

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (unaudited) (Based on Japanese GAAP)

November 12, 2021

Company name: Tokushu Tokai Paper Co., Ltd.
 Stock exchange listings: Tokyo
 Code number: 3708 URL <https://www.tt-paper.co.jp>
 Representative: President and Chief Executive Officer Yuji Matsuda
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 Quarterly securities report issuing date: November 12, 2021
 Dividend payment date: December 6, 2021
 Availability of support documentation: Yes
 Holding of financial result briefing: Scheduled (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 – September 30, 2021)

(1) Consolidated Operating Results

(% represents the change from the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six Months ended September 30, 2021	38,839	5.9	2,236	158.8	3,140	44.2	3,455	13.0
September 30, 2020	36,663	(8.0)	864	5.2	2,177	4.9	3,057	136.9

Note: Comprehensive income

Six Months ended September 30, 2021	3,705 million yen	105.6%
Six Months ended September 30, 2020	1,802 million yen	133.6%

	Basic earnings per share	Diluted earnings per share
Six Months ended	Yen	Yen
September 30, 2021	258.40	257.37
September 30, 2020	226.28	225.39

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	125,821	82,319	60.4
As of March 31, 2021	128,091	80,286	57.3

Reference: Equity	As of September 30, 2021	76,028 million yen
	As of March 31, 2021	73,428 million yen

2. Dividends

	Annual Dividends per share				
	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
March 31, 2021	—	25.00	—	75.00	100.00
March 31, 2022	—	50.00			
Fiscal year ending March 31, 2022 (Forecast)			—	50.00	100.00

Note: Revision to dividend forecasts published most recently: No

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

(% represents the change from the same period in 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

Note: Revision to financial forecasts published most recently: No

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: | Yes |
| 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: | |
| September 30, 2021 | 14,900,000 shares |
| March 31, 2021 | 14,900,000 shares |
| (ii) Number of treasury shares as of: | |
| September 30, 2021 | 1,522,418 shares |
| March 31, 2021 | 1,534,775 shares |
| (iii) Average number of shares during the period: | |
| Six months ended September 30, 2021 | 13,371,851 shares |
| Six months ended September 30, 2020 | 13,511,330 shares |

*These financial results are outside the scope of audit by certified public accountants or accounting auditors.

*Explanations pertaining to appropriate use of information concerning future forecasts

The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information available to the company at the time the results were announced. Actual performance may differ substantially from these projections due to fluctuations in the economy or a variety of other known and unknown factor.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	13,532	11,764
Notes and accounts receivable - trade	24,428	—
Notes and accounts receivable - trade, and contract assets	—	24,621
Merchandise and finished goods	4,241	4,002
Work in process	728	1,028
Raw materials and supplies	4,640	4,953
Other	921	609
Allowance for doubtful accounts	(15)	(14)
Total current assets	48,478	46,963
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,185	16,987
Machinery, equipment and vehicles, net	29,053	30,154
Land	12,134	12,148
Other, net	2,598	1,598
Total property, plant and equipment	60,971	60,888
Intangible assets		
Goodwill	1,271	1,200
Other	416	377
Total intangible assets	1,688	1,578
Investments and other assets		
Investment securities	15,593	14,958
Deferred tax assets	553	622
Other	847	851
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	16,952	16,391
Total non-current assets	79,612	78,858
Total assets	128,091	125,821

(Millions of Yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,075	9,984
Short-term loans payable	6,445	5,945
Current portion of long-term loans payable	4,156	4,537
Current portion of bonds	70	70
Income taxes payable	1,160	953
Provision for bonuses	422	425
Provision for environmental measures	35	41
Other	8,492	6,921
Total current liabilities	30,858	28,878
Non-current liabilities		
Bonds payable	420	385
Long-term loans payable	13,728	11,274
Deferred tax liabilities	725	876
Provision for directors' retirement benefits	64	71
Provision for environmental measures	52	52
Net defined benefit liability	1,230	1,238
Asset retirement obligations	658	653
Other	67	72
Total non-current liabilities	16,946	14,624
Total liabilities	47,804	43,502
Net assets		
Shareholders' equity		
Capital stock	11,485	11,485
Capital surplus	11,030	10,922
Retained earnings	52,476	54,929
Treasury shares	(5,000)	(4,960)
Total shareholders' equity	69,991	72,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,474	3,673
Deferred gains or losses on hedges	—	0
Remeasurements of defined benefit plans	(37)	(22)
Total accumulated other comprehensive income	3,436	3,651
Share acquisition rights	176	164
Non-controlling interests	6,681	6,126
Total net assets	80,286	82,319
Total liabilities and net assets	128,091	125,821

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

Quarterly Consolidated Statements of Income

(Millions of Yen)

	Six Months ended September 30, 2020	Six Months ended September 30, 2021
Net sales	36,663	38,839
Cost of sales	31,866	32,882
Gross profit	4,797	5,957
Selling, general and administrative expenses	3,933	3,720
Operating income	864	2,236
Non-operating income		
Interest income	0	0
Dividend income	207	138
Rent income	64	63
Insurance income	68	35
Share of profit of entities accounted for using equity method	1,000	667
Other	108	130
Total non-operating income	1,450	1,035
Non-operating expenses		
Interest expenses	108	70
Other	27	60
Total non-operating expenses	136	130
Ordinary income	2,177	3,140
Extraordinary income		
Gain on sales of non-current assets	7	1,490
Gain on sales of investment securities	1,936	—
National subsidies	—	84
Gain on extinguishment of tie-in shares	—	57
Other	11	4
Total extraordinary income	1,955	1,636
Extraordinary losses		
Loss on sales of non-current assets	36	—
Loss on retirement of non-current assets	211	84
Provision for environmental measures	23	—
Other	—	8
Total extraordinary losses	270	93
Profit before income taxes	3,862	4,683
Income taxes - current	831	1,198
Income taxes - deferred	(23)	(6)
Total income taxes	808	1,192
Profit	3,053	3,491
Profit (loss) attributable to non-controlling interests	(3)	35
Profit attributable to owners of parent	3,057	3,455

Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months ended September 30, 2020	Six Months ended September 30, 2021
Profit	3,053	3,491
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,281)	189
Deferred gains or losses on hedges	(0)	0
Remeasurements of defined benefit plans	31	15
Share of other comprehensive income of entities accounted for using equity method	(0)	8
Total other comprehensive income	(1,251)	214
Comprehensive income	1,802	3,705
Comprehensive income attributable to		
Owners of parent	1,800	3,670
Non-controlling interests	2	35

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

	Six Months ended September 30, 2020	Six Months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	3,862	4,683
Depreciation	3,236	3,023
Amortization of goodwill	71	71
Increase (decrease) in allowance for doubtful accounts	(9)	(0)
Increase (decrease) in provision for bonuses	22	2
Increase (decrease) in net defined benefit liability	(19)	30
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(2)	7
Interest and dividend income	(207)	(138)
Interest expenses	108	70
Share of loss (profit) of entities accounted for using equity method	(1,000)	(667)
Loss on retirement of property, plant and equipment	211	84
Loss (gain) on sales of property, plant and equipment	28	(1,490)
Loss (gain) on sales of investment securities	(1,936)	—
Subsidy income	—	(84)
Decrease (increase) in notes and accounts receivable - trade	2,231	(183)
Decrease (increase) in inventories	(69)	(370)
Increase (decrease) in notes and accounts payable - trade	(1,519)	(91)
Other, net	(309)	146
Subtotal	4,697	5,094
Interest and dividends income	1,602	1,674
Interest expenses	(102)	(71)
Income taxes paid	(719)	(1,429)
Income taxes refund	282	92
Proceeds from insurance income	67	35
Net cash provided by (used in) operating activities	5,827	5,396
Cash flows from investing activities		
Payments into time deposits	(219)	(243)
Proceeds from withdrawal of time deposits	196	252
Purchase of property, plant and equipment	(4,237)	(4,486)
Payments for retirement of property, plant and equipment	(427)	(82)
Proceeds from sales of property plant and equipment	30	1,642
Government subsidy	—	84
Purchase of investment securities	(0)	—
Proceeds from sales of investment securities	3,708	23
Purchase of shares of subsidiaries and associates	—	(53)
Other, net	(6)	(28)
Net cash provided by (used in) investing activities	(956)	(2,892)

(Millions of Yen)

	Six Months ended September 30, 2020	Six Months ended September 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,730	(500)
Proceeds from long-term loans payable	3,049	—
Repayments of long-term loans payable	(5,912)	(2,106)
Redemption of bonds	(53)	(35)
Purchase of treasury shares	(2,175)	(0)
Cash dividends paid	(694)	(1,000)
Dividends paid to non-controlling interests	(99)	(60)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(629)
Other, net	0	0
Net cash provided by (used in) financing activities	845	(4,332)
Effect of exchange rate change on cash and cash equivalents	0	—
Net increase (decrease) in cash and cash equivalents	5,716	(1,828)
Cash and cash equivalents at beginning of period	9,908	13,197
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	69
Cash and cash equivalents at end of period	15,624	11,438

Segment Information

Information on Net Sales, Profit/Loss of Each Reportable Segment

Six Months ended September 30, 2020

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales							
Sales to outside	17,425	8,116	8,140	2,981	36,663	—	36,663
Intersegment sales and transfers	922	297	103	1,043	2,366	(2,366)	—
Total	18,348	8,414	8,243	4,024	39,030	(2,366)	36,663
Segment profit or loss	516	175	318	(81)	928	(63)	864

Six Months ended September 30, 2021

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales							
Sales to outside	18,252	10,099	8,151	2,336	38,839	—	38,839
Intersegment sales and transfers	946	307	95	1,088	2,437	(2,437)	—
Total	19,199	10,406	8,246	3,424	41,277	(2,437)	38,839
Segment profit or loss	605	1,526	349	(180)	2,300	(64)	2,236

Notes:

1. "Adjustment" comprises the following:

Segment profit

	Six Months ended September 30, 2020	Six Months ended September 30, 2021
Corporate expenses	(135)	(135)
Elimination, etc.	72	71
Total	(63)	(64)

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