

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (unaudited) (Based on Japanese GAAP)

November 14, 2022

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 14, 2022
 Dividend payment date: December 5, 2022
 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, 2022 (April 1, 2022 – September 30, 2022)

(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, 2022	42,071	8.3	1,337	(40.2)	2,549	(18.8)	3,150	(8.8)
September 30, 2021	38,839	5.9	2,236	158.8	3,140	44.2	3,455	13.0

Note: Comprehensive income

Six Months ended September 30, 2022	1,585 million yen	(57.2)%
Six Months ended September 30, 2021	3,705 million yen	105.6%

	Basic earnings per share	Diluted earnings per share
Six Months ended	Yen	Yen
September 30, 2022	262.23	261.26
September 30, 2021	258.40	257.37

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	119,745	77,970	59.8
As of March 31, 2022	125,430	78,562	57.5

Reference: Equity	As of September 30, 2022	71,607 million yen
	As of March 31, 2022	72,129 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, 2022	—	50.00	—	70.00	120.00
March 31, 2023	—	50.00			
Fiscal year ending March 31, 2023 (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, 2023 (April 1, 2022 – March 31, 2023)

(% 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	87,000	7.8	1,300	(69.3)	4,000	(30.2)	3,900	(25.7)	324.57

Note: Revision to financial forecasts published most recently: Yes

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: | Yes |
| 3) Changes in accounting estimates: | Yes |
| 4) Retrospective restatements: | No |

[3] Number of issued shares (common shares)

- | | |
|--|-------------------|
| (i) Number of issued shares (including treasury shares) as of: | |
| September 30, 2022 | 14,900,000 shares |
| March 31, 2022 | 14,900,000 shares |
| (ii) Number of treasury shares as of: | |
| September 30, 2022 | 3,005,284 shares |
| March 31, 2022 | 2,635,724 shares |
| (iii) Average number of shares during the period: | |
| Six months ended September 30, 2022 | 12,016,001 shares |
| Six months ended September 30, 2021 | 13,371,851 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, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	12,058	8,858
Notes and accounts receivable - trade, and contract assets	26,280	26,733
Merchandise and finished goods	4,189	4,480
Work in process	772	958
Raw materials and supplies	5,437	5,612
Other	702	742
Allowance for doubtful accounts	(17)	(16)
Total current assets	49,423	47,370
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,067	16,677
Machinery, equipment and vehicles, net	29,036	28,265
Land	11,288	11,230
Other, net	1,495	2,119
Total property, plant and equipment	58,888	58,293
Intangible assets		
Goodwill	1,129	1,057
Other	359	324
Total intangible assets	1,488	1,382
Investments and other assets		
Investment securities	13,939	10,258
Deferred tax assets	593	1,265
Other	1,138	1,216
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	15,630	12,699
Total non-current assets	76,006	72,375
Total assets	125,430	119,745

(Millions of Yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,020	10,760
Short-term loans payable	10,615	9,695
Current portion of long-term loans payable	4,808	3,831
Current portion of bonds payable	70	70
Income taxes payable	939	923
Provision for bonuses	437	438
Other	7,038	5,536
Total current liabilities	34,930	31,255
Non-current liabilities		
Bonds payable	350	315
Long-term loans payable	8,949	7,443
Deferred tax liabilities	516	464
Provision for directors' retirement benefits	79	65
Provision for environmental measures	50	50
Net defined benefit liability	1,270	1,261
Asset retirement obligations	648	648
Other	73	271
Total non-current liabilities	11,937	10,519
Total liabilities	46,867	41,775
Net assets		
Shareholders' equity		
Capital stock	11,485	11,485
Capital surplus	10,922	10,915
Retained earnings	56,056	58,349
Treasury shares	(8,961)	(10,166)
Total shareholders' equity	69,502	70,583
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,636	1,020
Deferred gains or losses on hedges	—	0
Remeasurements of defined benefit plans	(10)	3
Total accumulated other comprehensive income	2,626	1,023
Share acquisition rights	164	129
Non-controlling interests	6,268	6,233
Total net assets	78,562	77,970
Total liabilities and net assets	125,430	119,745

(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, 2021	Six Months ended September 30, 2022
Net sales	38,839	42,071
Cost of sales	32,882	37,173
Gross profit	5,957	4,897
Selling, general and administrative expenses	3,720	3,559
Operating income	2,236	1,337
Non-operating income		
Interest income	0	0
Dividend income	138	146
Rent income	63	62
Insurance income	35	19
Share of profit of entities accounted for using equity method	667	955
Other	130	136
Total non-operating income	1,035	1,320
Non-operating expenses		
Interest expenses	70	67
Other	60	41
Total non-operating expenses	130	109
Ordinary income	3,140	2,549
Extraordinary income		
Gain on sales of non-current assets	1,490	3
Gain on sales of investment securities	—	1,758
National subsidies	84	—
Gain on extinguishment of tie-in shares	57	—
Other	4	—
Total extraordinary income	1,636	1,762
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	84	48
Impairment loss	—	57
Other	8	—
Total extraordinary losses	93	106
Profit before income taxes	4,683	4,205
Income taxes - current	1,198	1,055
Income taxes - deferred	(6)	(39)
Total income taxes	1,192	1,015
Profit	3,491	3,189
Profit attributable to non-controlling interests	35	39
Profit attributable to owners of parent	3,455	3,150

Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months ended September 30, 2021	Six Months ended September 30, 2022
Profit	3,491	3,189
Other comprehensive income		
Valuation difference on available-for-sale securities	189	(1,615)
Deferred gains or losses on hedges	0	0
Remeasurements of defined benefit plans	15	13
Share of other comprehensive income of entities accounted for using equity method	8	(2)
Total other comprehensive income	214	(1,604)
Comprehensive income	3,705	1,585
Comprehensive income attributable to		
Owners of parent	3,670	1,548
Non-controlling interests	35	37

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

	Six Months ended September 30, 2021	Six Months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	4,683	4,205
Depreciation	3,023	2,982
Impairment loss	—	57
Amortization of goodwill	71	71
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	2	0
Increase (decrease) in net defined benefit liability	30	10
Increase (decrease) in provision for retirement benefits for directors (and other officers)	7	(13)
Interest and dividend income	(138)	(146)
Interest expenses	70	67
Share of loss (profit) of entities accounted for using equity method	(667)	(955)
Loss on retirement of property, plant and equipment	84	48
Loss (gain) on sales of property, plant and equipment	(1,490)	(3)
Loss (gain) on sales of investment securities	—	(1,758)
Subsidy income	(84)	—
Decrease (increase) in trade receivables	(183)	(453)
Decrease (increase) in inventories	(370)	(652)
Increase (decrease) in trade payables	(91)	(259)
Other, net	146	(835)
Subtotal	5,094	2,364
Interest and dividends income	1,674	933
Interest expenses	(71)	(69)
Income taxes paid	(1,429)	(1,094)
Income taxes refund	92	0
Proceeds from insurance income	35	19
Net cash provided by (used in) operating activities	5,396	2,153
Cash flows from investing activities		
Payments into time deposits	(243)	(277)
Proceeds from withdrawal of time deposits	252	292
Purchase of property, plant and equipment	(4,486)	(2,844)
Payments for retirement of property, plant and equipment	(82)	(26)
Proceeds from sales of property plant and equipment	1,642	3
Government subsidy	84	—
Purchase of investment securities	—	(0)
Proceeds from sales of investment securities	23	3,311
Purchase of shares of subsidiaries and associates	(53)	—
Other, net	(28)	(168)
Net cash provided by (used in) investing activities	(2,892)	290

(Millions of Yen)

	Six Months ended September 30, 2021	Six Months ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(500)	(920)
Repayments of long-term loans payable	(2,106)	(2,483)
Redemption of bonds	(35)	(35)
Purchase of treasury shares	(0)	(1,260)
Cash dividends paid	(1,000)	(858)
Dividends paid to non-controlling interests	(60)	(72)
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	(4,332)	(5,629)
Net increase (decrease) in cash and cash equivalents	(1,828)	(3,185)
Cash and cash equivalents at beginning of period	13,197	11,722
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	69	—
Cash and cash equivalents at end of period	11,438	8,537

Segment Information

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

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	1,391	349	(180)	2,165	71	2,236

Six Months ended September 30, 2022

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales							
Sales to outside	20,815	9,931	8,474	2,849	42,071	—	42,071
Intersegment sales and transfers	1,030	612	101	1,145	2,890	(2,890)	—
Total	21,846	10,543	8,576	3,995	44,962	(2,890)	42,071
Segment profit or loss	520	718	61	(34)	1,264	73	1,337

Notes:

1. "Adjustment" is due to intersegment elimination, etc.
2. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.