

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (unaudited) (Based on Japanese GAAP)

November 14, 2023

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
 For inquiry: Senior General Manager Hiro Mochizuki TEL +81-3-5219-1816
 Quarterly securities report issuing date: November 14, 2023
 Dividend payment date: December 5, 2023
 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, 2023 (April 1, 2023 – September 30, 2023)

(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, 2023	42,615	1.3	783	(41.4)	2,949	15.7	2,328	(26.1)
September 30, 2022	42,071	8.3	1,337	(40.2)	2,549	(18.8)	3,150	(8.8)

Note: Comprehensive income

Six Months ended September 30, 2023	3,278 million yen	106.8%
Six Months ended September 30, 2022	1,585 million yen	(57.2)%

	Basic earnings per share	Diluted earnings per share
Six Months ended	Yen	Yen
September 30, 2023	196.19	195.51
September 30, 2022	262.23	261.26

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	130,531	81,278	57.0
As of March 31, 2023	123,347	78,576	58.5

Reference: Equity	As of September 30, 2023	74,448 million yen
	As of March 31, 2023	72,102 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, 2023	—	50.00	—	50.00	100.00
March 31, 2024	—	50.00			
Fiscal year ending March 31, 2024 (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, 2024 (April 1, 2023 – March 31, 2024)

(% 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	90,000	7.0	3,000	82.8	6,000	47.8	4,000	(3.2)	334.57

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: | 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: | |
| September 30, 2023 | 13,300,000 shares |
| March 31, 2023 | 13,300,000 shares |
| (ii) Number of treasury shares as of: | |
| September 30, 2023 | 1,504,395 shares |
| March 31, 2023 | 1,405,700 shares |
| (iii) Average number of shares during the period: | |
| Six months ended September 30, 2023 | 11,868,741 shares |
| Six months ended September 30, 2022 | 12,016,001 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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	10,298	9,987
Notes and accounts receivable - trade, and contract assets	26,698	28,468
Merchandise and finished goods	5,057	5,028
Work in process	955	1,273
Raw materials and supplies	7,234	7,371
Other	1,253	1,380
Allowance for doubtful accounts	(17)	(28)
Total current assets	51,479	53,482
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,422	16,513
Machinery, equipment and vehicles, net	27,593	28,247
Land	11,066	12,640
Other, net	2,026	2,061
Total property, plant and equipment	57,108	59,462
Intangible assets		
Goodwill	986	2,769
Other	285	262
Total intangible assets	1,272	3,031
Investments and other assets		
Investment securities	11,029	12,642
Deferred tax assets	1,313	939
Other	1,184	1,014
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	13,486	14,554
Total non-current assets	71,867	77,049
Total assets	123,347	130,531

(Millions of Yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,068	10,040
Short-term loans payable	10,065	12,421
Current portion of long-term loans payable	3,904	4,325
Current portion of bonds	70	80
Income taxes payable	447	599
Provision for bonuses	436	474
Other	6,602	6,907
Total current liabilities	31,594	34,848
Non-current liabilities		
Bonds payable	280	270
Long-term loans payable	10,088	11,142
Deferred tax liabilities	446	394
Provision for directors' retirement benefits	72	96
Provision for environmental measures	52	52
Retirement benefit liability	1,349	1,385
Asset retirement obligations	596	648
Other	289	414
Total non-current liabilities	13,176	14,404
Total liabilities	44,771	49,252
Net assets		
Shareholders' equity		
Capital stock	11,485	11,485
Capital surplus	5,502	5,503
Retained earnings	58,734	60,468
Treasury shares	(4,755)	(5,087)
Total shareholders' equity	70,967	72,368
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,158	2,094
Deferred gains or losses on hedges	(0)	(0)
Remeasurements of defined benefit plans	(23)	(14)
Total accumulated other comprehensive income	1,135	2,079
Share acquisition rights	129	144
Non-controlling interests	6,344	6,685
Total net assets	78,576	81,278
Total liabilities and net assets	123,347	130,531

(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, 2022	Six Months ended September 30, 2023
Net sales	42,071	42,615
Cost of sales	37,173	37,933
Gross profit	4,897	4,682
Selling, general and administrative expenses	3,559	3,898
Operating income	1,337	783
Non-operating income		
Interest income	0	2
Dividend income	146	114
Rent income	62	61
Insurance income	19	100
Share of profit of entities accounted for using equity method	955	1,840
Other	136	157
Total non-operating income	1,320	2,276
Non-operating expenses		
Interest expenses	67	75
Other	41	36
Total non-operating expenses	109	111
Ordinary income	2,549	2,949
Extraordinary income		
Gain on sales of non-current assets	3	14
Gain on sales of investment securities	1,758	57
Compensation for forced relocation	—	255
Total extraordinary income	1,762	326
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	48	100
Impairment losses	57	105
Restoration expenses on facilities	—	282
Loss on valuation of shares of subsidiaries and associates	—	45
Total extraordinary losses	106	533
Profit before income taxes	4,205	2,742
Income taxes - current	1,055	571
Income taxes - deferred	(39)	(163)
Total income taxes	1,015	408
Profit	3,189	2,334
Profit (loss) attributable to non-controlling interests	39	5
Profit attributable to owners of parent	3,150	2,328

Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months ended September 30, 2022	Six Months ended September 30, 2023
Profit	3,189	2,334
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,615)	929
Deferred gains or losses on hedges	0	(0)
Remeasurements of defined benefit plans	13	8
Share of other comprehensive income of entities accounted for using equity method	(2)	5
Total other comprehensive income	(1,604)	944
Comprehensive income	1,585	3,278
Comprehensive income attributable to		
Owners of parent	1,548	3,272
Non-controlling interests	37	5

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

	Six Months ended September 30, 2022	Six Months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	4,205	2,742
Depreciation	2,982	3,023
Impairment loss	57	105
Amortization of goodwill	71	118
Increase (decrease) in allowance for doubtful accounts	(0)	8
Increase (decrease) in provision for bonuses	0	(12)
Increase (decrease) in net defined benefit liability	10	17
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(13)	(7)
Interest and dividend income	(146)	(117)
Interest expenses	67	75
Share of loss (profit) of entities accounted for using equity method	(955)	(1,840)
Loss on retirement of property, plant and equipment	48	100
Loss (gain) on sales of property, plant and equipment	(3)	(14)
Loss (gain) on sales of investment securities	(1,758)	(57)
Insurance claim income	(19)	(100)
Compensation for forced relocation	—	(255)
Restoration expenses on facilities	—	282
Loss on valuation of shares of subsidiaries and associates	—	45
Decrease (increase) in trade receivables	(453)	(1,399)
Decrease (increase) in inventories	(652)	(338)
Increase (decrease) in trade payables	(259)	(65)
Other, net	(815)	57
Subtotal	2,364	2,369
Interest and dividends income	933	1,616
Interest expenses	(69)	(71)
Income taxes paid	(1,094)	(712)
Income taxes refund	0	78
Proceeds from insurance income	19	100
Proceeds from compensation for forced relocation	—	255
Net cash provided by (used in) operating activities	2,153	3,637
Cash flows from investing activities		
Payments into time deposits	(277)	(351)
Proceeds from withdrawal of time deposits	292	326
Purchase of property, plant and equipment	(2,844)	(3,605)
Proceeds from sales of property plant and equipment	3	54
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	3,311	98
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(589)
Other, net	(195)	428
Net cash provided by (used in) investing activities	290	(3,637)

(Millions of Yen)

	Six Months ended September 30, 2022	Six Months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(920)	1,599
Proceeds from long-term borrowings	—	966
Repayments of long-term loans payable	(2,483)	(2,190)
Redemption of bonds	(35)	(40)
Purchase of treasury shares	(1,260)	(337)
Cash dividends paid	(858)	(594)
Dividends paid to non-controlling interests	(72)	(60)
Other, net	0	(8)
Net cash provided by (used in) financing activities	(5,629)	(665)
Net increase (decrease) in cash and cash equivalents	(3,185)	(666)
Cash and cash equivalents at beginning of period	11,722	9,974
Cash and cash equivalents at end of period	8,537	9,308

Segment Information

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

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

Six Months ended September 30, 2023

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales							
Sales to outside	20,019	9,795	8,918	3,881	42,615	—	42,615
Intersegment sales and transfers	1,353	547	104	1,408	3,412	(3,412)	—
Total	21,372	10,342	9,022	5,290	46,028	(3,412)	42,615
Segment profit or loss	521	(71)	258	23	732	51	783

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.