**$ —**	**$ —**

*1 Bonds payable within a year are classified as "current maturities of long-term debt" on the consolidated balance sheets.
*2 Current portion of long-term loans payable is classified as "current maturities of long- term debt" on the consolidated balance sheets.
*3 Receivables and payables incurred by derivative transactions are presented in net. Net payables are presented in parenthesis.

(a) The fair value level of financial instruments.

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, observable inputs).

(b) Equity securities without market prices are not included in "(1) Investments in securities". The carrying amount of those financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Unlisted equity securities	**¥6,828**	¥6,787	**$42,694**

(c) Planned redemption of receivables after the balance sheet date

	Millions of yen				Thousands of U.S. dollars	
	2026		2025		**2026**	
	Due in one year	Due over one year	Due in one year	Due over one year	Due in one year	Due over one year
Cash and deposits	**¥ 30,123**	**¥—**	¥ 27,644	¥—	**$188,351**	**$—**
Notes and accounts receivable	**64,371**	**—**	67,655	—	**402,495**	**—**
Electronically recorded monetary claims	**11,501**	**—**	9,382	—	**71,913**	**—**
Total	**¥105,995**	**¥—**	¥104,681	¥—	**$662,759**	**$—**

(d) Repayment schedule of short-term loans, commercial paper, bonds and long-term loans payable

	Millions of yen					
	2026					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due over five years
Short-term loans	**¥ 2,397**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds	**25,000**	**—**	**15,000**	**—**	**—**	**—**
Long-term loans payable*	**5,587**	**10,320**	**3,756**	**15,560**	**17,556**	**705**
Total	**¥32,984**	**¥10,320**	**¥18,756**	**¥15,560**	**¥17,556**	**¥705**

	Millions of yen					
	2025					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due over five years
Short-term loans	¥ 9,586	¥ —	¥ —	¥ —	¥ —	¥—
Bonds	—	25,000	—	—	—	—
Long-term loans payable*	17,585	5,583	10,313	3,750	15,552	—
Total	¥27,171	¥30,583	¥10,313	¥3,750	¥15,552	¥—

	Thousands of U.S. dollars					
	2026					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due over five years
Short-term loans	**$ 14,988**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds	**156,318**	**—**	**93,791**	**—**	**—**	**—**
Long-term loans payable*	**34,934**	**64,528**	**23,485**	**97,293**	**109,773**	**4,408**
Total	**$206,240**	**$64,528**	**$117,276**	**$97,293**	**$109,773**	**$4,408**

*Long-term loans payable include the current maturities of long-term loans payable.

(e) Financial instruments recorded on the consolidated balance sheets at fair value.

	Millions of yen			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities	**¥65,424**	**¥—**	**¥—**	**¥65,424**
Derivative transactions				
Currency-related	**—**	**—**	**—**	**—**
Interest-related	**—**	**—**	**—**	**—**
Total assets	**¥65,424**	**¥—**	**¥—**	**¥65,424**
Derivative transactions				
Currency-related	**¥ —**	**¥—**	**¥—**	**¥ —**
Interest-related	**—**	**—**	**—**	**—**
Total liabilities	**¥ —**	**¥—**	**¥—**	**¥ —**

	Millions of yen			
	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities	¥27,383	¥ —	¥—	¥27,383
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total assets	¥27,383	¥ —	¥—	¥27,383
Derivative transactions				
Currency-related	¥ —	¥ 60	¥—	¥ 60
Interest-related	—	—	—	—
Total liabilities	¥ —	¥ 60	¥—	¥ 60

	Thousands of U.S. dollars			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities	**$409,079**	**$—**	**$—**	**$409,079**
Derivative transactions				
Currency-related	**—**	**—**	**—**	**—**
Interest-related	**—**	**—**	**—**	**—**
Total assets	**$409,079**	**$—**	**$—**	**$409,079**
Derivative transactions				
Currency-related	**$ —**	**$—**	**$—**	**$ —**
Interest-related	**—**	**—**	**—**	**—**
Total liabilities	**$ —**	**$—**	**$—**	**$ —**

(f) Financial instruments other than those recorded on the consolidated balance sheets at fair value.

	Millions of yen			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in and receivables from unconsolidated subsidiaries and affiliates				
Stocks of affiliates	**¥—**	**¥ —**	**¥—**	**¥ —**
Total assets	**¥—**	**¥ —**	**¥—**	**¥ —**
Bonds	**—**	**39,731**	**—**	**39,731**
Long-term loans payable	**—**	**52,235**	**—**	**52,235**
Total liabilities	**¥—**	**¥91,966**	**¥—**	**¥91,966**

	Millions of yen			
	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in and receivables from unconsolidated subsidiaries and affiliates				
Stocks of affiliates	¥34,236	¥ —	¥—	¥34,236
Total assets	¥34,236	¥ —	¥—	¥34,236
Bonds	—	24,695	—	24,695
Long-term loans payable	—	52,296	—	52,296
Total liabilities	¥ —	¥76,991	¥—	¥76,991

	Thousands of U.S. dollars			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in and receivables from unconsolidated subsidiaries and affiliates				
Stocks of affiliates	**$—**	**$ —**	**$—**	**$ —**
Total assets	**$—**	**$ —**	**$—**	**$ —**
Bonds	**—**	**248,427**	**—**	**248,427**
Long-term loans payable	**—**	**326,612**	**—**	**326,612**
Total liabilities	**$—**	**$575,039**	**$—**	**$575,039**

(g) Explanation of valuation techniques used in and inputs related to the calculation of fair value.

Assets

(1) (2) Investments in securities, Investments in and receivables from unconsolidated subsidiaries and affiliates

The fair value of listed securities is measured at the quoted market price of the stock exchange. Since listed securities are traded in active markets, their fair value is classified as Level 1 fair value.

Liabilities

(3) Bonds

Since the bonds issued by the Company have quoted market prices, they are measured based on the quoted market prices. The bonds are classified as Level 2 fair value because they are traded infrequently in the market and are not considered to be quoted prices in an active market.

(4) Long-term loans payable

The fair values of long-term loans payable are determined by discounting the aggregated amount of the principal and interest using estimated interest rate, assuming that the same type of borrowing was newly made and is classified as Level 2 fair value. The fair values of long term loans payable which qualify for special treatment for interest rate swaps and integrated treatment for interest rate currency swaps are determined by discounting the aggregated amount of the principal and interest that are included as part of the relevant interest rate swap and interest rate currency swap at the estimated interest rate, assuming that the same type of borrowing was newly made and is classified as Level 2 fair value.

Derivative Transactions

The fair value of currency options and foreign exchange contracts is determined based on the discounted present value using observable inputs such as interest rates and exchange rates, and is classified as Level 2 fair value.

Note 6: Securities

The following tables summarize acquisition costs and book value of securities with available fair value at March 31, 2026 and 2025:

	Millions of yen		
			2026
Type	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	**¥36,074**	**¥64,102**	**¥28,028**
with book value (fair value) not exceeding acquisition costs	**2,036**	**1,322**	**(714)**
	¥38,110	**¥65,424**	**¥27,314**

	Millions of yen		
			2025
Type	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	¥12,707	¥25,267	¥12,560
with book value (fair value) not exceeding acquisition costs	2,703	2,116	(587)
	¥15,410	¥27,383	¥11,973

	Thousands of U.S. dollars		
			2026
Type	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	**$225,561**	**$400,813**	**$175,252**
with book value (fair value) not exceeding acquisition costs	**12,731**	**8,266**	**(4,465)**
	$238,292	**$409,079**	**$170,787**

Total sales of available-for-sale securities sold in the year ended March 31, 2026 amounted to ¥7,387 million ($46,189 thousand), the related gains amounted to ¥4,173 million ($26,093 thousand) and no related losses. Total sales of available-for-sale securities sold in the year ended March 31, 2025 amounted to ¥7,145 million, the related gains amounted to ¥4,108 million and no related losses.

Note 7: Inventories

Inventories at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Merchandise and Finished goods	**¥33,948**	¥31,414	**$212,268**
Work-in-process	**3,448**	3,321	**21,559**
Raw materials and supplies	**38,576**	34,716	**241,206**
	¥75,972	¥69,451	**$475,033**

Note 8: Assets Pledged

Assets Pledged at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Guarantee deposits*	**¥4,000**	¥4,000	**$25,011**

*Deposited as collateral of the Approval for Withdrawing Goods Prior to Import Permit based on the Customs Act.

Note 9: Short-Term Debt, Commercial Paper, and Long-Term Debt

(1) Short-term debt had weighted-average interest rates of 2.88% and 2.89% at March 31, 2026 and 2025, respectively.
(2) The weighted-average interest rate on commercial paper was 0.00% at March 31, 2026 and 2025.
(3) Long-term debt at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Long-term loans from banks and other financial institutions			
(Loans due with one year, weighted-average interest rate 1.03%)	**¥ 5,587**	¥ 17,585	**$ 34,934**
(Loans due after one year, weighted-average interest rate 1.23%)	**47,897**	35,198	**299,487**
0.110% unsecured yen straight bonds due in 2026	**10,000**	10,000	**62,527**
0.370% unsecured yen straight bonds due in 2026	**15,000**	15,000	**93,791**
1.650% unsecured yen straight bonds due in 2028	**15,000**	—	**93,791**
Lease obligations			
(Loans due with one year)	**355**	357	**2,220**
(Loans due after one year)	**1,114**	1,246	**6,965**
	94,953	79,386	**593,715**
Less current portion due with one year	**(30,942)**	(17,942)	**(193,472)**
Long-term debt	**¥ 64,011**	¥ 61,444	**$ 400,243**

(4) The annual maturities of long-term debt at March 31, 2026 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2027	**¥30,942**	**$193,472**
2028	**10,551**	**65,973**
2029	**18,970**	**118,614**
2030	**15,764**	**98,568**
2031	**17,743**	**110,942**
2032 and thereafter	**983**	**6,146**
	¥94,953	**$593,715**

Note 10: Contingent Liabilities

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Guarantee obligation	**¥ 6**	¥ 6	**$38**

Note 11: Net Assets

Net assets comprise four subsections, which are shareholders' equity, accumulated other comprehensive income, net of tax, share subscription rights and non-controlling interests.

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Appropriations of legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, by resolution of the shareholders' meeting, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. Other capital surplus and retained earnings are included in capital surplus and retained earnings, respectively.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law and regulations.

At the annual shareholders' meeting held on June 26, 2026, the shareholders approved cash dividends amounting to ¥2,074 million ($12,968 thousand). Such appropriations have not been accrued in the consolidated financial statements at March 31, 2026. Such appropriations are recognized in the period in which they are approved by the shareholders.

Note 12: Income Taxes

The Companies are subject to a number of taxes levied on income, which, in the aggregate, resulted in normal statutory income tax rates of approximately 30.5% for the year ended March 31, 2026 and 2025.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2026 and 2025:

	2026	2025
Statutory tax rate	**30.5%**	30.5%
Non-deductible expenses	**4.6**	1.6
Dividends received not taxable	**(3.4)**	(1.0)
Inhabitants Taxes (Flat-Rate Portion)	**0.4**	0.2
Impact of exclusion from the equity method	**15.1**	—
Valuation allowance	**(7.0)**	(2.3)
Equity in (income) loss of affiliates	**(5.9)**	3.8
Difference from tax rate of foreign subsidiaries	**1.2**	(3.5)
Other	**(0.2)**	(2.1)
Effective tax rate	**35.3**	27.2

Significant components of deferred income tax assets and liabilities at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Deferred income tax assets:			
Accrued bonuses	**¥ 760**	¥ 764	**$ 4,752**
Unrealized gain on inventories	**263**	297	**1,644**
Liability for retirement benefit	**3,130**	3,175	**19,571**
Long-term accrued amount payable	**21**	21	**131**
Unrealized gain on fixed assets	**671**	686	**4,196**
Evaluation difference on property, plant and equipment	**338**	364	**2,113**
Depreciation and amortization	**787**	771	**4,921**
Impairment loss of fixed assets	**1,791**	1,879	**11,199**
Loss on devaluation of investments in securities	**2,030**	2,557	**12,693**
Accrued environmental expenditures	**111**	335	**694**
Asset retirement obligations	**644**	648	**4,027**
Net operating loss carry forwards*1	**603**	627	**3,770**
Allowance for doubtful accounts	**3**	74	**19**
Other	**6,253**	6,342	**39,099**
Subtotal deferred income tax assets	**17,405**	18,540	**108,829**
Valuation allowance related to net operating loss carryforwards*1	**(367)**	(280)	**(2,295)**
Valuation allowance related to deductible temporary differences	**(1,196)**	(2,949)	**(7,478)**
Valuation allowance	**(1,563)**	(3,229)	**(9,773)**
Total deferred income tax assets	**¥ 15,842**	¥ 15,311	**$ 99,056**
Deferred income tax liabilities:			
Assets for retirement benefit	**¥ (5,198)**	¥ (5,184)	**$ (32,502)**
Reserve for deferred gain on sales of fixed assets for tax purpose	**(694)**	(715)	**(4,339)**
Valuation difference on Property, plant and equipment	**(4,282)**	(3,445)	**(26,774)**
Unrealized holding gain on securities	**(8,401)**	(3,556)	**(52,529)**
Accumulated adjustments for retirement benefit	**(4,401)**	(2,537)	**(27,518)**
Other	**(263)**	(137)	**(1,645)**
Total deferred income tax liabilities	**¥(23,239)**	¥(15,574)	**$(145,307)**
Net deferred income tax assets (liabilities)	**¥ (7,397)**	¥ (263)	**$ (46,251)**

*1 The total amount of net operating loss carryforwards and other deferred income tax assets for each period carried forward for tax purposes.

Year ended March 31, 2026

	Millions of yen						
	2027	2028	2029	2030	2031	2032 and thereafter	Total
Loss carryforwards (a)	**¥ 6**	**26**	**4**	**—**	**163**	**404**	**¥ 603**
Valuation allowances	**¥(6)**	**(26)**	**(4)**	**—**	**(149)**	**(182)**	**¥(367)**
Deferred income tax assets (b)	**¥—**	**—**	**—**	**—**	**14**	**222**	**¥ 236**

Year ended March 31, 2026

	Thousands of U.S. dollars						
	2027	2028	2029	2030	2031	2032 and thereafter	Total
Loss carryforwards (a)	**$ 38**	**163**	**25**	**—**	**1,019**	**2,525**	**$ 3,770**
Valuation allowances	**$(38)**	**(163)**	**(25)**	**—**	**(932)**	**(1,137)**	**$(2,295)**
Deferred income tax assets (b)	**$ —**	**—**	**—**	**—**	**87**	**1,388**	**$ 1,475**

(a) Net operating loss carryforwards is the amount multiplied by the statutory effective tax rate.

(b) The amount of ¥236 million ($1,475 thousand) of deferred income tax assets is recorded for net operating loss carryforwards of ¥603 million ($3,770 thousand) (amount multiplied by the statutory effective tax rate), which is mainly recognized with regards to the balance of net operating loss carryforwards at the Company’s subsidiary Hokuetsu Package Co.,Ltd. of ¥210 million ($1,313 thousand) (amount multiplied by the statutory effective tax rate).

A valuation allowance has not been recognized for the part determined to be recoverable due to projected future taxable income with regard to the net operating loss carryforwards recorded in deferred income tax assets.

Year ended March 31, 2025

	Millions of yen						
	2026	2027	2028	2029	2030	2031 and thereafter	Total
Loss carryforwards (a)	¥ 7	14	26	4	—	576	¥ 627
Valuation allowances	¥(7)	(14)	(26)	(4)	—	(229)	¥(280)
Deferred income tax assets (b)	¥—	—	—	—	—	347	¥ 347

(a) Net operating loss carryforwards is the amount multiplied by the statutory effective tax rate.
(b) The amount of ¥347 million of deferred income tax assets is recorded for net operating loss carryforwards of ¥627 million (amount multiplied by the statutory effective tax rate), which is mainly recognized with regards to the balance of net operating loss carryforwards at the Company's subsidiary Hokuetsu Package Co., Ltd. of ¥321 million (amount multiplied by the statutory effective tax rate).
A valuation allowance has not been recognized for the part determined to be recoverable due to projected future taxable income with regard to the net operating loss carryforwards recorded in deferred income tax assets.

Note 13: Research and Development Expenses

Research and development expenses are recognized in the consolidated statements of income in the year when they are incurred. Research and development expenses included in selling, general and administrative expenses are ¥904 million ($5,652 thousand) and ¥805 million for the years ended March 31, 2026 and 2025, respectively.

Note 14: Impairment Loss on Long-lived Asset

The Companies classify long-lived asset into groups based on the place of business and the products with mutual supplementation. However, the Companies classify real estate for rent and idle properties, which are not expected to be used in the future, individually.

In the year ended March 31, 2026, the Companies recorded impairment loss on long-lived asset for the following group assets:

Use	Location	Type	Amount Millions of yen	Amount Thousands of U.S. dollars
Containerboard base paper Production Equipment	Niigata, Niigata	Machinery and equipment, Vehicles, etc.	**¥203**	$1,269

(Process for Recognition of Impairment Loss on Long-lived Asset)
With the deterioration of business environment, in the containerboard base paper production facilities of the Paper and Pulp Business segment, where the recoverable amount is less than the book value, the book value has been reduced to the recoverable amount, and the amount of the decrease is an impairment loss recorded as an other expense. The recoverable amount of the containerboard base paper production facilities is the fair value less cost to sell, and is calculated by a third-party appraisal.

In the year ended March 31, 2025, the Companies recorded impairment loss on long-lived asset for the following group assets:

Use	Location	Type	Amount Millions of yen
Containerboard base paper Production Equipment	Niigata, Niigata	Machinery and equipment, Vehicles, etc.	¥170

(Process for Recognition of Impairment Loss on Long-lived Asset)
With the deterioration of business environment, in the containerboard base paper production facilities of the Paper and Pulp Business segment, where the recoverable amount is less than the book value, the book value has been reduced to the recoverable amount, and the amount of the decrease is an impairment loss recorded as an other expense. The recoverable amount of the containerboard base paper production facilities is the fair value less cost to sell, and is calculated by a third-party appraisal.

Note 15: Lease Transactions

Lease transactions for the years ended March 31, 2026 and 2025 are as follows:

Operating lease transactions

Lease commitments under non-cancelable operating leases at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
(lessee)			
Due within one year	**¥ 59**	¥ 58	**$ 369**
Due after one year	**53**	110	**331**
	¥112	¥168	**$ 700**
(lessor)			
Due within one year	**¥ 20**	¥ 20	**$ 125**
Due after one year	**250**	270	**1,563**
	¥270	¥290	**$1,688**

Note 16: Derivative Transactions

Derivative financial instruments currently utilized by the Companies include mainly forward exchange contracts, interest rate swap contracts, and interest rate and currency swaps contracts, all of which are for hedging purposes.

The Companies use forward exchange contracts to avert exposure to market risks arising from changes in foreign exchange rates, interest rate swap contracts to avert the Companies' exposure to adverse movements in interest rates and interest rate and currency swap contracts to avert the Companies' exposure to adverse movements in principal and interest on foreign currency loans payable.

Forward exchange contracts, interest rate swap contracts, and interest rate and currency swaps contracts, are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed by the Company's Corporate Planning Department and managed by the Company's Accounting Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed. Information on derivative transactions is reported quarterly to the chairman, general managers, and other management.

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corresponding changes in fair value of the hedging derivative instruments. If the percentage changes of hedged items and hedging instruments, ranging between approximately 80% to 125%, hedging transactions are considered to be effective.

Derivative transactions for which hedge accounting had not been applied at March 31, 2026 and 2025 are not applicable.

Derivative transactions for which hedge accounting had been applied at March 31, 2026 and 2025 are as follows:

(1) Currency-related

	Millions of yen						Thousands of U.S. dollars		
	2026			2025			**2026**		
	Notional amount			Notional amount			Notional amount		
Type of derivative transaction	Total	Over one year	Fair value	Total	Over one year	Fair value	Total	Over one year	Fair value
Forward exchange contracts									
Buy contracts									
U.S. Dollar	**¥—**	**¥—**	**¥—**	¥1,092	¥—	¥16	**$—**	**$—**	**$—**
EUR	**¥—**	**¥—**	**¥—**	¥1,401	¥—	¥44	**$—**	**$—**	**$—**

Fair value on forward exchange contracts is based on the price offered by the contracted financial institution.

(2) Interest-related
Interest rate swap contracts are used as hedges and qualified for special hedging treatment. The net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Fair value on interest rate swap contracts is based on the price offered by the contracted financial institution. Market value of interest rate swap is included in the corresponding hedged long-term debt as this interest rate swap is recorded as an adjustment to the corresponding hedged long-term debt under the special treatment.

The Companies use no interest-related derivative transaction at March 31, 2026 and 2025.

(3) Interest and currency-related
Interest rate and currency swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Fair value on interest rate and currency swap contracts is based on the price offered by the contracted financial institution. Market value of interest rate swap is included in the corresponding hedged long-term debt as this interest rate swap is recorded as an adjustment to the corresponding hedged long-term debt under the special treatment.

The Companies use no interest and currency-related derivative transaction at March 31, 2026 and 2025.

Note 17: Retirement Benefits

The Company and its consolidated subsidiaries have in place a corporate pension fund plan and a lump-sum retirement payment plan as their defined benefit pension plan, and some consolidated subsidiaries use small-to-medium enterprises' retirement benefit mutual aid schemes in conjunction therewith. Furthermore, the Company has set up a retirement benefits trust. In addition, a defined contribution pension plan has been established for certain overseas consolidated subsidiary.

Under the corporate pension fund plan and the lump-sum retirement payment plan of some consolidated subsidiaries, liabilities for retirement benefit and retirement benefit costs are calculated using the simplified method.

1. Defined benefit plans, except plan applied simplified method

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Balance at the beginning of the year	**¥15,916**	¥16,249	**$ 99,519**
Service cost	**591**	638	**3,696**
Interest cost	**135**	120	**844**
Actuarial (gain) loss	**(1,930)**	(230)	**(12,068)**
Benefits paid	**(768)**	(879)	**(4,802)**
Other	**27**	17	**168**
Balance at the end of the year	**¥13,971**	¥15,915	**$ 87,357**

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Balance at the beginning of the year	**¥25,614**	¥24,822	**$160,158**
Expected return on plan assets	**122**	124	**763**
Actuarial gain (loss)	**6,057**	1,273	**37,873**
Contributions paid by the employer	**66**	25	**413**
Benefits paid	**(466)**	(646)	**(2,914)**
Other	**26**	15	**162**
Balance at the end of the year	**¥31,419**	¥25,613	**$196,455**

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Funded retirement benefit obligations	**¥ 11,927**	¥ 13,697	**$ 74,576**
Plan assets	**(31,419)**	(25,613)	**(196,455)**
	(19,492)	(11,916)	**(121,879)**
Unfunded retirement benefit obligations	**2,044**	2,218	**12,781**
Total Net liability (asset) for retirement benefits	**(17,448)**	(9,698)	**(109,098)**
Liability for retirement benefits	**2,045**	2,250	**12,787**
Asset for retirement benefits	**(19,493)**	(11,948)	**(121,885)**
Total Net liability (asset) for retirement benefits	**¥(17,448)**	¥ (9,698)	**$(109,098)**

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Service cost	**¥ 591**	¥ 638	**$ 3,696**
Interest cost	**135**	120	**844**
Expected return on plan assets	**(122)**	(124)	**(763)**
Net actuarial gain amortization	**(1,695)**	(1,746)	**(10,598)**
Other	**1**	1	**6**
Total retirement benefit costs	**¥(1,090)**	¥(1,111)	**$ (6,815)**

(5) Adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Actuarial gains and (losses)	**¥6,292**	¥(243)	**$39,342**
Other	**4**	4	**25**
Total adjustments for retirement benefit	**¥6,296**	¥(239)	**$39,367**

(6) Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Unrecognized actuarial gains and (losses)	**¥(14,528)**	¥(8,232)	**$(90,840)**

(7) Plan assets

1. Plan assets comprise:

	2026	2025
Bonds	**14.0%**	14.0%
Equity securities	**80.1%**	75.4%
Cash and deposits	**1.2%**	5.0%
General account of life insurance companies	**3.7%**	4.9%
Other	**1.0%**	0.7%
Total*	**100.0%**	100.0%

* Total plan assets include the pension benefits trust, established under the corporate pension system, which accounted for 61.3% and 64.3% of plan assets in the previous and the current fiscal year, respectively.

2. Determination method of long-term expected rate of return
Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions
The principal actuarial assumptions:

	2026	2025
Discount rate	**2.2% (mainly)**	0.6% (mainly)
Long-term expected rate of return	**1.0% (mainly)**	1.0% (mainly)
Anticipated rate of increase	**2.8% (mainly)**	2.8% (mainly)

2. Defined benefit plan applying the simplified method

(1) Movement in liability for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Balance at the beginning of the year	**¥1,013**	¥1,092	**$6,334**
Retirement benefit costs	**61**	210	**381**
Benefits paid	**(135)**	(208)	**(844)**
Contributions paid by the employer	**(65)**	(82)	**(406)**
Other	**0**	1	**0**
Balance at the end of the year	**¥ 874**	¥1,013	**$5,465**

(2) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Funded retirement benefit obligations	**¥ 867**	¥ 864	**$ 5,421**
Plan assets	**(1,182)**	(1,073)	**(7,391)**
	(315)	(209)	**(1,970)**
Unfunded retirement benefit obligations	**1,189**	1,222	**7,435**
Total Net liability (asset) for retirement benefits	**874**	1,013	**5,465**
Liability for retirement benefits	**1,177**	1,217	**7,359**
Asset for retirement benefits	**(303)**	(204)	**(1,894)**
Total Net liability (asset) for retirement benefits	**¥ 874**	¥ 1,013	**$ 5,465**

(3) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Total retirement benefit costs based on the simplified method	**¥61**	¥210	**$381**

3. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Required contributions provided to defined contribution pension plans at consolidated subsidiary	**¥540**	¥558	**$3,376**

Note 18: Asset Retirement Obligations

1. Asset retirement obligations recorded on the consolidated balance sheets

(1) Outline of the asset retirement obligations recorded:

The Company recorded asset retirement obligations covering the expenses for the removal of asbestos to be incurred at the time of removal from buildings and structures owned by the Company, treatment expenses stipulated by the Waste Management and Public Cleansing Act, and expenses for the restoration to their original state of properties leased by consolidated subsidiaries.

(2) Basis for the calculation of the amount of the relevant asset retirement obligations:

The projected use period of each fixed asset is estimated to be 4 to 64 years based on the useful life of each, and the discount rate of 0.516% to 2.330% is used.

(3) Movement in the total amount of the relevant asset retirement obligations during the fiscal year ended March 31, 2026 and 2025:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Balance at the beginning of the year	**¥2,366**	¥2,525	**$14,794**
Unwinding of discount	**20**	20	**125**
Increase due to change in estimates	**298**	275	**1,863**
Decrease in loss on disposal of property, plant and equipment	**(378)**	(485)	**(2,364)**
Foreign currency translation adjustment	**44**	31	**276**
Balance at the end of the year	**¥2,350**	¥2,366	**$14,694**

2. Asset retirement obligations other than those recorded on the consolidated balance sheets

The Companies have obligations to restore land, buildings and other structures which the Companies use under lease or rental contracts to their original state when vacating them. However, in case the use periods of the leased properties related to such obligations are indefinite, and also in view of the fact that the Companies currently have no plan to exit from these properties, it is not possible to clearly estimate the amounts of asset retirement obligations. For this reason, the asset retirement obligations that correspond to these obligations are not recorded in the accompanying consolidated financial statements.

Note 19: Segment Information

1. Overview of Reportable Segments

Reportable segments of the Company are components subject to regular review so that the Board of Directors is able to decide on the best allocation of management resources and evaluate results.

The Company evaluates business results on an each-company basis, and treats independent entities as a unit functioning within each of its business segments. The Company groups each company into segments according to commonality in economic characteristics, product manufacturing methods and markets. Based on this approach, the Company maintains two reporting segments: the “Paper and Pulp Business” and the “Packaging and Paper Processing Business.”

The Paper and Pulp Business consists of the manufacture and sale of paper and pulp products, while the Packaging and Paper Processing Business consists of the manufacture and sale of paper containers and liquid package cartons, along with the manufacture, processing and sale of processed paper products.

2. Basis for measurement of segment sales, segment income or loss, segment assets and other significant items

The basis of the accounting treatment for the reportable segments is substantially the same as described in “Summary of Significant Accounting Policies” herein. The segment income represents the operating income-based amount. The intersegment revenues and transfers are determined based on the prevailing market value.

3. Information on segment sales, segment income or loss, segment assets and other significant items

Millions of yen

	2026					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	Consolidated*3
Sales:						
Sales to outside customers	¥261,385	¥17,437	¥278,822	¥ 8,915	¥ —	¥287,737
Intersegment sales or transfers	2,944	15	2,959	25,120	(28,079)	—
Total	264,329	17,452	281,781	34,035	(28,079)	287,737
Segment income	¥ 5,964	¥ 559	¥ 6,523	¥ 647	¥ 370	¥ 7,540
Segment assets	¥397,096	¥16,600	¥413,696	¥20,514	¥(13,636)	¥420,574
Other items						
Depreciation and amortization	¥ 13,042	¥ 616	¥ 13,658	¥ 565	¥ (390)	¥ 13,833
Impairment loss	¥ 203	¥ —	¥ 203	¥ 0	¥ —	¥ 203
Investment in affiliates*4	¥ 1,900	¥ —	¥ 1,900	¥ —	¥ —	¥ 1,900
Increase in property, plant and equipment/ intangible assets	¥ 18,742	¥ 391	¥ 19,133	¥ 754	¥ (421)	¥ 19,466

Thousands of U.S. dollars

	2026					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	Consolidated*3
Sales:						
Sales to outside customers	$1,634,371	$109,029	$1,743,400	$ 55,743	$ —	$1,799,143
Intersegment sales or transfers	18,408	94	18,502	157,069	(175,571)	—
Total	1,652,779	109,123	1,761,902	212,812	(175,571)	1,799,143
Segment income	$ 37,291	$ 3,495	$ 40,786	$ 4,046	$ 2,314	$ 47,146
Segment assets	$2,482,936	$103,795	$2,586,731	$128,269	$ (85,262)	$2,629,738
Other items						
Depreciation and amortization	$ 81,548	$ 3,852	$ 85,400	$ 3,533	$ (2,439)	$ 86,494
Impairment loss	$ 1,269	$ —	$ 1,269	$ 0	$ —	$ 1,269
Investment in affiliates*4	$ 11,880	$ —	$ 11,880	$ —	$ —	$ 11,880
Increase in property, plant and equipment/ intangible assets	$ 117,189	$ 2,445	$ 119,634	$ 4,715	$ (2,632)	$ 121,717

*1 The "Others" category indicates business segments not included in the reportable segments, encompassing the wood products business, the construction business, the transportation and warehousing business and the wastepaper wholesale business.

*2 Amounts of adjustments are as follows:

(1) Adjustments in segment income in the amount of ¥370 million ($2,314 thousand) mainly represent eliminations of intersegment transactions.

(2) Adjustments in segment assets in the amount of ¥(13,636) million ($(85,262) thousand) include ¥(20,187) million ($(126,224) thousand) for eliminations of intersegment debts and credits and ¥6,551 million ($40,962 thousand) for the corporate assets that are not allocated to each reportable segment.

(3) Adjustments in increases in property, plant and equipment and intangible fixed assets totaling ¥(421) million ($(2,632) thousand) represent eliminations of intersegment unrealized gains on noncurrent assets.

*3 Segment income is adjusted to reflect operating income as recorded in the consolidated statements of income.

*4 During the current consolidated fiscal year, the Company tendered a portion of its shares in Daio Paper Corporation, which had been an affiliate accounted for by the equity method, in response to the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) conducted by Daio Paper Corporation, and transferred a portion of the shares it held. As the Company's influence over Daio Paper Corporation has decreased as a result, Daio Paper Corporation has been excluded from the scope of equity-method application.

	Millions of yen					
	2025					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	Consolidated*3
Sales:						
Sales to outside customers	¥280,244	¥16,655	¥296,899	¥ 8,819	¥ —	¥305,718
Intersegment sales or transfers	2,820	11	2,831	24,289	(27,120)	—
Total	283,064	16,666	299,730	33,108	(27,120)	305,718
Segment income	¥ 18,251	¥ 229	¥ 18,480	¥ 857	¥ 391	¥ 19,728
Segment assets	¥397,432	¥16,709	¥414,141	¥18,610	¥(13,869)	¥418,882
Other items						
Depreciation and amortization	¥ 12,476	¥ 527	¥ 13,003	¥ 517	¥ (378)	¥ 13,142
Impairment loss	¥ 175	¥ —	¥ 175	¥ 1	¥ —	¥ 176
Investment in affiliates	¥ 61,871	¥ —	¥ 61,871	¥ —	¥ —	¥ 61,871
Increase in property, plant and equipment/ intangible assets	¥ 17,424	¥ 1,625	¥ 19,049	¥ 665	¥ (358)	¥ 19,356

*1 The “Others” category indicates business segments not included in the reportable segments, encompassing the wood products business, the construction business, the transportation and warehousing business and the wastepaper wholesale business.
*2 Amounts of adjustments are as follows:
(1) Adjustments in segment income in the amount of ¥391 million mainly represent eliminations of intersegment transactions.
(2) Adjustments in segment assets in the amount of ¥(13,869) million include ¥(20,036) million for eliminations of intersegment debts and credits and ¥6,167 million for the corporate assets that are not allocated to each reportable segment.
(3) Adjustments in increases in property, plant and equipment and intangible fixed assets totaling ¥(358) million represent eliminations of intersegment unrealized gains on noncurrent assets.
*3 Segment income is adjusted to reflect operating income as recorded in the consolidated statements of income.

(Related information)
Year ended March 31, 2026

1. Information by Region

(1) Net Sales

	Millions of yen				
	2026				
	Japan	Asia	United States	Others	Total
Net Sales	**¥188,769**	**¥44,280**	**¥34,577**	**¥20,111**	**¥287,737**

	Thousands of U.S. dollars				
	2026				
	Japan	Asia	United States	Others	Total
Net Sales	**$1,180,323**	**$276,871**	**$216,201**	**$125,748**	**$1,799,143**

Classification of net sales is determined by country or geographical location of customers.
Major countries and areas which belong to segments other than Japan are as follows:
(1) Asia …… China, India, South Korea, Vietnam, Taiwan, Pakistan
(2) Other …… Canada, Europe, the Middle East, Latin America, Oceania

(2) Property, plant and equipment

	Millions of yen			
	2026			
	Japan	Canada	Others	Total
Property, plant and equipment	**¥94,205**	**¥30,871**	**¥3,097**	**¥128,173**

	Thousands of U.S. dollars			
	2026			
	Japan	Canada	Others	Total
Property, plant and equipment	**$589,039**	**$193,028**	**$19,364**	**$801,431**

2. Information by Major Customer

Name of Customers	Millions of yen **2026**	Thousands of U.S. dollars **2026**
SHINSEI PULP & PAPER COMPANY LIMITED	**¥35,231**	**$220,290**

Year ended March 31, 2025

1. Information by Region

(1) Net Sales

	Millions of yen				
	2025				
	Japan	Asia	United States	Others	Total
Net Sales	¥191,982	¥49,129	¥41,761	¥22,846	¥305,718

Classification of net sales is determined by country or geographical location of customers.
Major countries and areas which belong to segments other than Japan are as follows:
(1) Asia …… China, Vietnam, South Korea, Taiwan, India, Thailand
(2) Other …… Canada, Europe, the Middle East, Latin America, Oceania

(2) Property, plant and equipment

	Millions of yen			
	2025			
	Japan	Canada	Others	Total
Property, plant and equipment	¥90,525	¥28,821	¥2,642	¥121,988

2. Information by Major Customer

Name of Customers	Millions of yen 2025
SHINSEI PULP & PAPER COMPANY LIMITED	¥36,670

(Information on the amounts of amortization and unamortized balance by reportable segment)
Year ended March 31, 2026

	Millions of yen					
	2026					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	**¥173**	**¥—**	**¥173**	**¥—**	**¥—**	**¥173**
Balance at end of year	**¥378**	**¥—**	**¥378**	**¥—**	**¥—**	**¥378**

	Thousands of U.S. dollars					
	2026					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	**$1,082**	**$—**	**$1,082**	**$—**	**$—**	**$1,082**
Balance at end of year	**$2,364**	**$—**	**$2,364**	**$—**	**$—**	**$2,364**

Year ended March 31, 2025

	Millions of yen					
	2025					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	¥168	¥—	¥168	¥—	¥—	¥168
Balance at end of year	¥507	¥—	¥507	¥—	¥—	¥507

Note 20: Revenue

(1) Revenue by type of goods or service

Millions of yen

	2026				
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Consolidated
Paper	**¥138,812**	**¥ —**	**¥138,812**	**¥ —**	**¥138,812**
Paperboard	**42,286**	**—**	**42,286**	**—**	**42,286**
Pulp	**57,541**	**—**	**57,541**	**—**	**57,541**
Others	**22,703**	**17,437**	**40,140**	**8,808**	**48,948**
Revenue recognized from contracts with customers	**261,342**	**17,437**	**278,779**	**8,808**	**287,587**
Other revenues	**43**	**—**	**43**	**107**	**150**
Sales to outside customers	**¥261,385**	**¥17,437**	**¥278,822**	**¥8,915**	**¥287,737**

Thousands of U.S. dollars

	2026				
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Consolidated
Paper	**$ 867,955**	**$ —**	**$ 867,955**	**$ —**	**$ 867,955**
Paperboard	**264,403**	**—**	**264,403**	**—**	**264,403**
Pulp	**359,789**	**—**	**359,789**	**—**	**359,789**
Others	**141,955**	**109,029**	**250,984**	**55,074**	**306,058**
Revenue recognized from contracts with customers	**1,634,102**	**109,029**	**1,743,131**	**55,074**	**1,798,205**
Other revenues	**269**	**—**	**269**	**669**	**938**
Sales to outside customers	**$1,634,371**	**$109,029**	**$1,743,400**	**$55,743**	**$1,799,143**

Millions of yen

	2025				
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Consolidated
Paper	¥144,702	¥ —	¥144,702	¥ —	¥144,702
Paperboard	41,900	—	41,900	—	41,900
Pulp	69,363	—	69,363	—	69,363
Others	24,240	16,655	40,895	8,674	49,569
Revenue recognized from contracts with customers	280,205	16,655	296,860	8,674	305,534
Other revenues	39	—	39	145	184
Sales to outside customers	¥280,244	¥16,655	¥296,899	¥8,819	¥305,718

(2) Revenue by region

Millions of yen

	2026				
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Consolidated
Japan	**¥163,512**	**¥16,363**	**¥179,875**	**¥8,744**	**¥188,619**
Asia	**43,142**	**1,074**	**44,216**	**64**	**44,280**
North America	**45,103**	**—**	**45,103**	**—**	**45,103**
Others	**9,585**	**—**	**9,585**	**—**	**9,585**
Revenue recognized from contracts with customers	**261,342**	**17,437**	**278,779**	**8,808**	**287,587**
Other revenues	**43**	**—**	**43**	**107**	**150**
Sales to outside customers	**¥261,385**	**¥17,437**	**¥278,822**	**¥8,915**	**¥287,737**

	Thousands of U.S. dollars				
	2026				
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Consolidated
Japan	**$1,022,397**	**$102,314**	**$1,124,711**	**$54,674**	**$1,179,385**
Asia	**269,756**	**6,715**	**276,471**	**400**	**276,871**
North America	**282,017**	**—**	**282,017**	**—**	**282,017**
Others	**59,932**	**—**	**59,932**	**—**	**59,932**
Revenue recognized from contracts with customers	**1,634,102**	**109,029**	**1,743,131**	**55,074**	**1,798,205**
Other revenues	**269**	**—**	**269**	**669**	**938**
Sales to outside customers	**$1,634,371**	**$109,029**	**$1,743,400**	**$55,743**	**$1,799,143**

	Millions of yen				
	2025				
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Consolidated
Japan	¥167,592	¥15,608	¥183,200	¥8,598	¥191,798
Asia	48,006	1,047	49,053	76	49,129
North America	54,558	—	54,558	—	54,558
Others	10,049	—	10,049	—	10,049
Revenue recognized from contracts with customers	280,205	16,655	296,860	8,674	305,534
Other revenues	39	—	39	145	184
Sales to outside customers	¥280,244	¥16,655	¥296,899	¥8,819	¥305,718

(3) Contract balances

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Receivables recognized from contracts with customers - the beginning	**¥77,037**	¥85,683	**$481,692**
Receivables recognized from contracts with customers - the end	**75,872**	77,037	**474,408**
Contract assets - the beginning	**40**	146	**250**
Contract assets - the end	**125**	40	**781**
Contract liabilities - the beginning	**321**	358	**2,007**
Contract liabilities - the end	**¥ 267**	¥ 321	**$ 1,669**

Contract assets consist of accounts receivable for completed construction contracts related to revenue recognized based on the measurement of the percentage of completion in construction contracts.

Contract assets are reclassified to receivables upon acceptance by the customer. Contract liabilities consist primarily of advance received from customers under sales contracts. Contract liabilities are delecognized upon revenue recognition.

The amount of revenue recognized that was included in the contract liability balance at the beginning of the current and the previous year are ¥321 million ($2,007 thousand) and ¥358 million, respectively.

The amount of revenue (primarily changes in transaction prices) recognized in the current and previous fiscal years from performance obligations that were satisfied (or partially satisfied) in prior periods was not material.

(4) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries apply the practical expedient method in disclose of the transaction price allocated to the residual performance obligation and do not include in the notes contracts with an initial expected contract term of one year or less.

In addition, no contracts have an initial expected contract term of more than one year.

Note 21: Related Party Transactions

(1) Transactions with related party

Year ended March 31, 2026

Major shareholders of the Company and other related parties

Category	Name	Location	Share capital or amount of investment	Description of business or occupation	Ownership ratio (Parent company ownership ratio) of voting rights (%)	Relationship with related party	Description of transaction	Transaction amount	Account	Balance at the end of the year
Major shareholder	DAIO KAIUN CO., LTD.	Shikokuchuo City, Ehime	¥110 million ($688 thousand)	Maritime shipping company	—	—	Acquisition of treasury shares	¥10,280 million ($64,278 thousand)	—	¥— ($—)

(Note) Transaction conditions and policies for determination of transaction conditions, etc.
With respect to the acquisition of treasury stock, the Company acquired shares through the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) on March 19, 2026, pursuant to a resolution of the Board of Directors dated March 18, 2026. The transaction price was based on the closing price of ¥1,028 ($6.43 per share) on March 18, 2026. As a result of this transaction, DAIO KAIUN CO., LTD. ceased to be a related party of the Company.

Unconsolidated subsidiaries and affiliates of the Company

Category	Name	Location	Capital stock or amount of investment	Description of business or occupation	Ownership ratio (Parent company ownership ratio) of voting rights (%)	Relationship with related party	Description of transaction	Transaction amount	Account	Balance at the end of the year
Affiliated companies	Daio Paper Corporation	Shikokuchuo City, Ehime	¥53,884 million ($336,922 thousand)	Paper and pulp manufacturing	Direct: 19.7 Indirect: 0.0 (Parent company ownership ratio) Direct: 17.5 Indirect: 0.0	Entered into a basic strategic business alliance agreement with the Company Purchases products from the Company Sells products to the Company	Sale of shares	¥12,331 million ($77,102 thousand)	—	¥— ($—)
							Loss on sale of shares of affiliated companies	¥1,696 million ($10,605 thousand)	—	¥— ($—)

(Note) Transaction conditions and policies for determination of transaction conditions, etc.
With respect to the sale of shares in Daio Paper Corporation, the Company sold shares through the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) on March 19, 2026, pursuant to a resolution of the Board of Directors dated March 18, 2026. The transaction price was based on the closing price of ¥1,121 ($7.01 per share) on March 18, 2026. As a result of this transaction, Daio Paper Corporation ceased to be an affiliate of the Company.

Year ended March 31, 2025
Transactions with related party are immaterial as of and for the current year ended as of March 31, 2025.

(2) Notes on parent company or significant affiliated company

For the year ended March 31, 2026, the significant affiliated company is Daio Paper Corporation and its summarized consolidated financial statement is as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Total current assets	**¥—**	¥360,882	**$—**
Total noncurrent assets	**—**	525,147	**—**
Total current liabilities	**—**	266,702	**—**
Total noncurrent liabilities	**—**	369,649	**—**
Total net assets	**—**	249,713	**—**
Net sales	**—**	668,912	**—**
Income before income taxes	**—**	(1,977)	**—**
Net income (loss) attributable to owners of parent company	**—**	(11,197)	**—**

Note 22: Comprehensive Income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Unrealized holding gains (losses) on securities, net of taxes			
Occurrence amount	**¥11,395**	¥ 2,074	**$ 71,250**
Reclassification adjustment	**(4,173)**	(3,925)	**(26,093)**
Before tax effect	**7,222**	(1,851)	**45,157**
Tax effect	**(2,295)**	466	**(14,350)**
Unrealized holding gains (losses) on securities, net of taxes	**¥ 4,927**	¥(1,385)	**$ 30,807**
Unrealized gains (losses) on hedging derivatives, net of taxes			
Occurrence amount	**¥ 20**	¥ 145	**$ 125**
Reclassification adjustment	**(79)**	(73)	**(494)**
Before tax effect	**(59)**	72	**(369)**
Tax effect	**17**	(21)	**106**
Unrealized gains (losses) on hedging derivatives, net of taxes	**¥ (42)**	¥ 51	**$ (263)**
Foreign currency translation adjustment			
Occurrence amount	**¥ 3,396**	¥ 1,802	**$ 21,234**
Reclassification adjustment	**—**	—	**—**
Before tax effect	**3,396**	1,802	**21,234**
Tax effect	**—**	—	**—**
Foreign currency translation adjustment	**¥ 3,396**	1,802	**$ 21,234**
Adjustments for retirement benefit, net of taxes			
Occurrence amount	**¥ 7,991**	¥ 1,507	**$ 49,965**
Reclassification adjustment	**(1,695)**	(1,746)	**(10,598)**
Before tax effect	**6,296**	(239)	**39,367**
Tax effect	**(1,975)**	1	**(12,349)**
Adjustments for retirement benefit, net of taxes	**¥ 4,321**	¥ (238)	**$ 27,018**
Share of other comprehensive income of associates accounted for using equity method			
Occurrence amount	**¥ 1,448**	¥ 2,415	**$ 9,054**
Reclassification adjustment	**(4,095)**	(589)	**(25,605)**
Adjustment to acquisition amount of assets	**121**	(56)	**757**
Share of other comprehensive income of associates accounted for using equity method	**¥ (2,526)**	¥ 1,770	**$(15,794)**
Total other comprehensive income	**¥10,076**	¥ 2,000	**$ 63,002**

Note 23: Stock Option

The Company has the compensation plan based on the stock option system for its directors other than outside directors.

(1) The Company's stock options as of March 31, 2026

Stock options	Persons granted	Number of stock options granted	Grant date	Exercise price	Exercise period
2019 Stock options	9 directors	68,500 shares	July 12, 2019	¥1	From July 13, 2019 to July 12, 2034
2020 Stock options	9 directors	110,500 shares	July 14, 2020	¥1	From July 15, 2020 to July 14, 2035
2021 Stock options	6 directors	66,000 shares	July 16, 2021	¥1	From July 17, 2021 to July 16, 2036
2022 Stock options	6 directors	52,500 shares	July 15, 2022	¥1	From July 16, 2022 to July 15, 2037
2023 Stock options	6 directors	32,000 shares	July 18, 2023	¥1	From July 19, 2023 to July 18, 2038
2024 Stock options	6 directors	24,000 shares	July 16, 2024	¥1	From July 17, 2024 to July 16, 2039
2025 Stock options	6 directors	30,000 shares	July 14, 2025	¥1 ($0.01)	From July 15, 2025 to July 14, 2040

(2) The number of stock options

	2019 Stock options (shares)	2020 Stock options (shares)	2021 Stock options (shares)	2022 Stock options (shares)	2023 Stock options (shares)	2024 Stock options (shares)	2025 Stock options (shares)
Non-vested stock option:							
Outstanding at March 31, 2025	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	30,000
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	30,000
Outstanding at March 31, 2026	—	—	—	—	—	—	—
Vested stock option:							
Outstanding at March 31, 2025	23,000	37,000	28,000	28,000	12,500	24,000	—
Vested	—	—	—	—	—	—	30,000
Exercised	23,000	—	—	5,500	—	15,000	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2026	—	37,000	28,000	22,500	12,500	9,000	30,000

(3) The per share prices

	2019 Stock options	2020 Stock options	2021 Stock options	2022 Stock options	2023 Stock options	2024 Stock options	2025 Stock options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1 ($0.01)
Average stock price at exercise	¥1,100	—	—	¥1,013	—	¥1,015	—
Fair value price at grant date	¥ 488	¥289	¥509	¥ 535	¥665	¥ 939	¥860 ($5.38)

(4) The estimate method for stock option price

	2019 Stock options	2020 Stock options	2021 Stock options	2022 Stock options	2023 Stock options	2024 Stock options	2025 Stock options
Estimate method	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models
Expected volatility	32.188%	33.522%	31.635%	31.348%	31.385%	35.911%	38.666%
Expected life	8 years	8 years	8 years	8 years	8 years	8 years	8 years
Expected dividend	¥12/share	¥12/share	¥14/share	¥24/share	¥18/share	¥18/share	¥22/share ($0.14/share)
Risk-free interest rate	(0.207)%	(0.080)%	(0.096)%	(0.194)%	(0.391)%	(0.801)%	(1.328)%

(Unaudited)
Reference Information
Details of audit fees
a. Fees paid to the certified public accountants, etc.

Category	Previous consolidated fiscal year: Fees for audit services (Millions of Yen)	Previous consolidated fiscal year: Fees for non-audit services (Millions of Yen)	Current consolidated fiscal year: Fees for audit services (Millions of Yen)	Current consolidated fiscal year: Fees for non-audit services (Millions of Yen)
The Company	90	—	93	2
Consolidated subsidiaries	12	—	11	—
Total	102	—	104	2

Category	Current consolidated fiscal year: Fees for audit services (Thousands of U.S. Dollars)	Current consolidated fiscal year: Fees for non-audit services (Thousands of U.S. Dollars)
The Company	582	12
Consolidated subsidiaries	68	—
Total	650	12

b. Fees for member firms of certified public accountants, etc. (KPMG Group) (excluding a.)

Category	Previous consolidated fiscal year: Fees for audit services (Millions of Yen)	Previous consolidated fiscal year: Fees for non-audit services (Millions of Yen)	Current consolidated fiscal year: Fees for audit services (Millions of Yen)	Current consolidated fiscal year: Fees for non-audit services (Millions of Yen)
The Company	1	5	2	16
Consolidated subsidiaries	54	1	67	3
Total	55	6	69	19

Category	Current consolidated fiscal year: Fees for audit services (Thousands of U.S. Dollars)	Current consolidated fiscal year: Fees for non-audit services (Thousands of U.S. Dollars)
The Company	12	100
Consolidated subsidiaries	419	18
Total	431	118

KPMG

Independent auditor's report

To the Board of Directors of Hokuetsu Corporation :

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Hokuetsu Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2026 and 2025, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in net assets for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026 and 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the sale of shares to related parties and the repurchase of treasury shares and the appropriateness of the related accounting treatment

The key audit matter	How the matter was addressed in our audit
Hokuetsu Corporation (hereinafter, the "Company") and Daio Paper Corporation, an affiliated company accounted for under the equity method (hereinafter,	The primary procedures we performed to assess the reasonableness of the sale of Daio Paper shares and the repurchase of treasury shares with related parties

“Daio Paper”), decided to establish a mutually equal capital relationship to further deepen the strategic business alliance based on the memorandum of understanding entered into between the two companies. As described in Note 21, “Related Party Transactions” to the consolidated financial statements, the Company tendered its Daio Paper shares through the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) announced by Daio Paper and sold those shares to Daio Paper as of March 19, 2026. The selling price of the shares was ¥12,331 million, and a loss on sale of shares of affiliated companies amounting to ¥1,695 million was recognized as an other income (expenses) in the consolidated statements of income. In addition, the Company acquired a portion of its own shares held by DAIO KAIUN CO., LTD. (hereinafter, “DAIO KAIUN”), a major shareholder of the Company, through ToSTNeT-3 as of March 19, 2026. The acquisition cost of the treasury shares was ¥10,280 million, and all of the treasury shares acquired were cancelled on March 26, 2026. As a result of this series of transactions, the Company’s voting rights ratio in Daio Paper stood at 19.7% following the sale of Daio Paper shares. Consequently, Daio Paper ceased to be an affiliated company accounted for under the equity method. The series of transactions constituted significant transactions with related parties. In addition, transactions with related parties are not necessarily conducted on an arm’s length basis and, where such transactions are highly complex or represent significant transactions outside the ordinary course of business, there is a risk that transactions without business rationale may be executed. We, therefore, determined that our assessment of the reasonableness of the sale of shares and the repurchase of treasury shares with multiple related parties and the appropriateness of the related accounting treatment was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	and the appropriateness of the related accounting treatment included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the determination of the terms and conditions for the related party transactions. (2) Assessment of the reasonableness of the transactions and the appropriateness of the related accounting treatment ● To assess the business rationale of the transactions, we inspected the minutes of the Board of Directors’ meetings and inquired of the Company’s management regarding the background and circumstances leading to the execution of the two transactions; ● We inspected the memorandum of understanding on the strategic business alliance between in the Company and Daio Paper and other documents and assessed their consistency with the responses to the above inquiry; ● We assessed the details of the transactions by inspecting the transaction statement regarding the sale of Daio Paper shares obtained from the securities company, as well as the purchase order for ToSTNeT-3 related to the Company’s shares; ● We inspected bank records and other relevant documents regarding the deposits and withdrawals arising from the transactions; and ● We inspected the calculation documents for gains and losses on the sale of shares of affiliated companies and journal entries related to the discontinuation of the equity method accounting, and assessed whether the accounting treatment was performed in accordance with the applicable accounting standards.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "Details of audit fees" of "Reference Information".

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ryoichi Isashi

Designated Engagement Partner

Certified Public Accountant

Tadashi Shibata

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 7, 2026

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.