

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (unaudited) (Based on Japanese GAAP)

May 21, 2020

Company name: Tokushu Tokai Paper Co., Ltd.
 Stock exchange listing: Tokyo
 Code number: 3708 URL <https://www.tt-paper.co.jp>
 Representative: President and Chief Executive Officer Yuji Matsuda
 For inquiry: Director Managing Executive Officer, CFO Tsuneo Sekine TEL +81-3-3281-8581
 Scheduled date of Ordinary General Meeting of Shareholders: June 26, 2020
 Scheduled date of filing financial report: June 26, 2020
 Dividend payment date: June 29, 2020
 Availability of support documentation: Yes
 Holding of financial result briefing: No

(All yen figures are rounded down to the nearest one million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019–March 31, 2020)

(1) Consolidated Operating Results

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

Fiscal Year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	80,603	(1.6)	2,870	(8.7)	5,389	0.7	3,694	(12.3)
March 31, 2019	81,901	3.5	3,142	(19.3)	5,353	67.2	4,212	92.0

Note: Comprehensive income

Fiscal year ended March 31, 2020	3,104 million yen	(14.1)%
Fiscal year ended March 31, 2019	3,614 million yen	3.9%

Fiscal Year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
March 31, 2020	266.07	265.07	5.3	4.1	3.6
March 31, 2019	303.55	302.33	6.2	4.1	3.8

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	132,655	77,678	53.5	5,105.28
As of March 31, 2019	129,928	75,713	53.1	4,974.71

Reference: Equity	As of March 31, 2020	70,908 million yen
	As of March 31, 2019	69,042 million yen

(3) Consolidated Cash Flow

Fiscal year ended	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2020	11,014	(9,598)	(234)	9,908
March 31, 2019	8,240	(6,301)	(3,630)	8,726

2. Dividends

	Annual Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1 st quarter end	2 nd quarter end	3 rd quarter end	End of fiscal year	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2019	—	25.00	—	50.00	75.00	1,040	24.7	1.5
March 31, 2020	—	25.00	—	50.00	75.00	1,041	28.2	1.5
Fiscal year ending March 31, 2021 (Forecast)	—	25.00	—	25.00	50.00		—	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020–March 31, 2021)

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	81,000	0.5	2,000	(30.3)	—	—	—	—	—

Tokushu Tokai is not disclosing forecasts of both ordinary income and profit attributable to owners of parent for the fiscal year ending March 31, 2021, as the effects of the global spread of COVID-19 present challenges in preparing reasonable estimates for such figures. Tokushu Tokai will disclose such figures promptly after they can be reasonably estimated.

4. Others

[1] Changes in significant subsidiaries during the period under review
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New —

Eliminated —

[2] Changes in accounting principles, changes in accounting estimates and restatements

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatements: No

[3] Number of issued shares (common shares)

(i) Number of issued shares (including treasury shares) as of:

March 31, 2020 15,412,000 shares

March 31, 2019 15,412,000 shares

(ii) Number of treasury shares as of:

March 31, 2020 1,522,662 shares

March 31, 2019 1,533,383 shares

(iii) Average number of shares during the period:

Fiscal year ended March 31, 2020 13,886,942 shares

Fiscal year ended March 31, 2019 13,876,702 shares

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	8,882	10,175
Notes and accounts receivable - trade	26,769	25,109
Securities	9	—
Merchandise and finished goods	4,296	4,369
Work in process	991	793
Raw materials and supplies	5,323	5,519
Other	1,268	1,256
Allowance for doubtful accounts	(22)	(23)
Total current assets	47,518	47,200
Non-current assets		
Property, plant and equipment		
Buildings and structures	47,699	49,399
Accumulated depreciation	(31,255)	(32,053)
Buildings and structures, net	16,444	17,346
Machinery, equipment and vehicles	159,157	158,863
Accumulated depreciation	(128,334)	(128,847)
Machinery, equipment and vehicles, net	30,822	30,015
Land	13,136	13,060
Construction in progress	1,092	2,271
Other	6,426	6,543
Accumulated depreciation	(5,306)	(5,397)
Other, net	1,119	1,145
Total property, plant and equipment	62,614	63,839
Intangible assets		
Goodwill	—	1,426
Other	352	350
Total intangible assets	352	1,776
Investments and other assets		
Investment securities	17,977	18,314
Deferred tax assets	506	565
Other	1,000	1,001
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	19,443	19,839
Total non-current assets	82,410	85,455
Total assets	129,928	132,655

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,824	10,913
Short-term loans payable	8,325	11,405
Current portion of long-term loans payable	6,519	7,267
Current portion of bonds	70	70
Income taxes payable	473	474
Provision for bonuses	434	425
Provision for environmental measures	22	0
Other	5,732	8,166
Total current liabilities	35,402	38,723
Non-current liabilities		
Bonds payable	560	508
Long-term loans payable	13,727	11,506
Deferred tax liabilities	1,513	1,253
Provision for directors' retirement benefits	55	55
Provision for environmental measures	60	53
Provision for business structure improvement	826	557
Net defined benefit liability	1,459	1,636
Asset retirement obligations	550	621
Other	58	60
Total non-current liabilities	18,813	16,254
Total liabilities	54,215	54,977
Net assets		
Shareholders' equity		
Capital stock	11,485	11,485
Capital surplus	12,706	12,698
Retained earnings	45,256	47,910
Treasury shares	(4,525)	(4,494)
Total shareholders' equity	64,922	67,599
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,386	3,657
Deferred gains or losses on hedges	—	0
Remeasurements of defined benefit plans	(266)	(348)
Total accumulated other comprehensive income	4,119	3,309
Share acquisition rights	148	146
Non-controlling interests	6,522	6,622
Total net assets	75,713	77,678
Total liabilities and net assets	129,928	132,655

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales	81,901	80,603
Cost of sales	71,156	69,800
Gross profit	10,745	10,803
Selling, general and administrative expenses	7,602	7,933
Operating income	3,142	2,870
Non-operating income		
Interest income	0	0
Dividend income	318	388
Rent income	115	109
Insurance income	235	125
Share of profit of entities accounted for using equity method	1,636	2,005
Other	244	340
Total non-operating income	2,551	2,971
Non-operating expenses		
Interest expenses	205	187
Commission expenses	—	170
Other	135	94
Total non-operating expenses	340	452
Ordinary income	5,353	5,389
Extraordinary income		
Gain on sales of non-current assets	9	13
Gain on sales of investment securities	585	—
Insurance income	107	126
National subsidies	473	—
Compensation income	117	—
Compensation for expropriation	—	147
Total extraordinary income	1,293	287
Extraordinary losses		
Loss on sales of non-current assets	—	3
Loss on retirement of non-current assets	163	465
Impairment loss	413	—
Loss on valuation of investment securities	258	3
Provision for environmental measures	2	36
Business restructuring expenses	91	575
Loss on disaster	96	—
Special factory operating loss	42	—
Extra retirement payments	—	55
Total extraordinary losses	1,069	1,140
Profit before income taxes	5,578	4,536
Income taxes - current	751	684
Income taxes - deferred	367	(64)
Total income taxes	1,118	619
Profit	4,459	3,916
Profit attributable to non-controlling interests	246	221
Profit attributable to owners of parent	4,212	3,694

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Profit	4,459	3,916
Other comprehensive income		
Valuation difference on available-for-sale securities	(890)	(732)
Deferred gains or losses on hedges	—	0
Remeasurements of defined benefit plans	43	(81)
Share of other comprehensive income of entities accounted for using equity method	2	1
Total other comprehensive income	(845)	(812)
Comprehensive income	3,614	3,104
Comprehensive income attributable to		
Owners of parent	3,374	2,885
Non-controlling interests	239	219

(3) Consolidated Statement of Changes in Equity**Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,485	12,713	41,738	(4,548)	61,388
Changes of items during period					
Dividends of surplus			(693)		(693)
Profit attributable to owners of parent			4,212		4,212
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		(6)		25	19
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(6)	3,518	22	3,534
Balance at end of current period	11,485	12,706	45,256	(4,525)	64,922

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,267	—	(310)	4,956	138	6,282	72,767
Changes of items during period							
Dividends of surplus							(693)
Profit attributable to owners of parent							4,212
Purchase of treasury shares							(3)
Disposal of treasury shares							19
Net changes of items other than shareholders' equity	(881)	—	43	(837)	9	239	(588)
Total changes of items during period	(881)	—	43	(837)	9	239	2,946
Balance at end of current period	4,386	—	(266)	4,119	148	6,522	75,713

Consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,485	12,706	45,256	(4,525)	64,922
Changes of items during period					
Dividends of surplus			(1,041)		(1,041)
Profit attributable to owners of parent			3,694		3,694
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(8)		32	24
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(8)	2,653	31	2,676
Balance at end of current period	11,485	12,698	47,910	(4,494)	67,599

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	4,386	—	(266)	4,119	148	6,522	75,713
Changes of items during period							
Dividends of surplus							(1,041)
Profit attributable to owners of parent							3,694
Purchase of treasury shares							(1)
Disposal of treasury shares							24
Net changes of items other than shareholders' equity	(728)	0	(81)	(809)	(2)	100	(711)
Total changes of items during period	(728)	0	(81)	(809)	(2)	100	1,964
Balance at end of current period	3,657	0	(348)	3,309	146	6,622	77,678

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	5,578	4,536
Depreciation	6,652	6,628
Impairment loss	413	—
Amortization of goodwill	—	11
Increase (decrease) in allowance for doubtful accounts	10	0
Increase (decrease) in net defined benefit liability	111	31
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(2)	0
Increase (decrease) in provision for environmental measures	2	(28)
Interest and dividend income	(318)	(389)
Interest expenses	205	187
Share of loss (profit) of entities accounted for using equity method	(1,636)	(2,005)
Loss on retirement of property, plant and equipment	163	465
Loss (gain) on sales of property, plant and equipment	(9)	(10)
Loss (gain) on sales of investment securities	(585)	—
Loss (gain) on valuation of investment securities	258	3
Insurance income	(343)	(252)
Subsidy income	(473)	—
Business structure improvement expenses	91	575
Decrease (increase) in notes and accounts receivable - trade	(2,381)	1,896
Decrease (increase) in inventories	(1,043)	(66)
Increase (decrease) in notes and accounts payable - trade	1,738	(1,692)
Increase (decrease) in accrued consumption taxes	(333)	386
Other, net	238	269
Subtotal	8,337	10,548
Interest and dividends income	318	1,208
Interest expenses	(206)	(191)
Proceeds from insurance income	304	336
Income taxes paid	(697)	(986)
Income taxes refund	183	99
Net cash provided by (used in) operating activities	8,240	11,014
Cash flows from investing activities		
Payments into time deposits	(156)	(191)
Proceeds from withdrawal of time deposits	132	156
Purchase of property, plant and equipment	(7,213)	(6,166)
Payments for retirement of property, plant and equipment	(659)	(1,499)
Proceeds from sales of property plant and equipment	14	20
Purchase of intangible assets	(101)	(108)
Government subsidy	546	389
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	1,282	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,160)
Other, net	(144)	(36)
Net cash provided by (used in) investing activities	(6,301)	(9,598)

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	725	3,080
Proceeds from long-term loans payable	2,900	4,620
Repayments of long-term loans payable	(6,439)	(6,702)
Redemption of bonds	(70)	(70)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(3)	(1)
Cash dividends paid	(693)	(1,040)
Dividends paid to non-controlling interests	—	(119)
Payment for sales and redemption by installment payment	(49)	—
Other, net	0	0
Net cash provided by (used in) financing activities	(3,630)	(234)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(1,692)	1,181
Cash and cash equivalents at beginning of period	10,418	8,726
Cash and cash equivalents at end of period	8,726	9,908

Segment Information, etc.

Segment Information

1. Summary of Reportable Segments

Tokushu Tokai's reportable segments refer to the business components of Tokushu Tokai that provide separate financial data to the board of directors for decisions on allocation of management resources and evaluation of business results on a regular basis.

Tokushu Tokai mainly engages in production, processing and sales of paper, adopts the independent business unit system so that a comprehensive business strategy can be planned for each type of paper product handled and is developing business activities under the endowed decision-making authority. Therefore, Tokushu Tokai consists of segments based on unit organization classified by the type of products produced by each unit, and discloses financial information about three reportable segments, namely Industrial Material, Special Material and Household Products.

"Industrial Material" mainly produces, processes and sells paper for containerboard and packaging paper, and also engages in power sales business.

"Special Material" produces, processes, and sells high value added special printing paper and functional paper.

"Household Products" produces, processes, and sells mainly paper towels and toilet paper.

(Information on changes for reportable segment)

Alongside promoting environmental related business, as a result of the efforts strengthening the management system and reviewing the profit and loss management system from the current consolidated fiscal year, we have added the environment related business operations as "Others" which is a business segment that is not included in the reportable segment.

This segment includes civil engineering, construction, and manufacturing RPF(Refuse Paper and Plastic Fuel) through subsidiaries, which were previously described as "Others", as well as management of our own property forests located in "the Minami-Alps."

Segment information for the previous fiscal year has been prepared based on the amended segment classifications and method of allocation.

2. Net Sales, Profit/Loss, Asset/Liabilities and Others of Each Reportable Segment and Calculation Method

Accounting treatment for business segment reporting is the same as the accounting policies used in the preparation of consolidated financial statements.

3. Information on Net Sales, Profit/Loss, Assets/Liabilities and Others of Each Reportable Segment

FY2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segments				Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3,4)
	Industrial Material	Special Material	Household Products	Total				
Net sales								
Sales to outside	38,782	21,244	17,838	77,864	4,036	81,901	—	81,901
Intersegment sales and transfers	2,325	1,322	294	3,943	2,922	6,865	(6,865)	—
Total	41,107	22,566	18,132	81,807	6,958	88,766	(6,865)	82,901
Segment profit	1,125	1,668	280	3,073	406	3,480	(338)	3,142
Segment assets	54,580	48,628	19,722	122,931	5,081	128,013	1,915	129,928
Other items								
Depreciation	3,538	1,771	1,051	6,361	196	6,557	95	6,652
Amortization of goodwill	—	—	—	—	—	—	—	—
Impairment loss	—	—	413	413	—	413	—	413
Investments in entities accounted for using equity method	2,355	—	—	2,355	—	2,355	—	2,355
Increase in tangible and intangible fixed	2,371	2,896	574	5,842	382	6,225	378	6,604

FY2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segments				Others (Note 1)	Total	Adjustment(Note 2)	Consolidated(Note 3,4)
	Industrial Material	Special Material	Household Products	Total				
Net sales								
Sales to outside customers	37,226	21,168	17,575	75,970	4,633	80,603	—	80,603
Intersegment sales and transfers	1,933	742	285	2,961	2,126	5,087	(5,087)	—
Total	39,159	21,911	17,860	78,931	6,759	85,691	(5,087)	80,603
Segment profit	1,039	1,271	536	2,847	121	2,968	(97)	2,870
Segment assets	53,590	48,875	18,495	120,961	9,046	130,007	2,647	132,655
Other items								
Depreciation	3,412	1,891	1,018	6,322	212	6,535	93	6,628
Amortization of goodwill	—	—	—	—	11	11	—	11
Impairment loss	—	—	—	—	—	—	—	—
Investments in entities accounted for using equity method	3,535	—	—	3,535	—	3,535	—	3,535
Increase in tangible and intangible fixed	2,632	1,627	1,358	5,618	1,559	7,178	24	7,203

Notes:

- “Others” consists of operating segments not included in the reportable segments, which is the environment related operations.
- “Adjustment” comprises the following:

(1) Segment profit (Millions of yen)

	FY2018	FY2019
Depreciation	(95)	(93)
Corporate expenses	(155)	(176)
Elimination, etc.	(87)	171
Total	(338)	(97)

(2) Segment assets (Millions of yen)

	FY2018	FY2019
Corporate assets	82,787	84,456
Elimination, etc.	(80,872)	(81,808)
Total	1,915	2,647

(3) Increase in tangible and intangible fixed (Millions of yen)

	FY2018	FY2019
Corporate assets	378	24
Total	378	24

- Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.
- Of general administrative expenses, expenses that are common to each business segment are allocated to each business segment according to the internal distribution standard.

Related Information

FY2018 (April 1, 2018 to March 31, 2019)

1. Information by Product/Service

This information is not presented because similar information is available in “Segment Information.”

2. Geographic Information

(1) Net sales

This information is not presented because sales to outside customers in Japan exceed 90% of net sales on the consolidated statements of income.

(2) Property, plants and equipment

This information is not presented because the amount of property, equipment and plant in Japan exceeds 90% of the amount on the consolidated balance sheet.

3. Major Customer Information

(Millions of yen)

Company	Net sales	segment
Nippon Tokai Industrial Paper Supply Co., Ltd.	34,044	Industrial Material

FY2019 (April 1, 2019 to March 31, 2020)

1. Information by Product/Service

This information is not presented because similar information is available in “Segment Information.”

2. Geographic Information

(1) Net sales

This information is not presented because sales to outside customers in Japan exceed 90% of net sales on the consolidated statements of income.

(2) Property, plants and equipment

This information is not presented because the amount of property, equipment and plant in Japan exceeds 90% of the amount on the consolidated balance sheet.

3. Major Customer Information

(Millions of yen)

Company	Net sales	segment
Nippon Tokai Industrial Paper Supply Co., Ltd.	31,301	Industrial Material

Information on Impairment Loss of Fixed Assets of Each Reportable Segment

FY2018 (April 1, 2018 to March 31, 2019)

This information is not presented because similar information is available in “Segment Information.”

FY2019 (April 1, 2019 to March 31, 2020)

This information is not presented because similar information is available in “Segment Information.”

Information on Goodwill Amortization and Unamortized Balance of Each Reportable Segment

FY2018 (April 1, 2018 to March 31, 2019)

Not applicable.

FY2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Industrial Material	Special Material	Household Products	Othes	Corporate/ Elimination	Total
Amortization during the period	—	—	—	11	—	11
Balance at the end of the period	—	—	—	1,426	—	1,426

Information on Gain on Negative Goodwill of Each Reportable Segment

FY2018 (April 1, 2018 to March 31, 2019)

Not applicable.

FY2019 (April 1, 2019 to March 31, 2020)

Not applicable.