

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (unaudited) (Based on Japanese GAAP)

May 14, 2021

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 24, 2021
 Scheduled date of filing financial report: June 24, 2021
 Dividend payment date: June 25, 2021
 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, 2021 (April 1, 2020–March 31, 2021)

(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, 2021	76,403	(5.2)	3,227	12.4	5,970	10.8	5,594	51.4
March 31, 2020	80,603	(1.6)	2,870	(8.7)	5,389	0.7	3,694	(12.3)

Note: Comprehensive income

Fiscal year ended March 31, 2021	5,879 million yen	89.4%
Fiscal year ended March 31, 2020	3,104 million yen	(14.1)%

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, 2021	416.30	414.57	7.8	4.6	4.2
March 31, 2020	266.07	265.07	5.3	4.1	3.6

(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, 2021	128,091	80,286	57.3	5,493.99
As of March 31, 2020	132,655	77,678	53.5	5,105.28

Reference: Equity	As of March 31, 2021	73,428 million yen
	As of March 31, 2020	70,908 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, 2021	11,638	893	(9,242)	13,197
March 31, 2020	11,014	(9,598)	(234)	9,908

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, 2020	—	25.00	—	50.00	75.00	1,041	28.2	1.5
March 31, 2021	—	25.00	—	75.00	100.00	1,336	24.0	1.9
Fiscal year ending March 31, 2022 (Forecast)	—	50.00	—	50.00	100.00		37.3	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021–March 31, 2022)

(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	6.0	3,600	11.5	5,000	(16.3)	3,600	(35.7)	267.89

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, 2021 | 14,900,000 shares |
| March 31, 2020 | 15,412,000 shares |
- (ii) Number of treasury shares as of:
- | | |
|----------------|------------------|
| March 31, 2021 | 1,534,775 shares |
| March 31, 2020 | 1,522,662 shares |
- (iii) Average number of shares during the period:
- | | |
|----------------------------------|-------------------|
| Fiscal year ended March 31, 2021 | 13,438,563 shares |
| Fiscal year ended March 31, 2020 | 13,886,942 shares |

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	10,175	13,532
Notes and accounts receivable - trade	25,109	24,428
Merchandise and finished goods	4,369	4,241
Work in process	793	728
Raw materials and supplies	5,519	4,640
Other	1,256	921
Allowance for doubtful accounts	(23)	(15)
Total current assets	47,200	48,478
Non-current assets		
Property, plant and equipment		
Buildings and structures	49,399	50,332
Accumulated depreciation	(32,053)	(33,146)
Buildings and structures, net	17,346	17,185
Machinery, equipment and vehicles	158,863	160,135
Accumulated depreciation	(128,847)	(131,081)
Machinery, equipment and vehicles, net	30,015	29,053
Land	13,060	12,134
Construction in progress	2,271	1,425
Other	6,543	6,597
Accumulated depreciation	(5,397)	(5,424)
Other, net	1,145	1,172
Total property, plant and equipment	63,839	60,971
Intangible assets		
Goodwill	1,426	1,271
Other	350	416
Total intangible assets	1,776	1,688
Investments and other assets		
Investment securities	18,314	15,593
Deferred tax assets	565	553
Other	1,001	847
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	19,839	16,952
Total non-current assets	85,455	79,612
Total assets	132,655	128,091

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,913	10,075
Short-term loans payable	11,405	6,445
Current portion of long-term loans payable	7,267	4,156
Current portion of bonds	70	70
Income taxes payable	474	1,160
Provision for bonuses	425	422
Provision for environmental measures	0	35
Other	8,166	8,492
Total current liabilities	38,723	30,858
Non-current liabilities		
Bonds payable	508	420
Long-term loans payable	11,506	13,728
Deferred tax liabilities	1,253	725
Provision for directors' retirement benefits	55	64
Provision for environmental measures	53	52
Provision for business structure improvement	557	—
Net defined benefit liability	1,636	1,230
Asset retirement obligations	621	658
Other	60	67
Total non-current liabilities	16,254	16,946
Total liabilities	54,977	47,804
Net assets		
Shareholders' equity		
Capital stock	11,485	11,485
Capital surplus	12,698	11,030
Retained earnings	47,910	52,476
Treasury shares	(4,494)	(5,000)
Total shareholders' equity	67,599	69,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,657	3,474
Deferred gains or losses on hedges	0	—
Remeasurements of defined benefit plans	(348)	(37)
Total accumulated other comprehensive income	3,309	3,436
Share acquisition rights	146	176
Non-controlling interests	6,622	6,681
Total net assets	77,678	80,286
Total liabilities and net assets	132,655	128,091

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

Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net sales	80,603	76,403
Cost of sales	69,800	65,315
Gross profit	10,803	11,087
Selling, general and administrative expenses	7,933	7,860
Operating income	2,870	3,227
Non-operating income		
Interest income	0	0
Dividend income	388	336
Rent income	109	127
Insurance income	125	76
Share of profit of entities accounted for using equity method	2,005	2,210
Other	340	312
Total non-operating income	2,971	3,064
Non-operating expenses		
Interest expenses	187	197
Commission expenses	170	68
Other	94	54
Total non-operating expenses	452	321
Ordinary income	5,389	5,970
Extraordinary income		
Gain on sales of non-current assets	13	27
Gain on sales of investment securities	—	5,898
Insurance income	126	—
Compensation for expropriation	147	—
Other	—	37
Total extraordinary income	287	5,963
Extraordinary losses		
Loss on sales of non-current assets	3	109
Loss on retirement of non-current assets	465	302
Impairment loss	—	3,785
Loss on valuation of investment securities	3	—
Provision for environmental measures	36	37
Business restructuring expenses	575	—
Extra retirement payments	55	—
Other	—	10
Total extraordinary losses	1,140	4,246
Profit before income taxes	4,536	7,688
Income taxes - current	684	2,484
Income taxes - deferred	(64)	(546)
Total income taxes	619	1,937
Profit	3,916	5,750
Profit attributable to non-controlling interests	221	156
Profit attributable to owners of parent	3,694	5,594

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Profit	3,916	5,750
Other comprehensive income		
Valuation difference on available-for-sale securities	(732)	(184)
Deferred gains or losses on hedges	0	(0)
Remeasurements of defined benefit plans	(81)	310
Share of other comprehensive income of entities accounted for using equity method	1	3
Total other comprehensive income	(812)	128
Comprehensive income	3,104	5,879
Comprehensive income attributable to		
Owners of parent	2,885	5,721
Non-controlling interests	219	158

(3) Consolidated Statement of Changes in Equity

Previous 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
Cancellation of treasury shares					—
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
Cancellation of treasury shares							—
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

Consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,485	12,698	47,910	(4,494)	67,599
Changes of items during period					
Dividends of surplus			(1,028)		(1,028)
Profit attributable to owners of parent			5,594		5,594
Purchase of treasury shares				(2,176)	(2,176)
Disposal of treasury shares		0		3	3
Cancellation of treasury shares		(1,667)		1,667	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1,667)	4,565	(505)	2,392
Balance at end of current period	11,485	11,030	52,476	(5,000)	69,991

	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	3,657	0	(348)	3,309	146	6,622	77,678
Changes of items during period							
Dividends of surplus							(1,028)
Profit attributable to owners of parent							5,594
Purchase of treasury shares							(2,176)
Disposal of treasury shares							3
Cancellation of treasury shares							—
Net changes of items other than shareholders' equity	(183)	(0)	310	126	29	58	215
Total changes of items during period	(183)	(0)	310	126	29	58	2,607
Balance at end of current period	3,474	—	(37)	3,436	176	6,681	80,286

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	4,536	7,688
Depreciation	6,628	6,543
Impairment loss	—	3,785
Amortization of goodwill	11	142
Increase (decrease) in allowance for doubtful accounts	0	(8)
Increase (decrease) in net defined benefit liability	31	36
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	8
Increase (decrease) in provision for environmental measures	(28)	34
Interest and dividend income	(389)	(337)
Interest expenses	187	197
Share of loss (profit) of entities accounted for using equity method	(2,005)	(2,210)
Loss on retirement of property, plant and equipment	465	302
Loss (gain) on sales of property, plant and equipment	(10)	81
Loss (gain) on sales of investment securities	—	(5,898)
Loss (gain) on valuation of investment securities	3	—
Insurance income	(252)	(76)
Business structure improvement expenses	575	—
Decrease (increase) in notes and accounts receivable - trade	1,896	680
Decrease (increase) in inventories	(66)	1,071
Increase (decrease) in notes and accounts payable - trade	(1,692)	(837)
Increase (decrease) in accrued consumption taxes	386	17
Other, net	269	414
Subtotal	10,548	11,636
Interest and dividends income	1,208	1,732
Interest expenses	(191)	(196)
Proceeds from insurance income	336	76
Income taxes paid	(986)	(1,895)
Income taxes refund	99	284
Net cash provided by (used in) operating activities	11,014	11,638
Cash flows from investing activities		
Payments into time deposits	(191)	(324)
Proceeds from withdrawal of time deposits	156	256
Purchase of property, plant and equipment	(6,166)	(7,842)
Payments for retirement of property, plant and equipment	(1,499)	(468)
Proceeds from sales of property plant and equipment	20	351
Purchase of intangible assets	(108)	(158)
Government subsidy	389	—
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	—	9,127
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,160)	—
Other, net	(36)	(45)
Net cash provided by (used in) investing activities	(9,598)	893

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,080	(4,960)
Proceeds from long-term loans payable	4,620	7,349
Repayments of long-term loans payable	(6,702)	(8,239)
Redemption of bonds	(70)	(88)
Proceeds from sales of treasury shares	0	—
Purchase of treasury shares	(1)	(2,177)
Cash dividends paid	(1,040)	(1,028)
Dividends paid to non-controlling interests	(119)	(99)
Other, net	0	0
Net cash provided by (used in) financing activities	(234)	(9,242)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	1,181	3,289
Cash and cash equivalents at beginning of period	8,726	9,908
Cash and cash equivalents at end of period	9,908	13,197

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)

From the current consolidated fiscal year, to reflect the performance of each reportable segment better, we have reviewed corporate expenses allocation standards and changed the method of calculating profit or loss in the business segment.

In addition, as the quantitative importance of "Environment Related Business", which was previously referred to as "Others", has increased, we have changed the method to be described as a reportable segment.

The segment information for the previous consolidated fiscal year has been prepared by the method of calculating profit or loss after the change, and has been prepared based on the classification of the reportable segment after the change.

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

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

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2,3)
Net sales							
Sales to outside	37,226	21,168	17,575	4,633	80,603	—	80,603
Intersegment sales and transfers	1,933	742	285	2,126	5,087	(5,087)	—
Total	39,159	21,911	17,860	6,759	85,691	(5,087)	80,603
Segment profit	1,209	1,118	528	120	2,976	(106)	2,870
Segment assets	53,590	48,875	18,495	9,046	130,007	2,647	132,655
Other items							
Depreciation	3,412	1,891	1,018	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
Increase in tangible and intangible fixed assets	2,632	1,627	1,358	1,559	7,178	24	7,203

FY2020 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2,3)
Net sales							
Sales to outside	35,196	18,151	16,379	6,676	76,403	—	76,403
Intersegment sales and transfers	1,934	595	205	2,097	4,831	(4,831)	—
Total	37,130	18,746	16,584	8,773	81,234	(4,831)	76,403
Segment profit	1,177	1,302	833	70	3,384	(156)	3,227
Segment assets	55,235	45,430	18,135	9,756	128,558	(204)	128,354
Other items							
Depreciation	3,110	1,827	1,051	460	6,448	94	6,543
Amortization of goodwill	—	—	—	142	142	—	142
Impairment loss	—	3,208	577	—	3,785	—	3,785
Investments in entities accounted for using equity method	4,353	—	—	—	4,353	—	4,353
Increase in tangible and intangible fixed assets	4,286	1,443	1,370	1,185	8,285	60	8,346

Notes:

1. "Adjustment" comprises the following:

(1) Segment profit (Millions of yen)

	FY2019	FY2020
Depreciation	(93)	(94)
Corporate expenses	(185)	(189)
Elimination, etc.	172	127
Total	(106)	(156)

(2) Segment assets (Millions of yen)

	FY2019	FY2020
Corporate assets	84,456	86,068
Elimination, etc.	(81,808)	(86,272)
Total	2,647	(204)

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

	FY2019	FY2020
Corporate assets	24	60
Total	24	60

2. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

3. 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

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

FY2020 (April 1, 2020 to March 31, 2021)

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.	29,705	Industrial Material

Information on Impairment Loss of Fixed Assets of Each Reportable Segment

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

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

FY2020 (April 1, 2020 to March 31, 2021)

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

Information on Goodwill Amortization and Unamortized Balance of Each Reportable Segment

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

(Millions of yen)

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

FY2020 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Corporate/ Elimination	Total
Amortization during the period	—	—	—	142	—	142
Balance at the end of the period	—	—	—	1,271	—	1,271

Information on Gain on Negative Goodwill of Each Reportable Segment

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

Not applicable.

FY2020 (April 1, 2020 to March 31, 2021)

Not applicable.