

Consolidated Financial Statements

April 1, 2024-March 31, 2025

Hokuetsu Corporation

Consolidated Balance Sheets

Hokuetsu Corporation and Consolidated Subsidiaries
As of March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 4 & 6)	¥ 27,644	¥ 22,140	\$ 184,873
Notes and accounts receivable (Note 6)			
Trade	76,225	85,216	509,764
Unconsolidated subsidiaries and affiliates	852	613	5,698
Allowance for doubtful accounts	(64)	(16)	(428)
Inventories (Note 8)	69,451	67,216	464,461
Prepaid expenses and other	5,378	4,710	35,966
TOTAL CURRENT ASSETS	179,486	179,879	1,200,334
PROPERTY, PLANT AND EQUIPMENT:			
Land and timberland	20,210	20,181	135,157
Buildings and structures	87,748	86,500	586,825
Machinery and equipment	465,326	452,874	3,111,924
Leased assets	193	192	1,291
Right-of-use assets	2,388	2,305	15,970
Construction in progress	5,781	4,534	38,661
	581,646	566,586	3,889,828
Less accumulated depreciation	(459,658)	(450,075)	(3,074,019)
NET PROPERTY, PLANT AND EQUIPMENT (Notes 3 & 20)	121,988	116,511	815,809
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 6 & 7)	30,609	31,927	204,701
Investments in and receivables from unconsolidated subsidiaries and affiliates (Note 3)	64,524	66,982	431,512
Long-term loans receivable	71	2,801	475
Intangible assets (Note 3)	3,232	2,541	21,614
Guarantee deposits (Note 9)	4,395	4,389	29,392
Asset for retirement benefits (Note 18)	12,152	11,236	81,268
Deferred income taxes (Notes 3 & 13)	1,557	1,514	10,413
Other	1,073	919	7,176
Allowance for doubtful accounts	(205)	(3,006)	(1,371)
TOTAL INVESTMENTS AND OTHER ASSETS	117,408	119,303	785,180
TOTAL ASSETS	¥418,882	¥415,693	\$2,801,323

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Short-term loans (Notes 6 & 10)	¥ 9,586	¥ 8,913	\$ 64,108
Commercial paper (Notes 6 & 10)	—	7,000	—
Current maturities of long-term debt (Notes 6 & 10)	17,942	17,334	119,989
Notes and accounts payable (Note 6)			
Trade	31,551	29,771	211,001
Unconsolidated subsidiaries and affiliates	825	707	5,517
Income taxes payable (Note 13)	4,548	846	30,415
Accrued expenses	10,409	9,646	69,611
Other	7,145	7,980	47,784
TOTAL CURRENT LIABILITIES	82,006	82,197	548,425
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 & 10), less current maturities	61,444	71,115	410,914
Deferred income taxes (Note 13)	1,820	1,979	12,171
Accrued environmental expenditures (Note 3)	1,379	1,372	9,222
Provision for reforestation	400	393	2,675
Liability for retirement benefits (Note 18)	3,467	3,755	23,186
Asset retirement obligations (Note 19)	2,244	2,227	15,007
Other	252	190	1,686
TOTAL LONG-TERM LIABILITIES	71,006	81,031	474,861
CONTINGENT LIABILITIES (Note 11)			
NET ASSETS (Note 12)			
SHAREHOLDERS' EQUITY:			
Common stock:			
authorized			
–500,000,000 shares in 2025 and 2024			
issued and outstanding			
–188,053,114 shares in 2025 and 2024	42,021	42,021	281,021
Capital surplus	44,958	44,954	300,662
Retained earnings	151,826	140,481	1,015,355
Treasury stock	(9,576)	(9,594)	(64,041)
TOTAL SHAREHOLDERS' EQUITY	229,229	217,862	1,532,997
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized holding gains on securities, net of taxes	9,741	11,152	65,144
Unrealized gains or losses on hedging derivatives, net of taxes	60	(21)	401
Foreign currency translation adjustment	19,637	16,391	131,325
Accumulated adjustments for retirement benefit, net of taxes (Note 18)	6,385	6,326	42,700
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES	35,823	33,848	239,570
SHARE SUBSCRIPTION RIGHTS	76	78	508
NON-CONTROLLING INTERESTS	742	677	4,962
TOTAL NET ASSETS	265,870	252,465	1,778,037
TOTAL LIABILITIES AND NET ASSETS	¥418,882	¥415,693	\$2,801,323

Consolidated Statements of Income

Hokuetsu Corporation and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
NET SALES (Notes 20 & 21)	¥305,718	¥297,057	\$2,044,526
COST OF SALES	236,920	236,908	1,584,431
GROSS PROFIT	68,798	60,149	460,095
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	49,070	44,881	328,162
OPERATING INCOME	19,728	15,268	131,933
OTHER INCOME(EXPENSES):			
Interest and dividend income	1,810	1,614	12,105
Interest expenses	(766)	(841)	(5,123)
Foreign exchange gains (losses)	629	(72)	4,207
Equity in income (loss) of affiliates (Note 3)	(2,703)	1,280	(18,077)
Gain on sales of investments in securities	4,108	9	27,473
Loss on sales or disposal on property, plant and equipment	(1,371)	(1,222)	(9,169)
Impairment loss on long-lived assets (Notes 3 & 15)	(176)	(404)	(1,177)
Loss on reduction of property, plant and equipment	(2)	(31)	(13)
Gain on sales or disposal on property, plant and equipment	35	934	234
Loss on transfer of shares of subsidiary	—	(4,469)	—
Loss on waiver of debt on subsidiary	—	(2,604)	—
Provision of allowance for doubtful accounts	—	(2,736)	—
Loss due to disaster	—	(1,484)	—
Other, net	247	619	1,651
	1,811	(9,407)	12,111
INCOME BEFORE INCOME TAXES	21,539	5,861	144,044
INCOME TAXES (Note 13):			
Current	5,617	1,691	37,564
Deferred	245	(4,332)	1,638
	5,862	(2,641)	39,202
NET INCOME	15,677	8,502	104,842
NET INCOME(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	147	114	983
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT COMPANY	¥ 15,530	¥ 8,388	\$ 103,859
		Yen	U.S. dollars (Note 1)
	2025	2024	2025
AMOUNTS PER SHARE OF COMMON STOCK (Note 2):			
Net income	¥92.34	¥49.89	\$0.62
Diluted net income	92.26	49.84	0.62
Cash dividends applicable to the year	22.00	18.00	0.15

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
NET INCOME	¥15,677	¥ 8,502	\$104,842
OTHER COMPREHENSIVE INCOME (Note 23)			
Unrealized holding gains on securities, net of taxes	(1,385)	6,171	(9,262)
Unrealized gains or losses on hedging derivatives, net of taxes	51	(9)	341
Foreign currency translation adjustments	1,802	7,958	12,051
Adjustments for retirement benefit, net of taxes	(238)	4,464	(1,592)
Share of other comprehensive income of associates accounted for using equity method	1,770	3,189	11,837
TOTAL OTHER COMPREHENSIVE INCOME	2,000	21,773	13,375
COMPREHENSIVE INCOME	¥17,677	¥30,275	\$118,217
Comprehensive income attribute to owners of the parent company	17,507	30,253	117,080
Comprehensive income attribute to non-controlling interests	170	22	1,137

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥21,539	¥ 5,861	\$144,044
Depreciation and amortization	13,142	12,864	87,889
Impairment loss on long-lived assets	176	404	1,177
Loss (gain) on sales or disposal of property, plant and equipment	1,336	287	8,935
Loss on reduction of property, plant and equipment	1	31	7
Gain on sales of investments in securities	(4,108)	(9)	(27,473)
Interest and dividend income	(1,810)	(1,614)	(12,105)
Interest expenses	766	841	5,123
(Increase) decrease in notes and accounts receivable	9,108	(29)	60,911
(Increase) decrease in inventories	(1,767)	(3,080)	(11,817)
Increase (decrease) in notes and accounts payable	1,789	1,408	11,964
Increase (decrease) liability for retirement benefits	388	(81)	2,595
Equity in (income) losses of affiliates	2,703	(1,280)	18,077
Loss on transfer of shares of subsidiary	—	4,469	—
Loss on waiver of debt on subsidiary	—	2,604	—
Increase (decrease) in allowance for doubtful accounts	(16)	2,733	(107)
Other, net	(3,623)	719	(24,230)
SUBTOTAL	39,624	26,128	264,990
Interest and dividend income received	2,488	2,284	16,639
Interest paid	(773)	(869)	(5,170)
Income taxes (paid) refund	(590)	(5,301)	(3,945)
Insurance payment received	183	79	1,224
NET CASH PROVIDED BY OPERATING ACTIVITIES	40,932	22,321	273,738
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment into time deposits	(2,482)	—	(16,599)
Payment for purchases of investment securities	(3,571)	(1,122)	(23,881)
Proceeds from sales of investment securities	7,146	51	47,790
Payment for purchases of property, plant and equipment	(17,653)	(13,495)	(118,057)
Proceeds from sales of property, plant and equipment	43	1,545	288
Payment from transfer of stock of subsidiary with change of scope of consolidation	—	(873)	—
Other, net	(2,300)	(1,601)	(15,382)
NET CASH USED IN INVESTING ACTIVITIES	(18,817)	(15,495)	(125,841)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term loans	634	(691)	4,240
Increase (decrease) in commercial paper	(7,000)	(3,000)	(46,813)
Proceeds from long-term loans	8,000	7,000	53,501
Repayment of long-term loans	(16,990)	(8,701)	(113,623)
Proceeds from issuance of unsecured yen straight bonds	—	15,000	—
Redemption of unsecured yen straight bonds	—	(10,000)	—
Dividends paid	(3,373)	(3,036)	(22,557)
Other, net	(392)	(374)	(2,622)
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	(19,121)	(3,802)	(127,874)
TRANSLATION LOSS ON CASH AND CASH EQUIVALENTS	14	1,053	93
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,008	4,077	20,116
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,140	18,063	148,064
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	¥25,148	¥22,140	\$168,180

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, 2025 and 2024

	Millions of yen													
	Number of shares	Common stock	Capital 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	¥42,021	¥45,342	¥135,489	¥(9,626)	¥213,226	¥ 4,418	¥ 80	¥ 5,908	¥1,577	¥11,983	¥91	¥650	¥225,950
Cumulative effect of a change in accounting policy	—	—	—	72	—	72	—	—	—	—	—	—	—	72
Adjustment of hyperinflation by affiliate company	—	—	—	(442)	—	(442)	—	—	—	—	—	—	—	(442)
Restated balance	—	¥42,021	¥45,342	¥135,119	¥(9,626)	¥212,856	¥ 4,418	¥ 80	¥ 5,908	¥1,577	¥11,983	¥91	¥650	¥225,580
Cash dividends (¥18.00 per share)	—	—	—	(3,026)	—	(3,026)	—	—	—	—	—	—	—	(3,026)
Net income attributable to owners of parent company	—	—	—	8,388	—	8,388	—	—	—	—	—	—	—	8,388
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)	—	—	—	—	—	—	—	(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	¥140,481	¥(9,594)	¥217,862	¥11,152	¥ (21)	¥16,391	¥6,326	¥33,848	¥78	¥677	¥252,465
Cumulative effect of a change in accounting policy	—	—	—	1	—	1	(1)	—	—	—	(1)	—	—	—
Adjustment of hyperinflation by affiliate company	—	—	—	(822)	—	(822)	—	—	—	—	—	—	—	(822)
Restated balance	—	¥42,021	¥44,954	¥139,660	¥(9,594)	¥217,041	¥11,151	¥ (21)	¥16,391	¥6,326	¥33,847	¥78	¥677	¥251,643
Cash dividends (¥20.00 per share)	—	—	—	(3,364)	—	(3,364)	—	—	—	—	—	—	—	(3,364)
Net income attributable to owners of parent company	—	—	—	15,530	—	15,530	—	—	—	—	—	—	—	15,530
Disposal of treasury stock	—	—	4	—	20	24	—	—	—	—	—	—	—	24
Purchases of treasury stock	—	—	—	—	(2)	(2)	—	—	—	—	—	—	—	(2)
Net changes during the year	—	—	—	—	—	—	(1,410)	81	3,246	59	1,976	(2)	65	2,039
Balance at March 31, 2025	188,053,114	¥42,021	¥44,958	¥151,826	¥(9,576)	¥229,229	¥ 9,741	¥ 60	¥19,637	¥6,385	¥35,823	¥76	¥742	¥265,870

	Thousands of U.S. dollars (Note 1)													
	Number of shares	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustment	Accumulated adjustments for retirement benefit, net of taxes	Total accumulated other comprehensive income, net of taxes	Share subscription rights	Non-controlling interests	Total net assets
Balance at March 31, 2024	188,053,114	\$281,021	\$300,635	\$ 939,484	\$(64,161)	\$1,456,979	\$74,580	\$(140)	\$109,617	\$42,306	\$226,363	\$522	\$4,528	\$1,688,392
Cumulative effect of a change in accounting policy	—	—	—	7	—	7	(7)	—	—	—	(7)	—	—	—
Adjustment of hyperinflation by affiliate company	—	—	—	(5,497)	—	(5,497)	—	—	—	—	—	—	—	(5,497)
Restated balance	—	\$281,021	\$300,635	\$ 933,994	\$(64,161)	\$1,451,489	\$74,573	\$(140)	\$109,617	\$42,306	\$226,356	\$522	\$4,528	\$1,682,895
Cash dividends (\$0.13 per share)	—	—	—	(22,498)	—	(22,498)	—	—	—	—	—	—	—	(22,498)
Net income attributable to owners of parent company	—	—	—	103,859	—	103,859	—	—	—	—	—	—	—	103,859
Disposal of treasury stock	—	—	27	—	133	160	—	—	—	—	—	—	—	160
Purchases of treasury stock	—	—	—	—	(13)	(13)	—	—	—	—	—	—	—	(13)
Net changes during the year	—	—	—	—	—	—	(9,429)	541	21,708	394	13,214	(14)	434	13,634
Balance at March 31, 2025	188,053,114	\$281,021	\$300,662	\$1,015,355	\$(64,041)	\$1,532,997	\$65,144	\$ 401	\$131,325	\$42,700	\$239,570	\$508	\$4,962	\$1,778,037

Notes to Consolidated Financial Statements

Hokuetsu Corporation and Consolidated Subsidiaries
Years ended March 31, 2025 and 2024

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, 2025, which was ¥149.53 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	
	2025	2024
Consolidated subsidiaries	16	16
Affiliates accounted for by the equity method	4	4

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, 2025 and 2024.

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

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

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

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

(e) Allowance for doubtful accounts

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

(f) Inventories

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

(g) Property, plant and equipment (excluding leased assets)

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

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

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

(h) Finance leases

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

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

(i) Right-of-use assets

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

(j) Revenue recognition

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

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

The sales contracts for such goods and products include variable consideration due to discounts and rebates after the contracts are signed, and the estimated amount of such variable consideration is included in the transaction price. Estimates are based on the Group's past experience and reasonable

expectations based on negotiations with the customer at the time the estimate was made, and are included in the transaction price to the extent that it is very likely that a material reversal will not occur.

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

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

(k) Accrued environmental expenditures

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

(l) Provision for reforestation

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

(m) Issuance costs of stocks and bonds

Issuance costs of stocks and bonds are expensed as incurred.

(n) Derivatives and hedge accounting

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

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

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

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

(o) Income taxes

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

(p) Per share information

Net income per share is computed based upon the average number of shares of common stock outstanding during each fiscal year. The average number of common shares used in the computation was 168,175,699 shares and 168,124,865 shares in 2025 and 2024, respectively.

For the year ended March 31, 2025, diluted net income per share was ¥92.26 (\$0.62).

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.

(q) Reclassification and restatement

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

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

(r) Accounting methods for retirement benefits

(1) Attribution method for projected retirement benefits

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

(2) Method of amortization relating to actuarial gain or losses and past service cost.

Actuarial gains or losses are amortized from the subsequent financial year using the straight-line method over 10 years, which is not longer than an estimated average remaining service period of the employees when the gains or losses are incurred.

(3) Simplified method for small enterprises, etc.

When calculating retirement benefit obligations and retirement benefit costs, some consolidated subsidiaries use the simplified method, in which the year-end voluntary payments relating to retirement benefits are treated as retirement benefit obligations.

(s) Accounting standards issued but not yet applied

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

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

(1) Overview

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

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

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

(2) Schedule date of application

The above standard and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the standards, etc.

The effects of the application on the consolidated financial statements are currently being assessed.

(t) Changes in accounting policies

(Adoption of Accounting Standard for Current Income Taxes)

Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022) (hereinafter referred to as "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of the current consolidated fiscal year.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022, the cumulative effect of the change from a new accounting policy is applied retroactively prior to the beginning of the first year of application, is added to retained earnings at the beginning of the first year of application, and the corresponding amount is deducted from other comprehensive income. As a result, the opening balance of "retained earnings" for the current fiscal year increased by ¥1 million (\$7 thousand), and the opening balance of "Unrealized holding gains (losses) on securities, net of taxes" in accumulated other comprehensive income decreased by the same amount.

For the amendment to changes in accounting treatment of the consolidated financial statements, when gains or losses on sale of shares in subsidiaries resulting from transactions between the consolidated companies were deferred for tax purposes, Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) has been adopted from the beginning of the current fiscal year. The changes in accounting policies were applied retrospectively. Hence, the consolidated financial statements for the prior fiscal years were modified retrospectively. As a result, "equity in income (loss) of affiliates" in the consolidated statements of income for the previous fiscal year decreased by ¥8 million (\$54 thousand). Additionally, due to the revision of the cumulative effect amount to the opening net assets of the previous fiscal year, the opening balance of "retained earnings" increased by ¥72 million (\$482 thousand). The balances of "retained earnings" and "Investments in and receivables from unconsolidated subsidiaries and affiliates" as of the end of the previous fiscal year increased by ¥63 million (\$421 thousand), respectively.

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
	2025	2024	2025
Deferred income tax assets	¥15,311	¥14,922	\$102,394

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

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Property, plant and equipment	¥121,988	¥116,511	\$815,809
Intangible assets	¥ 3,232	¥ 2,541	\$ 21,614
Impairment loss on long-lived asset	¥ 176	¥ 404	\$ 1,177

Of the above, ¥2,123 million in property, plant and equipment were recorded in the year ended March 31, 2024 and ¥2,124 million (\$14,205 thousand) in property, plant and equipment was recorded in the year ended March 31, 2025 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
	2025	2024	2025
Accrued environmental expenditures - current	¥ 39	¥ 38	\$ 261
Accrued environmental expenditures - long-term	¥1,296	¥1,289	\$8,667

- (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
	2025	2024	2025
Stocks of affiliates	¥63,555	¥65,999	\$425,032
Equity in income (loss) of affiliates	¥ (2,703)	¥ 1,280	\$ (18,077)

Of the above ¥63,555 million (\$425,032 thousand) in stocks of affiliates, ¥59,993 million (\$401,210 thousand) was invested in Daio Paper Corporation.

During the current consolidated fiscal year, the Company recorded equity in loss of affiliates of ¥2,730 million (¥18,257 thousand), including the impact of recording impairment losses due to changes in asset grouping and business plans resulting from the conclusion of an agreement to transfer a portion of fixed assets in the China business of the Home and Personal Care business segment 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, 2025 and 2024 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and deposits	¥27,644	¥22,140	\$184,873
A time deposit with a term exceeding three months	¥ (2,496)	¥ —	\$ (16,693)
Cash and cash equivalents	¥25,148	¥22,140	\$168,180

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

In the fiscal year ended March 31, 2024, the following is the case.

The following are breakdown 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.

There are no relevant issues for the fiscal year ended March 31, 2025.

	Millions of yen
Current assets	¥3,005
Property, plant and equipment	4,038
Investments and other assets	815
Current liabilities	(3,334)
Long-term liabilities	(45)
Long-term debt	(2,552)
Foreign currency translation adjustment	2,542
Loss on transfer of shares of subsidiary	(4,469)
Sales price of shares	0
Cash and cash equivalents	(873)
Payment from transfer of stock of subsidiary with change of scope of consolidation	¥(873)

Note 6: Financial Instruments

Information on financial instruments for the year ended March 31, 2025 and 2024 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, 2025 and 2024 are as follows. Financial instruments with fair values not readily determinable (see (b)), and "Cash and deposits," "Notes and accounts receivable," "Notes and accounts payable," "Short-term loans" and "Commercial paper" are excluded from the following table because they are cash and their fair value approximates their book value due to their short maturities:

Millions of yen			
2025			
	Book value	Fair value	Difference
(1) Investments in securities:			
Available-for-sale securities	¥27,383	¥27,383	¥ —
(2) Investments in and receivables from unconsolidated subsidiaries and affiliates			
Stocks of affiliates	59,994	34,236	(25,758)
Total assets	¥87,377	¥61,619	¥(25,758)
(3) Bonds*1	¥25,000	¥24,695	¥ (305)
(4) Long-term loans payable*2	52,783	52,296	(487)
Total liabilities	¥77,783	¥76,991	¥ (792)
Derivative transactions*3	¥ 59	¥ 59	¥ —

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	62,439	48,317	(14,122)
Total assets	¥91,101	¥76,979	¥(14,122)
(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)	¥ —

Thousands of U.S. dollars			
2025			
	Book value	Fair value	Difference
(1) Investments in securities:			
Available-for-sale securities	\$183,127	\$183,127	\$ —
(2) Investments in and receivables from unconsolidated subsidiaries and affiliates			
Stocks of affiliates	401,217	228,957	(172,260)
Total assets	\$584,344	\$412,084	\$(172,260)
(3) Bonds*1	\$167,191	\$165,151	\$ (2,040)
(4) Long-term loans payable*2	352,992	349,736	(3,256)
Total liabilities	\$520,183	\$514,887	\$ (5,296)
Derivative transactions*3	\$ 395	\$ 395	\$ —

*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
	2025	2024	2025
Unlisted equity securities	¥6,787	¥6,825	\$45,389

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

	Millions of yen				Thousands of U.S. dollars	
	2025		2024		2025	
	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	¥ 27,644	¥—	¥ 22,140	¥—	\$184,873	\$—
Notes and accounts receivable	67,655	—	76,839	—	452,451	—
Electronically recorded monetary claims	9,382	—	8,844	—	62,743	—
Total	¥104,681	¥—	¥107,823	¥—	\$700,067	\$—

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

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

	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

	Thousands of U.S. dollars					
	2025					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due over five years
Short-term loans	\$ 64,108	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper	—	—	—	—	—	—
Bonds	—	167,190	—	—	—	—
Long-term loans payable*	117,602	37,337	68,969	25,079	104,006	—
Total	\$181,710	\$204,527	\$68,969	\$25,079	\$104,006	\$ —

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

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

Thousands of U.S. dollars				
2025				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities	\$183,127	\$—	\$—	\$183,127
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total assets	\$183,127	\$—	\$—	\$183,127
Derivative transactions				
Currency-related	\$ —	\$401	\$—	\$ 401
Interest-related	—	—	—	—
Total liabilities	\$ —	\$401	\$—	\$ 401

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

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

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

Thousands of U.S. dollars				
2025				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in and receivables from unconsolidated subsidiaries and affiliates				
Stocks of affiliates	\$228,957	\$ —	\$—	\$228,957
Total assets	\$228,957	\$ —	\$—	\$228,957
Bonds	—	165,151	—	165,151
Long-term loans payable	—	349,736	—	349,736
Total liabilities	\$ —	\$514,887	\$—	\$514,887

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

Assets

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

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

Liabilities

- (3) Bonds

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

- (4) Long-term loans payable

The fair values of long-term loans payable are determined

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

Derivative Transactions

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

Note 7: Securities

The following tables summarize acquisition costs and book value of securities with available fair value at March 31, 2025 and 2024:

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

Type	Millions of yen		
	2024		
	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

Type	Thousands of U.S. dollars		
	2025		
	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	\$ 84,979	\$168,976	\$83,997
with book value (fair value) not exceeding acquisition costs	18,077	14,151	(3,926)
	\$103,056	\$183,127	\$80,071

Total sales of available-for-sale securities sold in the year ended March 31, 2025 amounted to ¥7,145 million (\$47,783 thousand), the related gains amounted to ¥4,108 million (\$27,473 thousand)

and no related losses. Total sales of available-for-sale securities sold in the year ended March 31, 2024 amounted to ¥51 million, the related gains amounted to ¥9 million and no related losses.

Note 8: Inventories

Inventories at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Merchandise and Finished goods	¥31,414	¥29,882	\$210,085
Work-in-process	3,321	3,253	22,209
Raw materials and supplies	34,716	34,081	232,167
	¥69,451	¥67,216	\$464,461

Note 9: Assets Pledged

Assets Pledged at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Guarantee deposits*	¥4,000	¥4,000	\$26,750

*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 2.89% and 4.60% at March 31, 2025 and 2024, respectively.

(2) The weighted-average interest rate on commercial paper was 0.00% at March 31, 2024.

(3) Long-term debt at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Long-term loans from banks and other financial institutions			
(Loans due with one year, weighted-average interest rate 0.44%)	¥17,585	¥16,976	\$117,602
(Loans due after one year, weighted-average interest rate 0.88%)	35,198	44,719	235,391
0.110% unsecured yen straight bonds due in 2026	10,000	10,000	66,876
0.370% unsecured yen straight bonds due in 2026	15,000	15,000	100,314
Lease obligations			
(Loans due with one year)	357	358	2,387
(Loans due after one year)	1,246	1,396	8,333
	79,386	88,449	530,903
Less current portion due with one year	(17,942)	(17,334)	(119,989)
Long-term debt	¥61,444	¥71,115	\$410,914

(4) The annual maturities of long-term debt at March 31, 2025 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2026	¥17,942	\$119,989
2027	30,850	206,313
2028	10,548	70,541
2029	3,978	26,603
2030	15,759	105,390
2031 and thereafter	309	2,067
	¥79,386	\$530,903

Note 11: Contingent Liabilities

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Guarantee obligation	¥ 6	¥ 6	\$40

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, 2025, the shareholders approved cash dividends amounting to ¥1,856 million (\$12,412 thousand). Such appropriations have not been accrued in the consolidated financial statements at March 31, 2025. 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, 2025 and 2024.

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, 2025 and 2024:

	2025	2024
Statutory tax rate	30.5%	30.5%
Non-deductible expenses	1.6	4.0
Dividends received not taxable	(1.0)	(3.3)
Per capita inhabitants taxes	0.2	0.8
Valuation allowance	(2.3)	(65.5)
Equity in (income) loss of affiliates	3.8	(6.7)
Difference from tax rate of foreign subsidiaries	(3.5)	(7.0)
Other	(2.1)	2.2
Effective tax rate	27.2	(45.0)

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

Partial amendment of the Act of the Income Tax Act and Other Laws (Act No. 13 of 2025) was enacted on March 31, 2025, and the "Defense Special Corporate Tax" will be imposed starting from the consolidated fiscal year beginning on April 1, 2026 and thereafter.

In accordance with the revision of the tax law in Japan, the effective statutory tax rate was changed from 30.5% to 31.4% 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 consolidated fiscal year beginning on April 1, 2026 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, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred income tax assets:			
Accrued bonuses	¥ 764	¥ 758	\$ 5,109
Unrealized gain on inventories	297	298	1,986
Liability for retirement benefit	3,175	3,076	21,233
Long-term accrued amount payable	21	20	140
Unrealized gain on fixed assets	686	706	4,588
Evaluation difference on property, plant and equipment	364	368	2,435
Depreciation and amortization	771	747	5,156
Impairment loss of fixed assets	1,879	1,892	12,566
Loss on devaluation of investments in securities	2,557	1,631	17,100
Accrued environmental expenditures	335	331	2,240
Asset retirement obligations	648	678	4,334
Net operating loss carry forwards*1	627	689	4,193
Allowance for doubtful accounts	74	912	495
Other	6,342	7,362	42,413
Subtotal deferred income tax assets	18,540	19,468	123,988
Valuation allowance related to net operating loss carryforwards*1	(280)	(349)	(1,872)
Valuation allowance related to deductible temporary differences	(2,949)	(4,197)	(19,722)
Valuation allowance	(3,229)	(4,546)	(21,594)
Total deferred income tax assets	¥ 15,311	¥ 14,922	\$ 102,394
Deferred income tax liabilities:			
Assets for retirement benefit	¥ (5,184)	¥ (4,867)	\$ (34,669)
Reserve for deferred gain on sales of fixed assets for tax purpose	(715)	(718)	(4,782)
Valuation difference on Property, plant and equipment	(3,445)	(3,202)	(23,038)
Unrealized holding gain on securities	(3,556)	(3,897)	(23,781)
Accumulated adjustments for retirement benefit	(2,537)	(2,540)	(16,966)
Other	(137)	(163)	(916)
Total deferred income tax liabilities	¥(15,574)	¥(15,387)	\$ (104,152)
Net deferred income tax assets (liabilities)	¥ (263)	¥ (465)	\$ (1,758)

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

Year ended March 31, 2025	Millions of yen						
	2026	2027	2028	2029	2030	2031 and thereafter	Total
Loss carryforwards (a)	¥ 7	14	26	4	—	576	¥ 627
Valuation allowances	¥ (7)	(14)	(26)	(4)	—	(229)	¥(280)
Deferred income tax assets (b)	¥ —	—	—	—	—	347	¥ 347

Year ended March 31, 2025	Thousands of U.S. dollars						
	2026	2027	2028	2029	2030	2031 and thereafter	Total
Loss carryforwards (a)	\$ 46	94	174	27	—	3,852	\$ 4,193
Valuation allowances	\$(46)	(94)	(174)	(27)	—	(1,531)	\$(1,872)
Deferred income tax assets (b)	\$ —	—	—	—	—	2,321	\$ 2,321

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

(b) The amount of ¥346 million (\$2,314 thousand) of deferred income tax assets is recorded for net operating loss carryforwards of ¥626 million (\$4,186 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 ¥321 million (\$2,147 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, 2024	Millions of yen						
	2025	2026	2027	2028	2029	2030 and thereafter	Total
Loss carryforwards (a)	¥ 28	7	13	24	4	613	¥ 689
Valuation allowances	¥(28)	(7)	(13)	(24)	(4)	(273)	¥(349)
Deferred income tax assets (b)	¥ —	—	—	—	—	340	¥ 340

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

(b) The amount of ¥340 million of deferred income tax assets is recorded for net operating loss carryforwards of ¥689 million (amount multiplied by the statutory effective tax rate), which is mainly recognized with regards to the balance of net operating loss carryforwards at the Company's subsidiary Hokuetsu Package Co., Ltd. of ¥306 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 ¥805 million (\$5,384 thousand) and ¥745 million for the years ended March 31, 2025 and 2024, 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, 2025, the Companies recorded impairment loss on long-lived asset for the following group assets:

Use	Location	Type	Amount	Amount
			Millions of yen	Thousands of U.S. dollars
Containerboard base paper	Niigata, Niigata	Machinery and equipment, Vehicles, etc.	¥170	\$1,137

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

Use	Location	Type	Amount
			Millions of yen
Containerboard base paper	Niigata, Niigata	Machinery and equipment, Vehicles, etc.	¥373

(Process for Recognition of Impairment Loss on Long-lived Asset)

With the deterioration of business environment, in the containerboard base paper production facilities of the Paper and Pulp Business segment, where the recoverable amount is less than the book value, the book value has been reduced to

the recoverable amount, and the amount of the decrease is an impairment loss recorded as an other expense. The recoverable amount of the containerboard base paper production facilities is the fair value less cost to sell, and is calculated by a third-party appraisal.

Note 16: Lease Transactions

Lease transactions for the years ended March 31, 2025 and 2024 are as follows:

Operating lease transactions

Lease commitments under non-cancelable operating leases at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
(lessee)			
Due within one year	¥ 58	¥ 43	\$ 387
Due after one year	110	53	736
	¥168	¥ 96	\$1,123
(lessor)			
Due within one year	¥ 20	¥ 20	\$ 134
Due after one year	270	291	1,806
	¥290	¥311	\$1,940

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, 2025 and 2024 are not applicable.

Derivative transactions for which hedge accounting had been applied at March 31, 2025 and 2024 are as follows:

(1) Currency-related

Type of derivative transaction	Millions of yen						Thousands of U.S. dollars		
	2025			2024			2025		
	Notional amount		Fair value	Notional amount		Fair value	Notional amount		Fair value
	Total	Over one year		Total	Over one year		Total	Over one year	
Forward exchange contracts									
Buy contracts									
U.S. Dollar	¥1,092	¥—	¥16	¥494	¥—	¥(13)	\$7,303	\$—	\$107
EUR	¥1,401	¥—	¥44	¥ —	¥—	¥ —	\$9,369	\$—	\$294

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, 2025 and 2024.

(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, 2025 and 2024.

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
	2025	2024	2025
Balance at the beginning of the year	¥16,249	¥16,556	\$108,667
Service cost	638	678	4,267
Interest cost	120	126	803
Actuarial (gain) loss	(230)	7	(1,538)
Benefits paid	(879)	(1,182)	(5,878)
Other	17	64	112
Balance at the end of the year	¥15,915	¥16,249	\$106,433

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at the beginning of the year	¥24,822	¥18,254	\$166,000
Expected return on plan assets	124	112	829
Actuarial gain (loss)	1,273	6,841	8,513
Contributions paid by the employer	25	27	167
Benefits paid	(646)	(468)	(4,320)
Other	15	56	101
Balance at the end of the year	¥25,613	¥24,822	\$171,290

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Funded retirement benefit obligations	¥ 13,697	¥ 13,828	\$ 91,600
Plan assets	(25,613)	(24,822)	(171,290)
	(11,916)	(10,994)	(79,690)
Unfunded retirement benefit obligations	2,218	2,421	14,833
Total Net liability (asset) for retirement benefits	(9,698)	(8,573)	(64,857)
Liability for retirement benefits	2,250	2,476	15,047
Asset for retirement benefits	(11,948)	(11,049)	(79,904)
Total Net liability (asset) for retirement benefits	¥ (9,698)	¥ (8,573)	\$ (64,857)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service cost	¥ 638	¥ 678	\$ 4,267
Interest cost	120	126	803
Expected return on plan assets	(124)	(112)	(829)
Net actuarial gain amortization	(1,746)	(424)	(11,677)
Other	1	1	7
Total retirement benefit costs	¥(1,111)	¥ 269	\$ (7,429)

(5) Adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial gains and (losses)	¥(243)	¥6,409	¥(1,625)
Other	4	13	27
Total adjustments for retirement benefit	¥(239)	¥6,422	¥(1,598)

(6) Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized actuarial gains and (losses)	¥(8,232)	¥(8,471)	\$ (55,052)

(7) Plan assets

1. Plan assets comprise:

	2025	2024
Bonds	14.0%	13.8%
Equity securities	75.4%	54.5%
Cash and deposits	5.0%	25.5%
General account of life insurance companies	4.9%	5.2%
Other	0.7%	1.0%
Total*	100.0%	100.0%

* Total plan assets include the pension benefits trust, established under the corporate pension system, which accounted for 59.6% and 61.3% of plan assets in the previous and the current fiscal year, respectively.

2. Determination method of long-term expected rate of return

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

(8) Actuarial assumptions

The principal actuarial assumptions:

	2025	2024
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
	2025	2024	2025
Balance at the beginning of the year	¥1,092	¥1,188	\$ 7,303
Retirement benefit costs	210	139	1,404
Benefits paid	(208)	(157)	(1,391)
Contributions paid by the employer	(82)	(79)	(548)
Other	1	1	7
Balance at the end of the year	¥1,013	¥1,092	\$ 6,775

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Funded retirement benefit obligations	¥ 864	¥ 914	\$ 5,778
Plan assets	(1,073)	(1,092)	(7,176)
	(209)	(178)	(1,398)
Unfunded retirement benefit obligations	1,222	1,270	8,173
Total Net liability (asset) for retirement benefits	1,013	1,092	6,775
Liability for retirement benefits	1,217	1,279	8,139
Asset for retirement benefits	(204)	(187)	(1,364)
Total Net liability (asset) for retirement benefits	¥ 1,013	¥ 1,092	\$ 6,775

(3) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total retirement benefit costs based on the simplified method	¥210	¥139	\$1,404

3. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Required contributions provided to defined contribution pension plans at consolidated subsidiary	¥558	¥501	\$3,732

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, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at the beginning of the year	¥2,525	¥2,742	\$16,886
Unwinding of discount	20	21	134
Increase due to change in estimates	275	99	1,839
Decrease in loss on disposal of property, plant and equipment	(485)	(458)	(3,243)
Foreign currency translation adjustment	31	121	207
Balance at the end of the year	¥2,366	¥2,525	\$15,823

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

2025

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

Thousands of U.S. dollars

2025

	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	Consolidated*3
Sales:						
Sales to outside customers	\$1,874,166	\$111,382	\$1,985,548	\$ 58,978	\$ —	\$2,044,526
Intersegment sales or transfers	18,859	74	18,933	162,435	(181,368)	—
Total	1,893,025	111,456	2,004,481	221,413	(181,368)	2,044,526
Segment income	\$ 122,056	\$ 1,531	\$ 123,587	\$ 5,731	\$ 2,615	\$ 131,933
Segment assets	\$2,657,875	\$111,743	\$2,769,618	\$124,457	\$ (92,752)	\$2,801,323
Other items						
Depreciation and amortization	\$ 83,435	\$ 3,524	\$ 86,959	\$ 3,458	\$ (2,528)	\$ 87,889
Impairment loss	\$ 1,170	\$ —	\$ 1,170	\$ 7	\$ —	\$ 1,177
Investment in affiliates	\$ 413,770	\$ —	\$ 413,770	\$ —	\$ —	\$ 413,770
Increase in property, plant and equipment/ intangible assets	\$ 116,525	\$ 10,867	\$ 127,392	\$ 4,447	\$ (2,394)	\$ 129,445

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

*2 Amounts of adjustments are as follows:

- (1) Adjustments in segment income in the amount of ¥391 million (\$2,615 thousand) mainly represent eliminations of intersegment transactions.
- (2) Adjustments in segment assets in the amount of ¥(13,869) million (\$92,752 thousand) include ¥(20,036) million (\$133,994 thousand) for eliminations of intersegment debts and credits and ¥6,167 million (\$41,242 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 ¥(358) million (\$2,394 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					
	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	¥ —	¥297,057
Intersegment sales or transfers	2,776	13	2,789	23,063	(25,852)	—
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	¥391,770	¥15,416	¥407,186	¥18,206	¥ (9,699)	¥415,693
Other items						
Depreciation and amortization	¥ 12,164	¥ 603	¥ 12,767	¥ 478	¥ (381)	¥ 12,864
Impairment loss	¥ 404	¥ —	¥ 404	¥ —	¥ —	¥ 404
Investment in affiliates	¥ 64,315	¥ —	¥ 64,315	¥ —	¥ —	¥ 64,315
Increase in property, plant and equipment/ intangible assets	¥ 14,492	¥ 722	¥ 15,214	¥ 418	¥ (318)	¥ 15,314

(Related information)
Year ended March 31, 2025

1. Information by Region

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

Classification of net sales is determined by country or geographical location of customers. Major countries and areas which belong to segments other than Japan are as follows:

(1) Asia China, Vietnam, South Korea, Taiwan, India, Thailand

(2) Other Canada, Europe, the Middle East, Latin America, Oceania

(2) Property, plant and equipment

2. Information by Major Customer

Name of Customers	Millions of yen	Thousands of U.S. dollars
	2025	2025
SHINSEI PULP & PAPER COMPANY LIMITED	¥36,670	\$245,235

Year ended March 31, 2024

1. Information by Region

(1) Net Sales

	Millions of yen				
	2024				
	Japan	Asia	United States	Others	Total
Net Sales	¥190,294	¥51,673	¥31,660	¥23,430	¥297,057

Classification of net sales is determined by country or geographical location of customers.

Major countries and areas which belong to segments other than Japan are as follows:

(1) Asia China, Vietnam, South Korea, Taiwan, India, Thailand

(2) Other Canada, Europe, the Middle East, 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

2. Information by Major Customer

Name of Customers	Millions of yen
	2024
SHINSEI PULP & PAPER COMPANY LIMITED	¥36,356

(Information on the amounts of amortization and unamortized balance by reportable segment)
Year ended March 31, 2025

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

						Thousands of U.S. dollars
						2025
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	\$1,124	\$—	\$1,124	\$—	\$—	\$1,124
Balance at the end of the year	\$3,391	\$—	\$3,391	\$—	\$—	\$3,391

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 the end of the year	¥644	¥—	¥644	¥—	¥—	¥644

Note 21: Revenue

(1) Revenue by type of goods or service

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

Thousands of U.S. dollars					
2025					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Consolidated
Paper	\$ 967,712	\$ —	\$ 967,712	\$ —	\$ 967,712
Paperboard	280,211	—	280,211	—	280,211
Pulp	463,874	—	463,874	—	463,874
Others	162,108	111,382	273,490	58,008	331,498
Revenue recognized from contracts with customers	1,873,905	111,382	1,985,287	58,008	2,043,295
Other revenues	261	—	261	970	1,231
Sales to outside customers	\$1,874,166	\$111,382	\$1,985,548	\$58,978	\$2,044,526

Millions of yen					
2024					
	Paper and Pulp Business	Packaging and Paper Processing Business	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

(2) Revenue by region

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

Thousands of U.S. dollars					
2025					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Consolidated
Japan	\$1,120,792	\$104,380	\$1,225,172	\$57,500	\$1,282,672
Asia	321,046	7,002	328,048	508	328,556
North America	364,863	—	364,863	—	364,863
Others	67,204	—	67,204	—	67,204
Revenue recognized from contracts with customers	1,873,905	111,382	1,985,287	58,008	2,043,295
Other revenues	261	—	261	970	1,231
Sales to outside customers	\$1,874,166	\$111,382	\$1,985,548	\$58,978	\$2,044,526

Millions of yen					
2024					
	Paper and Pulp Business	Packaging and Paper Processing Business	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

(3) Contract balances

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Receivables recognized from contracts with customers - the beginning	¥85,683	¥84,501	\$573,015
Receivables recognized from contracts with customers - the end	77,037	85,683	515,194
Contract assets - the beginning	146	80	976
Contract assets - the end	40	146	268
Contract liabilities - the beginning	358	538	2,394
Contract liabilities - the end	¥ 321	¥ 358	\$ 2,147

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 derecognized 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 ¥358 million (\$2,394 thousand) and ¥538 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, 2025

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

Year ended March 31, 2024

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

(2) Notes on parent company or significant affiliated company

For the year ended March 31, 2025 and 2024, 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
	2025	2024	2025
Total current assets	¥360,882	¥376,189	\$2,413,442
Total noncurrent assets	525,147	563,488	3,511,984
Total current liabilities	266,702	281,218	1,783,602
Total noncurrent liabilities	369,649	398,440	2,472,072
Total net assets	249,713	260,086	1,669,986
Net sales	668,912	671,688	4,473,430
Income before income taxes	(1,977)	11,018	(13,221)
Net income (loss) attributable to owners of parent company	(11,197)	4,472	(74,881)

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
	2025	2024	2025
Unrealized holding gains (losses) on securities, net of taxes			
Occurrence amount	¥ 2,074	¥ 8,583	\$ 13,870
Reclassification adjustment	(3,925)	(9)	(26,248)
Before tax effect	(1,851)	8,574	(12,378)
Tax effect	466	(2,403)	3,116
Unrealized holding gains (losses) on securities, net of taxes	¥ (1,385)	¥ 6,171	\$ (9,262)
Unrealized gains (losses) on hedging derivatives, net of taxes			
Occurrence amount	¥ 145	¥ (21)	\$ 969
Reclassification adjustment	(73)	9	(488)
Before tax effect	72	(12)	481
Tax effect	(21)	3	(140)
Unrealized gains (losses) on hedging derivatives, net of taxes	¥ 51	¥ (9)	\$ 341
Foreign currency translation adjustment			
Occurrence amount	¥ 1,802	¥ 5,416	\$ 12,051
Reclassification adjustment	—	2,542	—
Before tax effect	1,802	7,958	12,051
Tax effect	—	—	—
Foreign currency translation adjustment	¥ 1,802	¥ 7,958	\$ 12,051
Adjustments for retirement benefit, net of taxes			
Occurrence amount	¥ 1,507	¥ 6,846	\$ 10,078
Reclassification adjustment	(1,746)	(424)	(11,677)
Before tax effect	(239)	6,422	(1,599)
Tax effect	1	(1,958)	7
Adjustments for retirement benefit, net of taxes	¥ (238)	¥ 4,464	\$ (1,592)
Share of other comprehensive income of associates accounted for using equity method			
Occurrence amount	¥ 2,415	¥ 3,965	\$ 16,151
Reclassification adjustment	(589)	(874)	(3,939)
Adjustment to acquisition amount of assets	(56)	98	(375)
Share of other comprehensive income of associates accounted for using equity method	¥ 1,770	¥ 3,189	\$ 11,837
Total other comprehensive income	¥ 2,000	¥21,773	\$ 13,375

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, 2025

Stock options	Persons granted	Number of stock options granted	Grant date	Exercise price	Exercise period
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	From July 19, 2023 to July 18, 2038
2024 Stock options	6 directors	24,000 shares	July 16, 2024	¥1 (\$0.01)	From July 17, 2024 to July 16, 2039

(2) The number of stock options

	2018 Stock options (shares)	2019 Stock options (shares)	2020 Stock options (shares)	2021 Stock options (shares)	2022 Stock options (shares)	2023 Stock options (shares)	2024 Stock options (shares)
Non-vested stock option:							
Outstanding at March 31, 2024	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	24,000
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	24,000
Outstanding at March 31, 2025	—	—	—	—	—	—	—
Vested stock option:							
Outstanding at March 31, 2024	22,000	23,000	37,000	28,000	28,000	32,000	—
Vested	—	—	—	—	—	—	24,000
Exercised	22,000	—	—	—	—	19,500	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2025	—	23,000	37,000	28,000	28,000	12,500	24,000

(3) The per share prices

	2018 Stock options	2019 Stock options	2020 Stock options	2021 Stock options	2022 Stock options	2023 Stock options	2024 Stock options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1 (\$0.01)
Average stock price at exercise	1,117	—	—	—	—	1,337	—
Fair value price at grant date	¥ 505	¥488	¥289	¥509	¥535	¥665	¥939 (\$6.28)

(4) The estimate method for stock option price

	2018 Stock options	2019 Stock options	2020 Stock options	2021 Stock options	2022 Stock options	2023 Stock options	2024 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	32.621%	32.188%	33.522%	31.635%	31.348%	31.385%	35.911%
Expected life	8 years	8 years	8 years	8 years	8 years	8 years	8 years
Expected dividend	¥12/share	¥12/share	¥12/share	¥14/share	¥24/share	¥18/share	¥18/share (\$0.12/share)
Risk-free interest rate	(0.045)%	(0.207)%	(0.080)%	(0.096)%	(0.194)%	(0.391)%	(0.801)%

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, Xing Hui Investment Holdings Co., Ltd. (Hong Kong, China), to W. R. Fibers (Hong Kong) International Holdings 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

W. R. Fibers (Hong Kong) International Holdings 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 W. R. Fibers (Hong Kong) International Holdings Limited 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
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 and provision of allowance for doubtful accounts of ¥2,736 million 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
Current assets	¥3,005
Property, plant and equipment	4,038
Investments and other assets	815
Total assets	7,858
Current liabilities	3,334
Long-term liabilities	2,597
Total liabilities	5,931

(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
Net sales	¥6,098
Operating loss	2,654

5. Main outline of continuous involvement

As of March 31, 2024, the Company had loaned ¥2,725 million to Xing Hui Investment Holding Co., Ltd.

(Unaudited)

Reference Information

Details of audit fees

a. Fees paid to the certified public accountants, etc.

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Fees for audit services (Millions of Yen)	Fees for non-audit services (Millions of Yen)	Fees for audit services (Millions of Yen)	Fees for non-audit services (Millions of Yen)
The Company	88	2	90	—
Consolidated subsidiaries	10	—	12	—
Total	98	2	102	—

Category	Current consolidated fiscal year	
	Fees for audit services (Thousands of U.S. Dollars)	Fees for non-audit services (Thousands of U.S. Dollars)
The Company	602	—
Consolidated subsidiaries	80	—
Total	682	—

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

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Fees for audit services (Millions of Yen)	Fees for non-audit services (Millions of Yen)	Fees for audit services (Millions of Yen)	Fees for non-audit services (Millions of Yen)
The Company	14	7	1	5
Consolidated subsidiaries	67	1	54	1
Total	81	8	55	6

Category	Current consolidated fiscal year	
	Fees for audit services (Thousands of U.S. Dollars)	Fees for non-audit services (Thousands of U.S. Dollars)
The Company	7	33
Consolidated subsidiaries	361	7
Total	368	40



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, 2025 and 2024, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in net assets for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, 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
In the consolidated balance sheet of Hokuetsu Corporation (the “Company”) and	In order to assess the appropriateness of management's judgment concerning the identification of an

its consolidated subsidiaries, Property, plant and equipment of ¥121,988 million were recognized as of March 31, 2025. As described in Note 3, “Significant accounting estimates, 2. Impairment loss on long-lived assets” to the consolidated financial statements, included therein were ¥2,124 million of property, plant and equipment of the paper machine group at the Nagaoka Mill (the “Nagaoka paper machine group”), 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 Nagaoka paper machine group had incurred recurring operating losses until the previous fiscal year due to such factors as a decrease in sales volume resulting from lower demand and an increase in raw material prices. However, in the current fiscal year, the Nagaoka paper machine group recorded operating income as a result of an increase in sales volume mainly driven by the recovering demand in the market. Also, management expected the Nagaoka paper machine group to continue generating positive operating income for the next fiscal year and thereafter, with no indication of significant deterioration in the business environment, and therefore determined that there was no impairment indicator for the property, plant and equipment of the group.

The Nagaoka paper machine group tends to be affected by the market conditions for the products and prices of raw materials and fuels, and management’s judgment is

impairment indicator for property, plant and equipment of the Nagaoka paper machine group, 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 Nagaoka paper machine group.

(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 Nagaoka paper machine group for the next fiscal year and thereafter, which was used in determining whether there was an impairment indicator, 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; and
 - assessed the consistency of the sales volume and the prices of raw materials and fuels underlying the business plan with market forecasts and prices published by external organizations.

<p>involved in determining whether there would be significant deterioration in the business environment in the future. If any revision to the business plan is deemed necessary, it may result in an impairment indicator.</p> <p>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 Nagaoka paper machine group 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.</p>	
Appropriateness of the valuation of property, plant and equipment of the Chinese business in the Home & Personal Care Business segment of Daio Paper Corporation	
The key audit matter	How the matter was addressed in our audit
<p>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 on property, plant and equipment in its consolidated statements of income. Investments in and receivables from unconsolidated subsidiaries and affiliates recognized in the consolidated balance sheet of Hokuetsu Corporation (the "Company") as of March 31, 2025 included the 24.9% equity investment in Daio Paper Corporation of ¥59,993 million, representing approximately 14.3% of total assets in the consolidated financial statements.</p> <p>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.</p> <p>Since a contract to transfer certain of property, plant and equipment was entered</p>	<p>In order to assess 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, we performed the audit procedures set out below, by involving the component auditor of Daio Paper Corporation, an affiliate accounted for using the equity method, including the direction and supervision of the component auditor and the review of its work, among others:</p> <p>(1) Internal control testing</p> <p>Test of the design effectiveness of certain of the Company's internal controls relevant to the determination of asset grouping, whether there is an impairment indicator, and whether an impairment loss should be recognized.</p> <p>(2) Assessment of the appropriateness of the impairment testing</p> <ul style="list-style-type: none"> evaluated the consistency of the assumptions underlying the business plan, which formed the basis for estimating future cash flows, with those used in determining the recoverability of deferred tax assets through discussion with management, as well as assessed the reasonableness of key assumptions of projected market shares, sales volume, unit selling prices and profit margins for

into in the Chinese business within the Home & Personal Care Business segment of Daio Paper Corporation, there were changes in the asset grouping and the business plan. Daio Paper Corporation determined that there were impairment indicators, and therefore performed an impairment test on property, plant and equipment of ¥19,628 million held in the Chinese business. In the impairment testing, the recoverable amount of the asset group of the Chinese business was less than the carrying amount, and an impairment loss of ¥2,694 million was recognized by Daio Paper Corporation, which was included in the equity in loss of affiliates of ¥2,730 million reported by the Company for the current fiscal year.

The business plan 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 remaining economic useful lives and 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.

each product category through comparison with historical sales and profitability;

- recalculated remaining economic useful lives of property, plant and equipment, which formed the basis for estimating future cash flows;
- compared the discount rate adopted by management with the discount rate independently calculated by the auditor, with the assistance of a valuation specialist within the network firms of the component auditor of Daio Paper Corporation;
- evaluated the estimation method and model used by management in measuring the value in use, and recalculated the future cash flows based on the model adopted by management by involving a valuation specialist within the network firms of the component auditor of Daio Paper Corporation; and
- performed sensitivity analyses on the estimated future cash flows and the discount rate.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming

an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 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 8, 2025

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.