Consolidated Financial Statements

April 1, 2023-March 31, 2024

Hokuetsu Corporation

Consolidated Balance Sheets

Hokuetsu Corporation and Consolidated Subsidiaries
As of March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2024**	2023	**2024**
CURRENT ASSETS:			
Cash and deposits (Notes 4 & 6)	**¥ 22,140**	¥ 18,063	**$ 146,235**
Notes and accounts receivable (Note 6)			
Trade	**85,216**	83,828	**562,853**
Unconsolidated subsidiaries and affiliates	**613**	753	**4,049**
Allowance for doubtful accounts	**(16)**	(5)	**(106)**
Inventories (Note 8)	**67,216**	63,667	**443,963**
Prepaid expenses and other	**4,710**	4,469	**31,110**
TOTAL CURRENT ASSETS	**179,879**	170,775	**1,188,104**
PROPERTY, PLANT AND EQUIPMENT:			
Land and timberland	**20,181**	20,413	**133,296**
Buildings and structures	**86,500**	87,761	**571,334**
Machinery and equipment	**452,874**	446,305	**2,991,242**
Leased assets	**192**	185	**1,268**
Right-of-use assets	**2,305**	2,803	**15,225**
Construction in progress	**4,534**	3,992	**29,947**
	566,586	561,459	**3,742,312**
Less accumulated depreciation	**(450,075)**	(444,398)	**(2,972,755)**
NET PROPERTY, PLANT AND EQUIPMENT	**116,511**	117,061	**769,557**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 6 & 7)	**31,927**	22,273	**210,878**
Investments in and receivables from unconsolidated subsidiaries and affiliates	**66,919**	64,640	**442,001**
Long-term loans receivable	**2,801**	63	**18,501**
Intangible assets	**2,541**	2,468	**16,783**
Guarantee deposits (Note 9)	**4,389**	4,393	**28,989**
Asset for retirement benefits (Note 18)	**11,236**	4,317	**74,214**
Deferred income taxes (Note 13)	**1,514**	1,779	**10,000**
Other	**918**	960	**6,066**
Allowance for doubtful accounts	**(3,006)**	(284)	**(19,855)**
TOTAL INVESTMENTS AND OTHER ASSETS	**119,239**	100,609	**787,577**
TOTAL ASSETS	**¥415,629**	¥388,445	**$2,745,238**

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

LIABILITIES AND NET ASSETS	Millions of yen 2024	2023	Thousands of U.S. dollars (Note 1) 2024
CURRENT LIABILITIES:			
Short-term loans (Notes 6 & 10)	**¥ 8,913**	¥ 8,682	**$ 58,871**
Commercial paper (Notes 6 & 10)	**7,000**	10,000	**46,235**
Current maturities of long-term debt (Notes 6 & 10)	**17,334**	18,677	**114,491**
Notes and accounts payable (Note 6)			
Trade	**29,771**	28,362	**196,638**
Unconsolidated subsidiaries and affiliates	**707**	742	**4,670**
Income taxes payable (Note 13)	**846**	2,919	**5,588**
Accrued expenses	**9,646**	10,583	**63,712**
Other	**7,980**	5,901	**52,708**
TOTAL CURRENT LIABILITIES	**82,197**	85,866	**542,913**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 & 10), less current maturities	**71,115**	66,366	**469,716**
Deferred income taxes (Note 13)	**1,979**	2,224	**13,071**
Accrued environmental expenditures	**1,372**	1,268	**9,062**
Provision for reforestation	**393**	325	**2,596**
Liability for retirement benefits (Note 18)	**3,755**	3,807	**24,802**
Asset retirement obligations (Note 19)	**2,227**	2,410	**14,709**
Other	**190**	229	**1,255**
TOTAL LONG-TERM LIABILITIES	**81,031**	76,629	**535,211**
CONTINGENT LIABILITIES (Note 11)			
NET ASSETS (Note 12)			
SHAREHOLDERS' EQUITY:			
Common stock:			
authorized			
–500,000,000shares in 2024 and 2023			
issued and outstanding			
–188,053,114shares in 2024 and 2023	**42,021**	42,021	**277,550**
Capital surplus	**44,954**	45,342	**296,922**
Retained earnings	**140,417**	135,489	**927,457**
Treasury stock	**(9,594)**	(9,626)	**(63,369)**
TOTAL SHAREHOLDERS' EQUITY	**217,798**	213,226	**1,438,560**
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized holding gains on securities, net of taxes	**11,152**	4,418	**73,659**
Unrealized gains or losses on hedging derivatives, net of taxes	**(21)**	80	**(139)**
Foreign currency translation adjustment	**16,391**	5,908	**108,263**
Accumulated adjustments for retirement benefit, net of taxes (Note 18)	**6,326**	1,577	**41,784**
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES	**33,848**	11,983	**223,567**
SHARE SUBSCRIPTION RIGHTS	**78**	91	**515**
NON-CONTROLLING INTERESTS	**677**	650	**4,472**
TOTAL NET ASSETS	**252,401**	225,950	**1,667,114**
TOTAL LIABILITIES AND NET ASSETS	**¥415,629**	¥388,445	**$2,745,238**

Consolidated Statements of Income

Hokuetsu Corporation and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
NET SALES (Note 20 & 21)	**¥297,057**	¥301,205	**$1,962,067**
COST OF SALES	**236,908**	237,187	**1,564,782**
GROSS PROFIT	**60,149**	64,018	**397,285**
SELLING,GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**44,881**	46,730	**296,440**
OPERATING INCOME	**15,268**	17,288	**100,845**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,614**	1,531	**10,661**
Interest expenses	**(841)**	(796)	**(5,555)**
Foreign exchange gains (losses)	**(72)**	2,238	**(476)**
Equity in income (loss) of affiliates	**1,289**	(8,610)	**8,514**
Gain on sales of investments in securities	**9**	234	**59**
Loss on sales or disposal on property, plant and equipment	**(1,222)**	(899)	**(8,071)**
Impairment loss on long-lived assets (Note 15)	**(404)**	—	**(2,668)**
Loss on reduction of property, plant and equipment	**(31)**	(7)	**(205)**
Gain on sales on property, plant and equipment	**934**	846	**6,169**
Loss on transfer of shares of subsidiary	**(4,469)**	—	**(29,518)**
Loss on waiver of debt on subsidiary	**(2,604)**	—	**(17,199)**
Provision of allowance for doubtful accounts	**(2,736)**	—	**(18,071)**
Loss due to disaster	**(1,484)**	—	**(9,802)**
Gain on contribution of securities to retirement benefit trust	**—**	1,417	**—**
Other, net	**619**	516	**4,088**
	(9,398)	(3,530)	**(62,074)**
INCOME BEFORE INCOME TAXES	**5,870**	13,758	**38,771**
INCOME TAXES (Note 13):			
Current	**1,691**	6,364	**11,169**
Deferred	**(4,332)**	(1,010)	**(28,613)**
	(2,641)	5,354	**(17,444)**
NET INCOME	**8,511**	8,404	**56,215**
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**114**	78	**753**
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT COMPANY	**¥ 8,397**	¥ 8,326	**$ 55,462**

	Yen		U.S. dollars (Note 1)
	2024	2023	**2024**
AMOUNTS PER SHARE OF COMMON STOCK (Note 2):			
Net income	**¥49.94**	¥49.54	**$0.33**
Diluted net income	**49.90**	49.48	**0.33**
Cash dividends applicable to the year	**18.00**	18.00	**0.12**

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, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
NET INCOME	**¥ 8,511**	¥ 8,404	**$ 56,215**
OTHER COMPREHENSIVE INCOME (Note 23)			
Unrealized holding gains on securities, net of taxes	**6,171**	719	**40,760**
Unrealized gains or losses on hedging derivatives, net of taxes	**(9)**	(105)	**(60)**
Foreign currency translation adjustments	**7,958**	847	**52,563**
Adjustments for retirement benefit, net of taxes	**4,464**	153	**29,485**
Share of other comprehensive income of associates accounted for using equity method	**3,189**	3,471	**21,063**
TOTAL OTHER COMPREHENSIVE INCOME	**21,773**	5,085	**143,811**
COMPREHENSIVE INCOME	**¥30,284**	¥13,489	**$200,026**
Comprehensive income attribute to owners of the parent company	**30,262**	13,395	**199,881**
Comprehensive income attribute to non-controlling interests	**22**	94	**145**

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, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	**¥5,870**	¥13,758	**$38,771**
Depreciation and amortization	**12,864**	11,854	**84,967**
Impairment loss on long-lived assets	**404**	—	**2,668**
Loss (gain) on sales or disposal of property, plant and equipment	**287**	53	**1,896**
Loss on reduction of property, plant and equipment	**31**	7	**205**
Loss (gain) on contribution of securities to retirement benefit trust	**—**	(1,417)	**—**
Gain on sales of investments in securities	**(9)**	(234)	**(59)**
Interest and dividend income	**(1,614)**	(1,531)	**(10,661)**
Interest expenses	**841**	796	**5,555**
(Increase) decrease in notes and accounts receivable	**(29)**	(15,974)	**(192)**
(Increase) decrease in inventories	**(3,080)**	(5,960)	**(20,343)**
Increase (decrease) in notes and accounts payable	**1,408**	2,074	**9,300**
Increase (decrease) liability for retirement benefits	**(81)**	234	**(535)**
Equity in (income) losses of affiliates	**(1,289)**	8,610	**(8,514)**
Loss on transfer of shares of subsidiary	**4,469**	—	**29,518**
Loss on waiver of debt on subsidiary	**2,604**	—	**17,199**
Increase (decrease) in allowance for doubtful accounts	**2,733**	(4)	**18,052**
Other, net	**719**	(1,366)	**4,749**
SUBTOTAL	**26,128**	10,900	**172,576**
Interest and dividend income received	**2,284**	2,339	**15,086**
Interest paid	**(869)**	(730)	**(5,740)**
Income taxes (paid) refund	**(5,301)**	(7,451)	**(35,013)**
Payments for deposit money	**—**	(4,000)	**—**
Insurance payment received	**79**	689	**522**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**22,321**	1,747	**147,431**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for purchases of investment securities	**(1,122)**	(433)	**(7,411)**
Proceeds from sales of investment securities	**51**	416	**337**
Payment for purchases of property, plant and equipment	**(13,495)**	(12,516)	**(89,135)**
Proceeds from sales of property, plant and equipment	**1,545**	1,048	**10,205**
Payment from transer of stock of subsidiary with change of scope of consolidation	**(873)**	—	**(5,766)**
Other, net	**(1,601)**	(1,268)	**(10,575)**
NET CASH USED IN INVESTING ACTIVITIES	**(15,495)**	(12,753)	**(102,345)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term loans	**(691)**	(8,428)	**(4,564)**
Increase (decrease) in commercial paper	**(3,000)**	7,000	**(19,815)**
Proceeds from long-term loans	**7,000**	31,380	**46,235**
Repayment of long-term loans	**(8,701)**	(27,324)	**(57,470)**
Proceeds from issuance of unsecured yen straight bonds	**15,000**	—	**99,075**
Redemption of unsecured yen straight bonds	**(10,000)**	—	**(66,050)**
Dividends paid	**(3,036)**	(4,381)	**(20,053)**
Other, net	**(374)**	(347)	**(2,470)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(3,802)**	(2,100)	**(25,112)**
TRANSLATION LOSS ON CASH AND CASH EQUIVALENTS	**1,053**	893	**6,955**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,077**	(12,213)	**26,929**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**18,063**	30,276	**119,306**
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**¥22,140**	¥18,063	**$146,235**

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, 2024 and 2023

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, 2022	188,053,114	¥42,021	¥45,341	¥131,616	¥(9,639)	¥209,339	¥ 3,686	¥157	¥ 1,632	¥1,439	¥ 6,914	¥76	¥645	¥216,974
Adjustment of hyperinflation by affiliate company	—	—	—	(80)	—	(80)	—	—	—	—	—	—	—	(80)
Restated balance	—	¥42,021	¥45,341	¥131,536	¥(9,639)	¥209,259	¥ 3,686	¥157	¥ 1,632	¥1,439	¥ 6,914	¥76	¥645	¥216,894
Cash dividends (¥26.00 per share)	—	—	—	(4,370)	—	(4,370)	—	—	—	—	—	—	—	(4,370)
Net income attributable to owners of parent company	—	—	—	8,326	—	8,326	—	—	—	—	—	—	—	8,326
Disposal of treasury stock	—	—	1	—	14	15	—	—	—	—	—	—	—	15
Purchases of treasury stock	—	—	—	—	(1)	(1)	—	—	—	—	—	—	—	(1)
Change in scope of affiliates under equity method	—	—	—	(3)	—	(3)	—	—	—	—	—	—	—	(3)
Net changes during the year	—	—	—	—	—	—	732	(77)	4,276	138	5,069	15	5	5,089
Balance at March 31, 2023	188,053,114	¥42,021	¥45,342	¥135,489	¥(9,626)	¥213,226	¥ 4,418	¥80	¥ 5,908	¥1,577	¥11,983	¥91	¥650	¥225,950
Adjustment of hyperinflation by affiliate company	—	—	—	(442)	—	(442)	—	—	—	—	—	—	—	(442)
Restated balance	—	¥42,021	¥45,342	¥135,047	¥(9,626)	¥212,784	¥ 4,418	¥ 80	¥ 5,908	¥1,577	¥11,983	¥91	¥650	¥225,508
Cash dividends (¥18.00 per share)	—	—	—	(3,027)	—	(3,027)	—	—	—	—	—	—	—	(3,027)
Net income attributable to owners of parent company	—	—	—	8,397	—	8,397	—	—	—	—	—	—	—	8,397
Disposal of treasury stock	—	—	1	—	35	36	—	—	—	—	—	—	—	36
Purchases of treasury stock	—	—	—	—	(3)	(3)	—	—	—	—	—	—	—	(3)
Change in equity resulted from increase in consolidated subsidiary's investment	—	—	(14)	—	—	(14)	—	—	—	—	—	—	—	(14)
Increase in treasury stock by change in equity in affiliates under equity method	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	—
Change in equity by change in equity in affiliates under equity method	—	—	(375)	—	—	(375)	—	—	—	—	—	—	—	(375)
Net changes during the year	—	—	—	—	—	—	6,734	(101)	10,483	4,749	21,865	(13)	27	21,879
Balance at March 31, 2024	188,053,114	¥42,021	¥44,954	¥140,417	¥(9,594)	¥217,798	¥11,152	¥ (21)	¥16,391	¥6,326	¥33,848	¥78	¥677	¥252,401

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, 2023	188,053,114	$277,550	$299,485	$894,908	$(63,580)	$1,408,363	$29,181	$ 528	$ 39,022	$10,416	$ 79,147	$601	$4,293	$1,492,404
Adjustment of hyperinflation by affiliate company	—	—	—	(2,919)	—	(2,919)	—	—	—	—	—	—	—	(2,919)
Restated balance	—	$277,550	$299,485	$891,989	$(63,580)	$1,405,444	$29,181	$ 528	$ 39,022	$10,416	$ 79,147	$601	$4,293	$1,489,485
Cash dividends ($0.12 per share)	—	—	—	(19,994)	—	(19,994)	—	—	—	—	—	—	—	(19,994)
Net income attributable to owners of parent company	—	—	—	55,462	—	55,462	—	—	—	—	—	—	—	55,462
Disposal of treasury stock	—	—	6	—	231	237	—	—	—	—	—	—	—	237
Purchases of treasury stock	—	—	—	—	(20)	(20)	—	—	—	—	—	—	—	(20)
Change in equity resulted from increase in consolidated subsidiary's investment	—	—	(92)	—	—	(92)	—	—	—	—	—	—	—	(92)
Increase in treasury stock by change in equity in affiliates under equity method	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in equity by change in equity in affiliates under equity method	—	—	(2,477)	—	—	(2,477)	—	—	—	—	—	—	—	(2,477)
Net changes during the year	—	—	—	—	—	—	44,478	(667)	69,241	31,368	144,420	(86)	179	144,513
Balance at March 31, 2024	188,053,114	$277,550	$296,922	$927,457	$(63,369)	$1,438,560	$73,659	$(139)	$108,263	$41,784	$223,567	$515	$4,472	$1,667,114

Notes to Consolidated Financial Statements

Hokuetsu Corporation and Consolidated Subsidiaries
Years ended March 31, 2024 and 2023

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, 2024, which was ¥151.40 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	
	2024	2023
Consolidated subsidiaries	**16**	18
Affiliates accounted for by the equity method	**4**	4

During the current consolidated fiscal year, the Company transferred a portion of its shares in consolidated subsidiary “Xing Hui Investment Holdings Co., Ltd.” and as a result, both “Xing Hui Investment Holdings Co., Ltd.” and its wholly owned subsidiary “Jiangmen Xinghui Paper Mill Co., Ltd.” have been excluded from the scope of consolidation.

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, 2024 and 2023.

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. However, for certain sales in Japan, revenue is recognized at the time of shipment.

For sales of merchandise and products, performance obligation is satisfied when the merchandise and products are delivered to the customer or when the customer accepts inspection, and revenue is recognized at these times.

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 loss on disaster
The Company sets aside an amount on the basis of estimated costs incurred in preparation for expenditures required for the restoration of assets damaged during a disaster.

(m) 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.

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

(o) 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).

(p) 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.

(q) 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 168,124,208 shares and 168,064,868 shares in 2024 and 2023, respectively.

For the year ended March 31, 2024, diluted net income per share was ¥49.90 ($0.33).

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.

(r) 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.

(s) 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.

(t) Disclosure of new accounting standards issued but not yet effective

(Accounting standards and guidance not yet adopted)
Following accounting standards and guidance are those issued but not yet adopted.

- *Accounting Standard for Current Income Taxes* (ASBJ Statement No.27, October 28, 2022, ASBJ)
- *Accounting Standard for Presentation of Comprehensive Income* (ASBJ Statement No.25, October 28, 2022, ASBJ)
- *Guidance on Accounting Standard for Tax Effect Accounting* (ASBJ Guidance No.28, October 28, 2022, ASBJ)

(1) Overview
Transfer of JICPA's practical guidelines on tax effect accounting to ASBJ was completed with the issuance of standards and guidance including ASBJ Statement No.28, *Partial Amendments to Accounting Standard for Tax Effect Accounting* (hereinafter collectively referred to as "ASBJ Statement No.28, etc.") in February 2018. During their deliberations, it had been determined that the following two issues would be further discussed subsequent to the issuance of ASBJ Statement No. 28, etc. The above standards and guidance were issued as a result of the discussions on the two issues below:

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the companies taxation regime is applied

(2) Effective date
The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance
The effects of application of *Accounting Standard for Current Income Taxes*, etc. on the consolidated financial statements are currently under evaluation.

(u) Changes in presentation method

(Consolidated statements of cash flows)
"Increase (decrease) in allowance for doubtful accounts" included in "Other" of "Cash flows from operating activities" in the previous fiscal year is stated independently from the current fiscal year because it has become more important.

Consolidated financial statements in the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the amount of ¥(1,370) million presented in " Other" of "Cash flows from operating activities" in the consolidated statements of cash flows in the previous fiscal year has been restated as ¥(4) million in "Increase (decrease) in allowance for doubtful accounts" and ¥(1,366) million in "Other".

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
	2024	2023	**2024**
Deferred tax assets	**¥14,922**	¥9,884	**$98,560**

(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.

2. Impairment loss on long-lived assets
If the Company recognizes signs 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
	2024	2023	**2024**
Property, plant and equipment	**¥116,511**	¥117,061	**$769,557**
Intangible assets	**¥ 2,541**	¥ 2,468	**$ 16,783**
Impairment loss on long-lived asset	**¥ 404**	¥ —	**$ 2,668**

Of the above, ¥2,089 million in property, plant and equipment were recorded in the year ended March 31, 2023 and ¥2,123 million ($14,022 thousand) in property, plant and equipment was recorded in the year ended March 31, 2024 for paper machine at Nagaoka Mill of the pulp and paper business.

(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.

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
	2024	2023	**2024**
Accrued environmental expenditures - current	**¥ 38**	¥ 35	**$ 251**
Accrued environmental expenditures - long-term	**¥1,289**	¥1,185	**$8,514**

(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 instructions 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.
(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.

4. Impairment loss on long-lived assets of affiliates accounted for by the equity method

If an impairment loss is recognized for goodwill or other long-lived assets in affiliates accounted for by the equity method, it will affect the balance of investment in affiliates and equity in income or loss of affiliates in the consolidated financial statements.

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Stocks of affiliates	**¥65,937**	¥63,644	**$435,515**
Equity in income (loss) of affiliates	**¥ 1,289**	¥ (8,610)	**$ 8,514**

Of the above ¥65,937 million ($435,515 thousand) in stocks of affiliates, ¥62,376 million ($411,995 thousand) was invested in Daio Paper Corporation.

The Company recorded equity in loss of affiliates by ¥8,611 million ($56,876 thousand) for the previous fiscal year, including the effect of impairment losses on certain goodwill and other long-lived assets of Daio Paper Corporation.

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

The details as for impairment loss on long-lived assets, including goodwill, held by affiliates accounted for by the equity methods are generally the same as those described in "2 Impairment loss on long-lived assets".

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, 2024 and 2023 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Cash and deposits	**¥22,140**	¥18,063	**$146,235**
Cash and cash equivalents	**¥22,140**	¥18,063	**$146,235**

Note 5: Breakdown of assets and liabilities of subsidiaries excluded from consolidation

Followings are breakdowm of assets and liabilities at the time of transfer, sales price of the stock and net of cash flows due to stock transfer resulted in Xing Hui Investment Holdings Co., Ltd. and Jiangmen Xinghui Paper Mill Co., Ltd. being out of consolidated subsidiaries.

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥3,005**	**$19,848**
Property, plant and equipment	**4,038**	**26,671**
Investments and other assets	**815**	**5,383**
Current liabilities	**(3,334)**	**(22,021)**
Long-term liabilities	**(45)**	**(297)**
Long-term debt	**(2,552)**	**(16,856)**
Foreign currency translation adjustment	**2,542**	**16,790**
Loss on transfer of shares of subsidiary	**(4,469)**	**(29,518)**
Sales price of shares	**0**	**0**
Cash and cash equivalents	**(873)**	**(5,766)**
Payment from transer of stock of subsidiary with change of scope of consolidation	**¥(873)**	**$(5,766)**

Note 6: Financial Instruments

Information on financial instruments for the year ended March 31, 2024 and 2023 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, 2024 and 2023 are as follows. Financial instruments with fair values not readily determinable are excluded from the following table (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		
	2024		
	Book value	Fair value	Difference
(1) Investments in securities:			
Available-for-sale securities	**¥28,662**	**¥28,662**	**¥ —**
(2) Investments in and receivables from unconsolidated subsidiaries and affiliates			
Stocks of affiliates	**62,376**	**48,317**	**(14,059)**
Total assets	**¥91,038**	**¥76,979**	**¥(14,059)**
(3) Bonds*1	**¥25,000**	**¥24,860**	**¥ (140)**
(4) Long-term loans payable*2	**61,695**	**61,470**	**(225)**
Total liabilities	**¥86,695**	**¥86,330**	**¥ (365)**
Derivative transactions*3	**¥ (13)**	**¥ (13)**	**¥ —**

	Millions of yen		
	2023		
	Book value	Fair value	Difference
(1) Investments in securities:			
Available-for-sale securities	¥19,008	¥19,008	¥ —
(2) Investments in and receivables from unconsolidated subsidiaries and affiliates			
Stocks of affiliates	59,411	43,013	(16,398)
Total assets	¥78,419	¥62,021	¥(16,398)
(3) Bonds*1	¥20,000	¥19,935	¥(65)
(4) Long-term loans payable*2	63,315	63,252	(63)
Total liabilities	¥83,315	¥83,187	¥ (128)
Derivative transactions*3	¥ (11)	¥ (11)	¥ —

	Thousands of U.S. dollars		
			2024
	Book value	Fair value	Difference
(1) Investments in securities:			
Available-for-sale securities	$189,313	189,313	$ —
(2) Investments in and receivables from unconsolidated subsidiaries and affiliates			
Stocks of affiliates	411,995	319,135	(92,860)
Total assets	$601,308	$508,448	$(92,860)
(3) Bonds*1	$165,125	$164,201	$(924)
(4) Long-term loans payable*2	407,497	406,010	(1,487)
Total liabilities	$572,622	$570,211	$ (2,411)
Derivative transactions*3	$ (86)	$ (86)	$ —

*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
	2024	2023	2024
Unlisted equity securities	¥6,825	¥7,497	$45,079

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

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		2024	
	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	¥ 22,140	¥—	¥ 18,063	¥—	$146,235	$—
Notes and accounts receivable	76,839	—	75,748	—	507,523	—
Electronically recorded monetary claims	8,844	—	8,753	—	58,415	—
Total	¥107,823	¥—	¥102,564	¥—	$712,173	$—

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

	Millions of yen					
						2024
	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	¥ 8,913	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	7,000	—	—	—	—	—
Bonds	—	—	25,000	—	—	—
Long-term loans payable*	16,976	17,582	5,581	9,809	3,747	8,000
Total	¥32,889	¥17,582	¥30,581	¥9,809	¥3,747	¥8,000

	Millions of yen					
	2023					
	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	¥ 8,682	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	10,000	—	—	—	—	—
Bonds	10,000	—	—	10,000	—	—
Long-term loans payable*	8,376	16,375	16,980	3,979	9,205	8,400
Total	¥37,058	¥16,375	¥16,980	¥13,979	¥9,205	¥8,400

	Thousands of U.S. dollars					
	2024					
	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	**$ 58,871**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Commercial paper	**46,235**	**—**	**—**	**—**	**—**	**—**
Bonds	**—**	**—**	**165,125**	**—**	**—**	**—**
Long-term loans payable*	**112,127**	**116,129**	**36,863**	**64,789**	**24,749**	**52,840**
Total	**$217,233**	**$116,129**	**$201,988**	**$64,789**	**$24,749**	**$52,840**

*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			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities	**¥28,662**	**¥—**	**¥—**	**¥28,662**
Derivative transactions				
Currency-related	**—**	**—**	**—**	**—**
Interest-related	**—**	**—**	**—**	**—**
Total assets	**¥28,662**	**¥—**	**¥—**	**¥28,662**
Derivative transactions				
Currency-related	**¥ —**	**¥13**	**¥—**	**¥ 13**
Interest-related	**—**	**—**	**—**	**—**
Total liabilities	**¥ —**	**¥13**	**¥—**	**¥ 13**

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities	¥19,008	¥ —	¥—	¥19,008
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total assets	¥19,008	¥ —	¥—	¥19,008
Derivative transactions				
Currency-related	¥ —	¥ 11	¥—	¥ 11
Interest-related	—	—	—	—
Total liabilities	¥ —	¥ 11	¥—	¥ 11

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities	**$189,313**	**$—**	**$—**	**$189,313**
Derivative transactions				
Currency-related	**—**	**—**	**—**	**—**
Interest-related	**—**	**—**	**—**	**—**
Total assets	**$189,313**	**$—**	**$—**	**$189,313**
Derivative transactions				
Currency-related	**$ —**	**$86**	**$—**	**$ 86**
Interest-related	**—**	**—**	**—**	**—**
Total liabilities	**$ —**	**$86**	**$—**	**$ 86**

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

	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in and receivables from unconsolidated subsidiaries and affiliates				
Stocks of affiliates	**¥48,317**	**¥ —**	**¥—**	**¥48,317**
Total assets	**¥48,317**	**¥ —**	**¥—**	**¥48,317**
Bonds	**—**	**24,860**	**—**	**24,860**
Long-term loans payable	**—**	**61,470**	**—**	**61,470**
Total liabilities	**¥ —**	**¥86,330**	**¥—**	**¥86,330**

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in and receivables from unconsolidated subsidiaries and affiliates				
Stocks of affiliates	¥43,013	¥ —	¥—	¥43,013
Total assets	¥43,013	¥ —	¥—	¥43,013
Bonds	—	19,935	—	19,935
Long-term loans payable	—	63,252	—	63,252
Total liabilities	¥ —	¥83,187	¥—	¥83,187

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in and receivables from unconsolidated subsidiaries and affiliates				
Stocks of affiliates	**$319,135**	**$ —**	**$—**	**$319,135**
Total assets	**$319,135**	**$ —**	**$—**	**$319,135**
Bonds	**—**	**164,201**	**—**	**164,201**
Long-term loans payable	**—**	**406,010**	**—**	**406,010**
Total liabilities	**$ —**	**$570,211**	**$—**	**$570,211**

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

Assets

(1) (2) Investments in securities

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 7: Securities

The following tables summarize acquisition costs and book value of securities with available fair value at March 31, 2024 and 2023:

	Millions of yen		
			2024
Type	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	**¥13,739**	**¥27,674**	**¥13,935**
with book value (fair value) not exceeding acquisition costs	**1,099**	**988**	**(111)**
	¥14,838	**¥28,662**	**¥13,824**

	Millions of yen		
			2023
Type	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	¥ 8,588	¥14,800	¥6,212
with book value (fair value) not exceeding acquisition costs	5,170	4,208	(962)
	¥13,758	¥19,008	¥5,250

	Thousands of U.S. dollars		
			2024
Type	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	**$90,746**	**$182,787**	**$92,041**
with book value (fair value) not exceeding acquisition costs	**7,259**	**6,526**	**(733)**
	$98,005	**$189,313**	**$91,308**

Total sales of available-for-sale securities sold in the year ended March 31, 2024 amounted to ¥51 million ($337 thousand), the related gains amounted to ¥9 million ($59 thousand) and no related losses. Total sales of available-for-sale securities sold in the year ended March 31, 2023 amounted to ¥416 million, the related gains amounted to ¥234 million and no related losses.

Note 8: Inventories

Inventories at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Merchandise and Finished goods	**¥29,882**	¥28,458	**$197,371**
Work-in-process	**3,253**	2,793	**21,486**
Raw materials and supplies	**34,081**	32,416	**225,106**
	¥67,216	¥63,667	**$443,963**

Note 9: Assets Pledged

Assets Pledged at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Guarantee deposits*	**¥4,000**	¥4,000	**$26,420**

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

Note 10: Short-Term Debt, Commercial Paper, and Long-Term Debt

(1) Short-term debt had weighted-average interest rates of 4.60% and 5.28% at March 31, 2024 and 2023, respectively.
(2) The weighted-average interest rate on commercial paper was 0.00% and (0.00)% at March 31, 2024 and 2023.
(3) Long-term debt at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Long-term loans from banks and other financial institutions			
(Loans due with one year, weighted-average interest rate 0.27%)	**¥16,976**	¥ 8,376	**$112,127**
(Loans due after one year, weighted-average interest rate 0.42%)	**44,719**	54,939	**295,370**
0.110% unsecured yen straight bonds due in 2026	**10,000**	10,000	**66,050**
0.370% unsecured yen straight bonds due in 2026	**15,000**	10,000	**99,075**
Lease obligations			
(Loans due with one year)	**358**	301	**2,364**
(Loans due after one year)	**1,396**	1,427	**9,221**
	88,449	85,043	**584,207**
Less current portion due with one year	**(17,334)**	(18,677)	**(114,491)**
Long-term debt	**¥71,115**	¥66,366	**$469,716**

(4) The annual maturities of long-term debt at March 31, 2024 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2025	**¥17,334**	**$114,491**
2026	**17,847**	**117,880**
2027	**30,818**	**203,554**
2028	**10,017**	**66,162**
2029	**3,947**	**26,070**
2030 and thereafter	**8,486**	**56,050**
	¥88,449	**$584,207**

Note 11: Contingent Liabilities

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Guarantee obligation	**¥ 6**	¥ 6	**$40**
Transfer of electronically recorded receivables	**—**	12	**—**
Discounted export bill	**¥ —**	¥39	**$ —**

Note 12: 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 27, 2024, the shareholders approved cash dividends amounting to ¥1,519 million ($10,033 thousand). Such appropriations have not been accrued in the consolidated financial statements at March 31, 2024. Such appropriations are recognized in the period in which they are approved by the shareholders.

Note 13: 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, 2024 and 2023.

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, 2024 and 2023:

	2024	2023
Statutory tax rate	**30.5%**	30.5%
Non-deductible expenses	**4.0**	1.0
Dividends received not taxable	**(3.3)**	(2.6)
Per capita inhabitants taxes	**0.8**	0.3
Valuation allowance	**(65.5)**	(5.1)
Equity in (income) loss of affiliates	**(6.7)**	19.1
Difference from tax rate of foreign subsidiaries	**(7.0)**	(6.1)
Other	**2.2**	1.8
Effective tax rate	**(45.0)**	38.9

Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates.

In accordance with the revision of the tax law in Japan, the effective statutory tax rate was changed from 34.3% to 30.5% for some consolidated subsidiaries to calculate deferred tax assets and deferred tax liabilities related to temporary differences expected to be realized or settled in the next consolidated fiscal year and thereafter.

The impact of this change in the tax rate is immaterial.

Significant components of deferred income tax assets and liabilities at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Deferred income tax assets:			
Accrued bonuses	**¥ 758**	¥ 657	**$ 5,007**
Unrealized gain on inventories	**298**	227	**1,968**
Liability for retirement benefit	**3,076**	3,952	**20,317**
Long-term accrued amount payable	**20**	20	**132**
Unrealized gain on fixed assets	**706**	728	**4,663**
Evaluation difference on property, plant and equipment	**368**	391	**2,431**
Depreciation and amortization	**747**	736	**4,934**
Impairment loss of fixed assets	**1,892**	4,257	**12,497**
Loss on devaluation of investments in securities	**1,631**	1,110	**10,773**
Accrued environmental expenditures	**331**	307	**2,186**
Asset retirement obligations	**678**	739	**4,478**
Net operating loss carry forwards*2	**689**	2,576	**4,551**
Allowance for doubtful accounts	**912**	79	**6,024**
Other	**7,362**	2,871	**48,625**
Subtotal deferred income tax assets	**19,468**	18,650	**128,586**
Valuation allowance related to net operating loss carryforwards*2	**(349)**	(2,393)	**(2,305)**
Valuation allowance related to deductible temporary differences*1	**(4,197)**	(6,373)	**(27,721)**
Valuation allowance*1	**(4,546)**	(8,766)	**(30,026)**
Total deferred income tax assets	**¥ 14,922**	¥ 9,884	**$ 98,560**
Deferred income tax liabilities:			
Assert for retirement benefit	**¥ (4,867)**	¥ (3,446)	**$ (32,146)**
Reserve for special account for advanced depreciation of fixed assets	**—**	(2,090)	**—**
Reserve for deferred gain on sales of fixed assets for tax purpose	**(718)**	(819)	**(4,742)**
Valuation difference on Property, plant and equipment	**(3,202)**	(2,336)	**(21,149)**
Unrealized holding gain on securities	**(3,897)**	(1,521)	**(25,740)**
Accumulated adjustments for retirement benefit	**(2,540)**	(581)	**(16,777)**
Other	**(163)**	464	**(1,077)**
Total deferred income tax liabilities	**¥(15,387)**	¥(10,329)	**$(101,631)**
Net deferred income tax assets (liabilities)	**¥ (465)**	¥ (445)	**$ (3,071)**

*1 The valuation allowance decreased by ¥4,220 million ($27,873 thousand). The main reason for this decrease is due to the decrease by ¥2,330 million ($15,390 thousand) in the valuation allowance related to impairment loss on long-lived asset and by ¥1,854 million ($12,246 thousand) in the valuation allowance related to tax loss carryforwards, resulting from the deconsolidation of Xing Hui Investment holdings Co., Ltd. and its wholly owned subsidiary Jiangmen Xinghui Paper Mill Co., Ltd. due to the partial transfer of shares.

*2 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, 2024

	2025	2026	2027	2028	2029	2030 and thereafter	Total
	Millions of yen						
Loss carryforwards (a)	**¥ 28**	**7**	**13**	**24**	**4**	**613**	**¥ 689**
Valuation allowances	**¥(28)**	**(7)**	**(13)**	**(24)**	**(4)**	**(273)**	**¥(349)**
Deferred imcome tax assets (b)	**¥ —**	**—**	**—**	**—**	**—**	**340**	**¥ 340**

Year ended March 31, 2024

	2025	2026	2027	2028	2029	2030 and thereafter	Total
	Thousands of U.S. dollars						
Loss carryforwards (a)	**$ 185**	**46**	**86**	**159**	**26**	**4,049**	**$ 4,551**
Valuation allowances	**$(185)**	**(46)**	**(86)**	**(159)**	**(26)**	**(1,803)**	**$(2,305)**
Deferred imcome tax assets (b)	**$ —**	**—**	**—**	**—**	**—**	**2,246**	**$ 2,246**

(a) Net operating loss carryforwards is the amount multiplied by the statutory effective tax rate.
(b) The amount of ¥340 million ($2,246 thousand) of deferred income tax assets is recorded for net operating loss carryforwards of ¥689 million ($4,551 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 ¥306 million ($2,021 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, 2023

	2024	2025	2026	2027	2028	2029 and thereafter	Total
	Millions of yen						
Loss carryforwards (a)	¥ 690	523	6	13	698	646	¥ 2,576
Valuation allowances	¥(690)	(515)	(6)	(13)	(698)	(471)	¥(2,393)
Deferred imcome tax assets	¥ —	8	—	—	—	175	¥ 183

(a) Net operating loss carryforwards is the amount multiplied by the statutory effective tax rate.
(b) The amount of ¥183 million of deferred income tax assets is recorded for net operating loss carryforwards of ¥2,576 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 of ¥165 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 14: 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 ¥745 million ($4,921 thousand) and ¥702 million for the years ended March 31, 2024 and 2023, respectively.

Note 15: 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, 2024, the Companies recorded impairment loss on long-lived asset for the following main group assets:

Use	Location	Type	Amount Millions of yen	Amount Thousands of U.S. dollars
Containerboard base paper	Nigata, Nigata	Machinery and equipment, Vehicles, etc.	¥373	$2,463

(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, 2023, the Companies did not recorded impairment loss on long-lived asset.

Note 16: Lease Transactions

Lease transactions for the years ended March 31, 2024 and 2023 are as follows:

Operating lease transactions
Lease commitments under non-cancelable operating leases at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
(lessee)			
Due within one year	**¥ 43**	¥ 51	**$ 284**
Due after one year	**53**	95	**350**
	¥ 96	¥146	**$ 634**
(lessor)			
Due within one year	**¥ 20**	¥ 26	**$ 132**
Due after one year	**291**	315	**1,922**
	¥311	¥341	**$2,054**

Note 17: 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 president, 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, 2024 and 2023 are as follows:

(1) Currency-related

	Millions of yen								Thousands of U.S. dollars			
	2024				2023				**2024**			
	Notional amount				Notional amount				Notional amount			
Type of derivative transaction	Total	Over one year	Fair value	Valuation Gain (Loss)	Total	Over one year	Fair value	Valuation Gain (Loss)	Total	Over one year	Fair value	Valuation Gain (Loss)
Forward exchange contracts												
Sale contracts												
U.S. Dollar	**¥—**	**¥—**	**¥—**	**¥—**	¥719	¥—	¥(18)	¥(18)	**$—**	**$—**	**$—**	**$—**
Buy contracts												
U.S. Dollar	**¥—**	**¥—**	**¥—**	**¥—**	¥719	¥—	¥ 8	¥ 8	**$—**	**$—**	**$—**	**$—**

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

Derivative transactions for which hedge accounting had been applied at March 31, 2024 and 2023 are as follows:

(1) Currency-related

	Millions of yen						Thousands of U.S. dollars		
	2024			2023			**2024**		
	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	**¥494**	**¥—**	**¥(13)**	¥147	¥—	¥ (1)	**$3,263**	**$—**	**$(86)**
EUR	**¥ —**	**¥—**	**¥ —**	¥ —	¥—	¥ —	**$ —**	**$—**	**$ —**

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, 2024 and 2023.

(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, 2024 and 2023.

Note 18: 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
	2024	2023	**2024**
Balance at the beginning of the year	**¥16,556**	¥16,758	**$109,353**
Service cost	**678**	719	**4,478**
Interest cost	**126**	115	**832**
Actuarial (gain) loss	**7**	(402)	**46**
Benefits paid	**(1,182)**	(702)	**(7,807)**
Other	**64**	68	**423**
Balance at the end of the year	**¥16,249**	¥16,556	**$107,325**

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Balance at the beginning of the year	**¥18,254**	¥16,142	**$120,568**
Expected return on plan assets	**112**	100	**740**
Actuarial (gain) loss	**6,841**	183	**45,185**
Contributions paid by the employer	**27**	26	**178**
Benefits paid	**(468)**	(255)	**(3,091)**
Contribution to retirement benefit trust	**0**	2,003	**0**
Other	**56**	55	**370**
Balance at the end of the year	**¥24,822**	¥18,254	**$163,950**

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Funded retirement benefit obligations	**¥ 13,828**	¥ 14,113	**$ 91,334**
Plan assets	**(24,822)**	(18,254)	**(163,950)**
	(10,994)	(4,141)	**(72,616)**
Unfunded retirement benefit obligations	**2,421**	2,443	**15,991**
Total Net liability (asset) for retirement benefits	**(8,573)**	(1,698)	**(56,625)**
Liability for retirement benefits	**2,476**	2,523	**16,354**
Asset for retirement benefits	**(11,049)**	(4,221)	**(72,979)**
Total Net liability (asset) for retirement benefits	**¥ (8,573)**	¥ (1,698)	**$ (56,625)**

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Service cost	**¥ 678**	¥ 720	**$ 4,478**
Interest cost	**126**	115	**832**
Expected return on plan assets	**(112)**	(101)	**(740)**
Net actuarial gain amortization	**(424)**	(380)	**(2,801)**
Other	**1**	1	**8**
Total retirement benefit costs	**¥ 269**	¥ 355	**$ 1,777**
Gain on contribution of securities to retirement benefit trust*	**—**	1,417	**—**

*This account is recorded in other income.

(5) Adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Actuarial gains and (losses)	**¥6,409**	¥205	**¥42,331**
Other	**13**	8	**86**
Total adjustments for retirement benefit	**¥6,422**	¥213	**¥42,417**

(6) Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Unrecognized actuarial gains and (losses)	**¥(8,471)**	¥(2,049)	**$(55,951)**

(7) Plan assets

1. Plan assets comprise:

	2024	2023
Bonds	**13.8%**	16.8%
Equity securities	**54.5%**	70.1%
Cash and deposits	**25.5%**	4.6%
General account of life insurance companies	**5.2%**	7.3%
Other	**1.0%**	1.2%
Total*	**100.0%**	100.0%

* Total plan assets include the pension benefits trust, established under the corporate pension system, which accounted for 52.8% and 59.6% 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:

	2024	2023
Discount rate	**0.6% (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
	2024	2023	**2024**
Balance at the beginning of the year	**¥1,188**	¥1,175	**$ 7,847**
Retirement benefit costs	**139**	222	**918**
Benefits paid	**(157)**	(136)	**(1,037)**
Contributions paid by the employer	**(79)**	(75)	**(522)**
Other	**1**	2	**7**
Balance at the end of the year	**¥1,092**	¥1,188	**$ 7,213**

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Funded retirement benefit obligations	**¥ 914**	¥ 883	**$ 6,037**
Plan assets	**(1,092)**	(975)	**(7,213)**
	(178)	(92)	**(1,176)**
Unfunded retirement benefit obligations	**1,270**	1,280	**8,389**
Total Net liability (asset) for retirement benefits	**1,092**	1,188	**7,213**
Liability for retirement benefits	**1,279**	1,284	**8,448**
Asset for retirement benefits	**(187)**	(96)	**(1,235)**
Total Net liability (asset) for retirement benefits	**¥ 1,092**	¥1,188	**$ 7,213**

(3) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Total retirement benefit costs based on the simplified method	**¥139**	¥222	**$918**

3. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Required contributions provided to defined contribution pension plans at consolidated subsidiary	**¥501**	¥483	**$3,309**

Note 19: 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, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Balance at the beginning of the year	**¥2,742**	¥2,941	**$18,111**
Unwinding of discount	**21**	20	**139**
Increase due to change in estimates	**99**	(84)	**654**
Decrease in loss on disposal of property, plant and equipment	**(458)**	(278)	**(3,025)**
Foreign currency translation adjustment	**121**	143	**799**
Balance at the end of the year	**¥2,525**	¥2,742	**$16,678**

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 20: 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

	2024					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	Consolidated*3
Sales:						
Sales to outside customers	¥272,972	¥15,698	¥288,670	¥ 8,387	¥ 0	¥297,057
Intersegment sales or transfers	2,776	13	2,789	23,063	(25,852)	0
Total	275,748	15,711	291,459	31,450	(25,852)	297,057
Segment income	¥ 13,682	¥ 282	¥ 13,964	¥ 867	¥ 437	¥ 15,268
Segment assets	¥391,707	¥15,416	¥407,123	¥18,205	¥ (9,699)	¥415,629
Other items						
Depreciation and amortization	¥ 12,164	¥ 603	¥ 12,767	¥ 478	¥ (381)	¥ 12,864
Impairment loss	¥ 404	¥ 0	¥ 404	¥ 0	¥ 0	¥ 404
Investment in affiliates	¥ 64,252	¥ 0	¥ 64,252	¥ 0	¥ 0	¥ 64,252
Increase in property, plant and equipment/ intangible assets	¥ 14,492	¥ 722	¥ 15,214	¥ 418	¥ (318)	¥ 15,314

Thousands of U.S. dollars

	2024					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	Consolidated*3
Sales:						
Sales to outside customers	$1,802,985	$103,686	$1,906,671	$ 55,396	$ 0	$1,962,067
Intersegment sales or transfers	18,336	85	18,421	152,332	(170,753)	0
Total	1,821,321	103,771	1,925,092	207,728	(170,753)	1,962,067
Segment income	$ 90,370	$ 1,863	$ 92,233	$ 5,726	$ 2,886	$ 100,845
Segment assets	$2,587,232	$101,823	$2,689,055	$120,245	$ (64,062)	$2,745,238
Other items						
Depreciation and amortization	$ 80,343	$ 3,983	$ 84,326	$ 3,157	$ (2,516)	$ 84,967
Impairment loss	$ 2,668	$ 0	$ 2,668	$ 0	$ 0	$ 2,668
Investment in affiliates	$ 424,386	$ 0	$ 424,386	$ 0	$ 0	$ 424,386
Increase in property, plant and equipment/ intangible assets	$ 95,720	$ 4,769	$ 100,489	$ 2,761	$ (2,101)	$ 101,149

*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 ¥437 million ($2,886 thousand) mainly represent eliminations of intersegment transactions.

(2) Adjustments in segment assets in the amount of ¥(9,699) million ($(64,062) thousand) include ¥(18,290) million ($(120,806) thousand) for eliminations of intersegment debts and credits and ¥8,591 million ($56,744 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 ¥(318) million ($(2,101) 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.

						Millions of yen
						2023
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others[*1]	Adjustments[*2]	Consolidated[*3]
Sales:						
Sales to outside customers	¥279,109	¥13,740	¥292,849	¥ 8,356	¥ —	¥301,205
Intersegment sales or transfers	2,156	28	2,184	22,667	(24,851)	—
Total	281,265	13,768	295,033	31,023	(24,851)	301,205
Segment income	¥ 16,093	¥ (4)	¥ 16,089	¥ 695	¥ 504	¥ 17,288
Segment assets	¥370,000	¥14,307	¥384,307	¥16,782	¥(12,644)	¥388,445
Other items						
Depreciation and amortization	¥ 11,230	¥ 609	¥ 11,839	¥ 431	¥ (416)	¥ 11,854
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Investment in affiliates	¥ 61,257	¥ —	¥ 61,257	¥ —	¥ —	¥ 61,257
Increase in property, plant and equipment/ intangible assets	¥ 11,669	¥ 357	¥ 12,026	¥ 782	¥ (276)	¥ 12,532

*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 ¥504 million mainly represent eliminations of intersegment transactions.
(2) Adjustments in segment assets in the amount of ¥(12,644) million include ¥(18,263) million for eliminations of intersegment debts and credits and ¥5,619 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 ¥(276) 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, 2024

1. Information by Region

(1) Net Sales

						Millions of yen
						2024
	Japan	United States	China	Asia	Others	Total
Net Sales	**¥190,294**	**¥31,660**	**¥29,443**	**¥22,230**	**¥23,430**	**¥297,057**

						Thousands of U.S. dollars
						2024
	Japan	United States	China	Asia	Others	Total
Net Sales	**$1,256,896**	**$209,115**	**$194,472**	**$146,830**	**$154,754**	**$1,962,067**

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 …… Vietnam, South Korea, Taiwan, India, Thailand
(2) Other …… Canada, Europe, the Middle East, Oceania, Latin America

(2) Property, plant and equipment

				Millions of yen
				2024
	Japan	Canada	Others	Total
Property, plant and equipment	**¥89,303**	**¥24,874**	**¥2,334**	**¥116,511**

				Thousands of U.S. dollars
				2024
	Japan	Canada	Others	Total
Property, plant and equipment	**$589,848**	**$164,293**	**$15,416**	**$769,557**

2. Information by Major Customer

Name of Customers	Millions of yen 2024	Thousands of U.S. dollars 2024
SHINSEI PULP & PAPER COMPANY LIMITED	**¥36,356**	**$240,132**

Year ended March 31, 2023

1. Information by Region

(1) Net Sales

	Japan	United States	China	Asia	Others	Total
						Millions of yen 2023
Net Sales	¥179,690	¥44,488	¥30,248	¥25,026	¥21,753	¥301,205

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 …… South Korea, Vietnam, Taiwan, India, Thailand
(2) Other …… Canada, Europe, the Middle East, Latin America

(2) Property, plant and equipment

	Japan	Canada	Others	Total
				Millions of yen 2023
Property, plant and equipment	¥89,753	¥21,111	¥6,197	¥117,061

2. Information by Major Customer

Name of Customers	Millions of yen 2023
SHINSEI PULP & PAPER COMPANY LIMITED	¥35,017

(Information on the amounts of amortization and unamortized balance by reportable segment)
Year ended March 31, 2024

	Millions of yen					
	2024					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	**¥156**	**¥—**	**¥156**	**¥—**	**¥—**	**¥156**
Balance at end of year	**¥644**	**¥—**	**¥644**	**¥—**	**¥—**	**¥644**

	Thousands of U.S. dollars					
	2024					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	**$1,030**	**$—**	**$1,030**	**$—**	**$—**	**$1,030**
Balance at end of year	**$4,254**	**$—**	**$4,254**	**$—**	**$—**	**$4,254**

Year ended March 31, 2023

	Millions of yen					
	2023					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	¥141	¥—	¥141	¥—	¥—	¥141
Balance at end of year	¥725	¥—	¥725	¥—	¥—	¥725

Note 21: Revenue

(1) Revenue by type of goods or service

	Millions of yen				
	2024				
	Paper and Pulp Business	Packaging and Paper Processing Business	Reportable segment total	Others	Consolidated
Paper	**¥140,687**	**¥ —**	**¥140,687**	**¥ —**	**¥140,687**
Paperboard	**47,249**	**—**	**47,249**	**—**	**47,249**
Pulp	**58,797**	**—**	**58,797**	**—**	**58,797**
Others	**26,196**	**15,698**	**41,894**	**8,387**	**50,281**
Revenue recognized from contracts with customers	**272,929**	**15,698**	**288,627**	**8,387**	**297,014**
Other revenues	**43**	**—**	**43**	**—**	**43**
Sales to outside customers	**¥272,972**	**¥15,698**	**¥288,670**	**¥8,387**	**¥297,057**

	Thousands of U.S. dollars				
	2024				
	Paper and Pulp Business	Packaging and Paper Processing Business	Reportable segment total	Others	Consolidated
Paper	**$ 929,240**	**$ —**	**$ 929,240**	**$ —**	**$ 929,240**
Paperboard	**312,081**	**—**	**312,081**	**—**	**312,081**
Pulp	**388,355**	**—**	**388,355**	**—**	**388,355**
Others	**173,025**	**103,686**	**276,711**	**55,396**	**332,107**
Revenue recognized from contracts with customers	**1,802,701**	**103,686**	**1,906,387**	**55,396**	**1,961,783**
Other revenues	**284**	**—**	**284**	**—**	**284**
Sales to outside customers	**$1,802,985**	**$103,686**	**$1,906,671**	**$55,396**	**$1,962,067**

	Millions of yen				
	2023				
	Paper and Pulp Business	Packaging and Paper Processing Business	Reportable segment total	Others	Consolidated
Paper	¥134,660	¥ —	¥134,660	¥ —	¥134,660
Paperboard	51,246	—	51,246	—	51,246
Pulp	67,510	—	67,510	—	67,510
Others	25,649	13,740	39,389	8,356	47,745
Revenue recognized from contracts with customers	279,065	13,740	292,805	8,356	301,161
Other revenues	44	—	44	—	44
Sales to outside customers	¥279,109	¥13,740	¥292,849	¥8,356	¥301,205

(2) Revenue by region

	Millions of yen				
	2024				
	Paper and Pulp Business	Packaging and Paper Processing Business	Reportable segment total	Others	Consolidated
Japan	**¥167,046**	**¥14,878**	**¥181,924**	**¥8,327**	**¥190,251**
Asia	**50,792**	**820**	**51,612**	**60**	**51,672**
North America	**45,273**	**—**	**45,273**	**—**	**45,273**
Others	**9,818**	**—**	**9,818**	**—**	**9,818**
Revenue recognized from contracts with customers	**272,929**	**15,698**	**288,627**	**8,387**	**297,014**
Other revenues	**43**	**—**	**43**	**—**	**43**
Sales to outside customers	**¥272,972**	**¥15,698**	**¥288,670**	**¥8,387**	**¥297,057**

					Thousands of U.S. dollars
					2024
	Paper and Pulp Business	Packaging and Paper Processing Business	Reportable segment total	Others	Consolidated
Japan	**$1,103,342**	**$ 98,269**	**$1,201,611**	**$55,000**	**$1,256,611**
Asia	**335,482**	**5,417**	**340,899**	**396**	**341,295**
North America	**299,029**	**—**	**299,029**	**—**	**299,029**
Others	**64,848**	**—**	**64,848**	**—**	**64,848**
Revenue recognized from contracts with customers	**1,802,701**	**103,686**	**1,906,387**	**55,396**	**1,961,783**
Other revenues	**284**	**—**	**284**	**—**	**284**
Sales to outside customers	**$1,802,985**	**$103,686**	**$1,906,671**	**$55,396**	**$1,962,067**

					Millions of yen
					2023
	Paper and Pulp Business	Packaging and Paper Processing Business	Reportable segment total	Others	Consolidated
Japan	¥158,328	¥13,030	¥171,358	¥8,289	¥179,647
Asia	54,497	710	55,207	67	55,274
North America	58,222	—	58,222	—	58,222
Others	8,018	—	8,018	—	8,018
Revenue recognized from contracts with customers	279,065	13,740	292,805	8,356	301,161
Other revenues	44	—	44	—	44
Sales to outside customers	¥279,109	¥13,740	¥292,849	¥8,356	¥301,205

(3) Contract balances

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Receivables recognized from contracts with customers - the beginning	**¥84,501**	¥67,738	**$558,131**
Receivables recognized from contracts with customers - the end	**85,683**	84,501	**565,938**
Contract assets - the beginning	**80**	145	**522**
Contract assets - the end	**146**	80	**964**
Contract liabilities - the beginning	**538**	507	**3,554**
Contract liabilities - the end	**¥ 358**	¥ 538	**$ 2,365**

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 ¥538 million ($3,554 thousand) and ¥507 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 22: Related Party Transactions

(1) Transactions with related party

Year ended March 31, 2024

Transactions with related party are immaterial as of and for the current year ended as of March 31, 2024.

Year ended March 31, 2023
Transactions with related party are immaterial as of and for the current year ended as of March 31, 2023.

(2) Notes on parent company or significant affiliated company

For the year ended March 31, 2024 and 2023, 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
	2024	2023	**2024**
Total current assets	**¥376,189**	¥355,058	**$2,484,736**
Total noncurrent assets	**563,233**	568,373	**3,720,165**
Total current liabilities	**281,218**	252,797	**1,857,450**
Total noncurrent liabilities	**398,440**	426,063	**2,631,704**
Total net assets	**259,831**	244,670	**1,716,189**
Net sales	**671,688**	646,213	**4,436,513**
Income before income taxes	**11,018**	(39,201)	**72,774**
Net income (loss) attributable to owners of parent company	**4,507**	(34,705)	**29,769**

Note 23: 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
	2024	2023	**2024**
Unrealized holding gains (losses) on securities, net of taxes			
Occurrence amount	**¥ 8,583**	¥1,092	**$ 56,691**
Reclassification adjustment	**(9)**	(176)	**(59)**
Before tax effect	**8,574**	916	**56,632**
Tax effect	**(2,403)**	(197)	**(15,872)**
Unrealized holding gains (losses) on securities, net of taxes	**¥ 6,171**	¥ 719	**$ 40,760**
Unrealized gains (losses) on hedging derivatives, net of taxes			
Occurrence amount	**¥(21)**	¥31	**$ (139)**
Reclassification adjustment	**9**	(181)	**59**
Before tax effect	**(12)**	(150)	**(80)**
Tax effect	**3**	45	**20**
Unrealized gains (losses) on hedging derivatives, net of taxes	**¥(9)**	¥ (105)	**$ (60)**
Foreign currency translation adjustment			
Occurrence amount	**¥ 5,416**	¥ 847	**$ 35,773**
Reclassification adjustment	**2,542**	—	**16,790**
Before tax effect	**7,958**	847	**52,563**
Tax effect	**—**	—	**—**
Foreign currency translation adjustment	**¥ 7,958**	¥ 847	**$ 52,563**
Adjustments for retirement benefit, net of taxes			
Occurrence amount	**¥ 6,846**	¥ 593	**$ 45,218**
Reclassification adjustment	**(424)**	(380)	**(2,801)**
Before tax effect	**6,422**	213	**42,417**
Tax effect	**(1,958)**	(60)	**(12,932)**
Adjustments for retirement benefit, net of taxes	**¥ 4,464**	¥ 153	**$ 29,485**
Share of other comprehensive income of associates accounted for using equity method			
Occurrence amount	**¥ 3,965**	¥3,839	**$ 26,189**
Reclassification adjustment	**(874)**	(368)	**(5,773)**
Adjustment to acquisition amount of assets	**98**	—	**647**
Share of other comprehensive income of associates accounted for using equity method	**¥ 3,189**	¥3,471	**$ 21,063**
Total other comprehensive income	**¥21,773**	¥5,085	**$143,811**

Note 24: 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, 2024

Stock options	Persons granted	Number of stock options granted	Grant date	Exercise price	Exercise period
2017 Stock options	9 directors	35,500 shares	July 14, 2017	¥1	From July 15, 2017 to July 14, 2032
2018 Stock options	9 directors	65,000 shares	July 13, 2018	¥1	From July 14, 2018 to July 13, 2033
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 ($0.01)	From July 19, 2023 to July 18, 2038

(2) The number of stock options

	2017 Stock options (shares)	2018 Stock options (shares)	2019 Stock options (shares)	2020 Stock options (shares)	2021 Stock options (shares)	2022 Stock options (shares)	2023 Stock options (shares)
Non-vested stock option:							
Outstanding at March 31, 2023	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	32,000
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	32,000
Outstanding at March 31, 2024	—	—	—	—	—	—	—
Vested stock option:							
Outstanding at March 31, 2023	12,500	23,500	28,500	58,000	36,000	52,500	—
Vested	—	—	—	—	—	—	32,000
Exercised	12,500	1,500	5,500	21,000	8,000	24,500	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2024	—	22,000	23,000	37,000	28,000	28,000	32,000

(3) The per share prices

	2017 Stock options	2018 Stock options	2019 Stock options	2020 Stock options	2021 Stock options	2022 Stock options	2023 Stock options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1 ($0.01)
Average stock price at exercise	¥877	¥877	¥966	¥892	¥877	¥1,022	¥ —
Fair value price at grant date	¥743	¥505	¥488	¥289	¥509	¥ 535	¥665 ($4.39)

(4) The estimate method for stock option price

	2017 Stock options	2018 Stock options	2019 Stock options	2020 Stock options	2021 Stock options	2022 Stock options	2023 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	32.561%	32.621%	32.188%	33.522%	31.635%	31.348%	31.385%
Expected life	8 years	8 years	8 years	8 years	8 years	8 years	8 years
Expected dividend	¥12/share	¥12/share	¥12/share	¥12/share	¥14/share	¥24/share	¥18/share ($0.12/share)
Risk-free interest rate	0.025%	(0.045)%	(0.207)%	(0.080)%	(0.096)%	(0.194)%	(0.391)%

Note 25: Business Combinations

Business divestiture

At the Board of Directors meeting held on March 15, 2024, the Company resolved to enter into an agreement to transfer 90% of the shares of its consolidated subsidiary, Xinghui Investment Holding Limited (Hong Kong, China), to Taisho (Hong Kong) International Holding Limited (Hong Kong, China), and the shares were transferred on March 28, 2024.

1. Outline of Business Divestiture

(1) Name of the company to be divested

Tai Sheng (Hong Kong) International Holding Limited (Hong Kong, China)

(2) Name and business of the divested subsidiary

a Name of subsidiary: Xing Hui Investment Holding Co., Ltd.
Business activities: Management of Jiangmen Xinghui Paper Mill Co., Ltd.

b Name of the subsidiary of Xing Hui Investment Holding Co., Ltd.: Jiangmen Xinghui Paper Mill Co., Ltd.
Business activities: Manufacture and sale of white paperboard

(3) Main reason for business divestiture

Jiangmen Xinghui Paper Mill Co., Ltd., a wholly owned subsidiary of Xing Hui Investment Holding Co., Ltd., has been manufacturing and selling white paperboard in Jiangmen City, Guangdong Province since 2015. However, since the global outbreak of Covid-19, the company's performance has continued to fall short of plans due to a delay in the recovery of economic activity.

After comprehensively considering the outlook for the future business environment and other factors, we had come to the conclusion that it is desirable to collaborate with Taisho (Hong Kong) International Holding Co. and transfer the shares to them.

(4) Date of business divestiture

March 28, 2024

(5) Other outline of transactions including legal form

Share transfers for which the consideration to be received is cash or other property only.

2. Summary of accounting procedures implemented

(1) Amount of loss on transfer

Loss on transfer of shares of subsidiary ¥4,469 million ($29,518 thousand)

In addition to the above, the Company has waived its loan to Jiangmen Xinghui Paper Mill Co., Ltd. and recorded a loss on waiver of debt on subsidiary of ¥2,604 million ($17,199 thousand) and provision of allowance for doubtful accounts of ¥2,736 million ($18,071 thousand) for the Company's loan to Xing Hui Investment Holding Co., Ltd.

(2) Appropriate book value of assets, liabilities and their breakdown related to the transferred business

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,005	$ 19,848
Property, plant and equipment	4,038	26,671
Investments and other assets	815	5,383
Total assets	7,858	51,902
Current liabilities	3,334	22,021
Long-term liabilities	2,597	17,153
Total liabilities	5,931	39,174

(3) Accounting treatment

Loss on transfer of shares of subsidiary was recorded as other income (expenses) for the difference between the book value of Xing Hui Investment Holding Co., Ltd. and Jiangmen Xinghui Paper Mill Co., Ltd. on consolidated financial statements and sale amount of the shares.

3. Reportable segment that included the separated businesses

Pulp and Paper Business

4. Effect of gain or loss on divested business recorded in the consolidated statement of income for the year ended March 31, 2024

	Millions of yen	Thousands of U.S. dollars
Net sales	¥6,098	$40,277
Operating loss	2,654	17,530

5. Main outline of continuous involvement

As of March 31, 2024, the Company had loaned ¥2,725 million ($17,999 thousand) to Xing Hui Investment Holding Co., Ltd.

Note 26: Subsequent Events

Concerning the Conclusion of the Basic Strategic Business Alliance Agreement with Daio Paper Corporation

On May 15, 2024, the Company's Board of Directors reached an agreement on and entered into a basic strategic business alliance agreement with Daio Paper Corporation (hereinafter "Daio Paper"). The details are outlined below.

1. Background and Significance of the Strategic Business Alliance (hereinafter the "Business Alliance")

Daio Paper and the Company are paper manufacturers that have worked to coexist with local communities through "*monozukuri*" (manufacturing) respectively, and will continue to aim to be trusted by all stakeholders ranging from customers to shareholders, business partners, local communities, and employees.

The two companies share the recognition that strengthening competitiveness through structural reforms and transforming their business portfolios are important management issues in a severe business environment that requires solutions to social issues, such as the 2024 problem in domestic logistics and measures to reduce environmental impact, in addition to declining domestic demand for paper such as printing and communication paper, changing demand structures, and continuing high raw material and fuel prices, such as wood chips, coal, and heavy oil, due to the substantial yen depreciation that has taken hold.

In order to resolve these issues, the Business Alliance will maintain the independence and healthy competitive relationship between the two companies, while actively promoting initiatives that will contribute to the medium- to long-term enhancement of the corporate value of both companies by leveraging their respective strengths and complementing each other.

2. Promotion Framework of the Business Alliance

The Business Alliance Committee, co-chaired by the presidents of both companies, will be established to regularly monitor the progress and effectiveness of specific themes and make decisions on additions and changes to the themes, thereby maximizing the effectiveness of the Business Alliance.

3. Details of the Business Alliance Initiatives

The initiatives of the Business Alliance, which is planned to begin in FY2024, are as follows. In each of these initiatives, the companies will respect the relationships with their business partners, while aiming to enhance the corporate value of both companies, and will promptly realize the effects of these initiatives.

As a result of the discussions the two companies have held so far, Daio Paper and the Company currently target an increase in operating profit of approximately two billion yen and three billion yen, respectively, in FY2026, three years from now, thanks to the Business Alliance.

The companies will hold further discussions to deepen and expand the themes to be addressed, and in the mid- to long-term, consider joint research on new technologies, energy conversion, DX promotion, forest resource utilization, and other themes.

(1) Production Technology

The two companies will promote a comparative study of various processes in pulp and paper production at their mills and share their unique and superior know-how (types of raw materials and supplies, methods of use, etc.), thereby improving the quality and reducing the cost of their own products. Further, through sharing information on maintenance, such as periodic inspections of mill facilities and machine repairs, and mutually utilizing machine parts, the companies will reduce equipment maintenance costs and improve productivity by shortening repair periods.

In addition, thanks to meaningful information sharing on energy conservation, wastewater and waste management, and safety and hygiene management at each mill to reduce environmental impact, the companies will not only enhance competitiveness but also contribute to the achievement of SDGs.

On top of these, the two companies will consider establishing a cooperative production system, such as mutual OEM, as an effort to improve operating efficiency at both companies' mills, reduce manufacturing costs, lower product distribution costs, and cut CO_2 emissions related to product distribution.

(2) Raw Material Purchasing

The two companies will establish a cooperative system for wood chips, the main raw material, to ensure stable procurement, optimize inventory, and reduce costs. Specifically, the plan includes the mutual supply of wood chips from both companies' suppliers, mutual use of wood chip vessels and landing at two ports to reduce environmental impact and shipping costs, and joint BCP measures to deal with unstable marine transportation issues caused by geopolitical risks.

Furthermore, the companies will work on specific measures, such as effective utilization of inventories and reduction of procurement costs through mutual accommodation of pulp, raw materials, and consumables, and reduction of logistics costs (joint procurement of some raw materials and fuels) by coordinating domestic transportation of raw materials along with products logistics.

(3) Products Logistics

The two companies will work to eliminate logistics redundancy and reduce logistics costs through round transportation (mutual transportation) between the two companies' production bases, including group companies. The companies plan to launch a pilot program initially between the Company's Niigata Mill and Daio Paper's Kani Mill (Gifu Prefecture) and Iwaki Daio Paper Corporation (Fukushima Prefecture), and between Daio Paper's Mishima Mill (Ehime Prefecture) and the Company's Kishu Mill (Mie Prefecture). After establishing a smooth operation system, the companies will expand their efforts to the entire group of both companies.

In addition, the companies will work to improve the efficiency of secondary delivery by mutually utilizing containers privately owned by the Company and the logistics warehouses of both companies, while verifying the effect of CO_2 reduction in product distribution.

(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	88	—	88	2
Consolidated subsidiaries	9	—	10	—
Total	97	—	98	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	581	13
Consolidated subsidiaries	66	—
Total	647	13

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	20	5	14	7
Consolidated subsidiaries	60	5	67	1
Total	80	10	81	8

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	92	46
Consolidated subsidiaries	443	7
Total	535	53

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, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows 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, 2024 and 2023, 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 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.

Appropriateness of management's judgment concerning the identification of an impairment indicator for property, plant and equipment of the paper machine group at the Nagaoka Mill of Hokuetsu Corporation

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment of ¥116,511 million were recognized in the consolidated balance sheet of Hokuetsu Corporation (the	In order to assess the appropriateness of management's judgment concerning the identification of an impairment indicator for property, plant and equipment

"Company") and its consolidated subsidiaries as of March 31, 2024. As described in Note 3, "Significant accounting estimates, 2. Impairment loss on long-lived assets" to the consolidated financial statements, included therein were ¥2,123 million of property, plant and equipment of the paper machine group at the Nagaoka Mill, which is within the Paper and Pulp Business segment of the Company, accounting for approximately 0.5% of total assets in the consolidated financial statements. While these property, plant and equipment are depreciated in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test to determine whether an impairment loss should be recognized is performed by comparing the gross undiscounted future cash flows that are expected to be generated from the related asset group with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The paper machine group at the Nagaoka Mill incurred an operating loss for the current fiscal year due to such factors as a decrease in sales volume resulting from lower demand and an increase in raw material prices. However, management determined that there was no impairment indicator for the property, plant and equipment of the group because it was expected to generate positive operating income for the next fiscal year, with no sign of significant deterioration in the business environment. The business plan developed by management, based on which the operating income of the paper machine group at the Nagaoka Mill were estimated, reflected highly uncertain assumptions including an increase in sales volume resulting from the recovery of demand and a decrease in raw material prices. If any revision to these	of the paper machine group at the Nagaoka Mill, we performed the procedures set forth below, among others: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the identification of an impairment indicator for property, plant and equipment of the paper-making machine group at the Nagaoka Mill. **(2) Assessment of the appropriateness of management's judgment concerning impairment indicators** We primarily performed the following procedures: ● obtained an understanding of the business environment surrounding each asset and asset group through inquiry of management, the general manager in charge of sales and other personnel, and inspection of the minutes of the Company's relevant meetings, and assessed whether there was an indication of significant deterioration in the business environment; ● assessed the consistency of the expected operating income or loss of the paper machine group at the Nagaoka Mill for the next fiscal year and thereafter with the business plan developed by management; and ● performed the following procedures with respect to the business plan that formed the basis for management's judgment concerning impairment indicators: • assessed the precision of the business plan by obtaining an understanding of the causes of any variances between net sales and operating income in the business plan and the respective actual results, and assessed whether the causes of those variances needed to be reflected in the business plan; • assessed the consistency of the sales volume included in the business plan with market forecasts published by external organizations; and

assumptions is deemed necessary in light of internal and external information available, it may result in an impairment indicator, such as consecutive operating losses that are expected to be incurred in the next fiscal year and thereafter. We, therefore, determined that our assessment of appropriateness of management's judgment concerning the identification of an impairment indicator for property, plant and equipment of the paper-making machine group at the Nagaoka Mill was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	• compared the raw material prices underlying the business plan with market prices published by external organizations.

Appropriateness of the valuation of an affiliate's long-lived assets including goodwill	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 3, "Significant accounting estimates, 4. Impairment loss on long-lived assets of affiliates accounted for by the equity method" to the consolidated financial statements, Daio Paper Corporation, an affiliate accounted for using the equity method, recognized an impairment loss of ¥1,306 million on property, plant and equipment for the Chinese business within its Home & Personal Care Business segment. Investments in and receivables from unconsolidated subsidiaries and affiliates recognized in the consolidated balance sheet as of March 31, 2024 included the 24.8% equity investment in Daio Paper Corporation of ¥62,376 million, representing approximately 15.0% of total assets in the consolidated financial statements. Whenever there is an impairment indicator for property, plant and equipment, they need to be tested for impairment. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.	In order to assess whether the valuation of property, plant and equipment of the Chinese business within the Home & Personal Care Business segment of Daio Paper Corporation was appropriate, we requested the component auditor of Daio Paper Corporation, an affiliate accounted for using the equity method, to perform an audit and then evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures, among others: **(1) Internal control testing** Test of the design and operating effectiveness of certain of the Company's relevant internal controls based on the understanding of the assessment processes related to the identification of an impairment indicator for property, plant and equipment and the impairment testing. **(2) Assessment of the appropriateness of the impairment testing** ● Understanding the business environment surrounding each asset and asset group by inquiring of management, the personnel responsible for the relevant business and other personnel, and inspecting the minutes of the Company's relevant meetings, and assessment of whether there was an indication of significant deterioration in the business environment; ● Performance of the following procedures, as

An impairment test was performed for property, plant and equipment of the Chinese business within the Home & Personal Care Business segment of Daio Paper Corporation, since there were impairment indicators such as a decrease in its profitability due to the deteriorating business environment caused by factors including an economic downturn and a declining number of births in China, as well as a delay in response to changes in consumer behaviour and market structure. In the impairment testing, the value in use was used as the recoverable amount of property, plant and equipment. The result of measurement of the value in use had a significant effect on the amount of the investment in Daio Paper Corporation and the recognized amount of equity in income or loss of affiliates. The business plan of the Chinese business developed by management, which formed the basis for estimating future cash flows used to measure the value in use, reflected highly uncertain assumptions including those about sales volume, unit selling prices and profit margins. In addition, selecting appropriate models and input data for estimating the discount rate required a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of the valuation of property, plant and equipment of the Chinese business within the Home & Personal Care Business segment of Daio Paper Corporation was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	necessary, with respect to the mid-term business plan that formed the basis for management's judgment concerning the impairment testing: • Assessment of the precision of the mid-term business plan by comparing the projected net sales and operating income in the mid-term business plan with the past results; • Assessment of the consistency of key assumptions including sales volume, unit selling prices and profit margins with available external data on market and other forecasts; • Assessment of the accuracy of remaining economic useful lives through recalculation; • Assessment of the consistency of the discount rate used by management with the discount rate independently calculated based on market data with the assistance of a valuation specialist; • Recalculation of the estimated future cash flows with the assistance of a valuation specialist; and • Performance of a sensitivity analysis. ● Assessment of whether the carrying amount of property, plant and equipment for which it was determined that an impairment loss should be recognized based on the impairment test was reduced to the recoverable amount by comparing the recoverable amount with the carrying amount.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements but does not include the consolidated financial statements, and our auditor's reports thereon. we do not perform any work on the other information as we determine such information does not exist.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 auditorswith 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, 2024 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.

Ryoich Isashi

Designated Engagement Partner

Certified Public Accountant

Tadashi Shibata

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 9, 2024

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.