

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (unaudited) (Based on Japanese GAAP)

May 15, 2024

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: Senior General Manager Hiro Mochizuki TEL +81-3-5219-1816
 Scheduled date of Ordinary General Meeting of Shareholders: June 26, 2024
 Scheduled date of filing financial report: June 26, 2024
 Dividend payment date: June 27, 2024
 Availability of support documentation: Yes
 Holding of financial result briefing: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023–March 31, 2024)

(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, 2024	86,517	2.8	2,296	40.0	6,188	52.5	4,590	11.1
March 31, 2023	84,130	4.2	1,640	(61.2)	4,058	(29.2)	4,130	(21.3)

Note: Comprehensive income

Fiscal year ended March 31, 2024	6,532 million yen	134.3%
Fiscal year ended March 31, 2023	2,787 million yen	(39.7)%

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, 2024	387.95	386.53	6.2	4.8	2.7
March 31, 2023	345.52	344.31	5.7	3.3	2.0

(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, 2024	132,978	83,927	57.8	6,516.86
As of March 31, 2023	123,347	78,576	58.5	6,061.92

Reference: Equity	As of March 31, 2024	76,866 million yen
	As of March 31, 2023	72,102 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, 2024	11,397	(6,101)	(2,582)	12,687
March 31, 2023	2,582	(1,149)	(3,180)	9,974

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, 2023	—	50.00	—	50.00	100.00	1,189	28.9	1.7
March 31, 2024	—	50.00	—	70.00	120.00	1,415	30.9	1.9
Fiscal year ending March 31, 2025 (Forecast)	—	60.00	—	60.00	120.00		33.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024–March 31, 2025)

(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	93,000	7.5	3,100	35.0	5,500	(11.1)	4,300	(6.3)	363.42

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, 2024 13,300,000 shares
 - March 31, 2023 13,300,000 shares
- (ii) Number of treasury shares as of:
 - March 31, 2024 1,504,938 shares
 - March 31, 2023 1,405,700 shares
- (iii) Average number of shares during the period:
 - Fiscal year ended March 31, 2024 11,832,038 shares
 - Fiscal year ended March 31, 2023 11,955,486 shares

(Reference)

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023–March 31, 2024)

(1) Non-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		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	21,266	(0.3)	220	(40.3)	2,851	17.3	2,197	(28.0)
March 31, 2023	21,324	(2.8)	369	(82.7)	2,430	(49.1)	3,050	(34.6)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	185.69	185.01
March 31, 2023	255.14	254.25

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	79,622	60,013	75.2	5,075.76
March 31, 2023	75,314	57,979	76.8	4,863.66

Reference: Equity As of March 31, 2024 59,868 million yen
As of March 31, 2023 57,849 million yen

*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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	10,298	13,433
Notes receivable - trade	1,339	1,634
Accounts receivable-trade	24,221	23,805
Contract assets	1,136	761
Merchandise and finished goods	5,057	5,568
Work in process	955	1,127
Raw materials and supplies	7,234	6,259
Other	1,253	1,585
Allowance for doubtful accounts	(17)	(26)
Total current assets	51,479	54,151
Non-current assets		
Property, plant and equipment		
Buildings and structures	51,506	52,568
Accumulated depreciation	(35,083)	(36,361)
Buildings and structures, net	16,422	16,207
Machinery, equipment and vehicles	166,697	172,058
Accumulated depreciation	(139,103)	(144,777)
Machinery, equipment and vehicles, net	27,593	27,281
Land	11,066	12,640
Construction in progress	721	2,312
Other	6,887	7,420
Accumulated depreciation	(5,583)	(5,889)
Other, net	1,304	1,530
Total property, plant and equipment	57,108	59,972
Intangible assets		
Goodwill	986	2,590
Other	285	256
Total intangible assets	1,272	2,847
Investments and other assets		
Investment securities	11,029	14,449
Deferred tax assets	1,313	641
Other	1,184	958
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	13,486	16,007
Total non-current assets	71,867	78,827
Total assets	123,347	132,978

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,068	9,831
Short-term loans payable	10,065	9,550
Current portion of long-term loans payable	3,904	4,634
Current portion of bonds	70	80
Income taxes payable	447	740
Provision for bonuses	436	482
Other	6,602	8,271
Total current liabilities	31,594	33,590
Non-current liabilities		
Bonds payable	280	230
Long-term loans payable	10,088	12,420
Deferred tax liabilities	446	438
Provision for directors' retirement benefits	72	95
Provision for environmental measures	52	47
Retirement benefit liability	1,349	936
Asset retirement obligations	596	642
Other	289	648
Total non-current liabilities	13,176	15,460
Total liabilities	44,771	49,050
Net assets		
Shareholders' equity		
Capital stock	11,485	11,485
Capital surplus	5,502	5,503
Retained earnings	58,734	62,140
Treasury shares	(4,755)	(5,089)
Total shareholders' equity	70,967	74,038
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,158	2,514
Deferred gains or losses on hedges	(0)	(0)
Remeasurements of defined benefit plans	(23)	313
Total accumulated other comprehensive income	1,135	2,827
Share acquisition rights	129	144
Non-controlling interests	6,344	6,916
Total net assets	78,576	83,927
Total liabilities and net assets	123,347	132,978

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

Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	84,130	86,517
Cost of sales	75,332	76,150
Gross profit	8,798	10,366
Selling, general and administrative expenses	7,157	8,069
Operating income	1,640	2,296
Non-operating income		
Interest income	0	5
Dividend income	250	228
Rent income	132	122
Insurance income	36	135
Share of profit of entities accounted for using equity method	1,881	3,227
Other	378	416
Total non-operating income	2,679	4,136
Non-operating expenses		
Interest expenses	137	155
Rental expenses	53	19
Other	71	70
Total non-operating expenses	261	245
Ordinary income	4,058	6,188
Extraordinary income		
Gain on sales of non-current assets	6	30
Gain on sales of investment securities	1,932	60
Compensation for forced relocation	—	255
National subsidies	—	129
Insurance claim income	—	281
Total extraordinary income	1,938	756
Extraordinary losses		
Loss on sales of non-current assets	0	2
Loss on retirement of non-current assets	214	170
Impairment loss	256	207
Loss on disaster	44	—
Loss on litigation	70	—
Restoration expenses on facilities	—	281
Loss on valuation of shares of subsidiaries and associates	—	55
Business restructuring expenses	—	279
Other	—	38
Total extraordinary losses	585	1,035
Profit before income taxes	5,411	5,909
Income taxes - current	1,267	1,168
Income taxes - deferred	(136)	(98)
Total income taxes	1,130	1,070
Profit	4,280	4,838
Profit attributable to non-controlling interests	149	248
Profit attributable to owners of parent	4,130	4,590

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Profit	4,280	4,838
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,477)	1,346
Deferred gains or losses on hedges	(0)	0
Remeasurements of defined benefit plans	(12)	337
Share of other comprehensive income of entities accounted for using equity method	(2)	10
Total other comprehensive income	(1,492)	1,693
Comprehensive income	2,787	6,532
Comprehensive income attributable to		
Owners of parent	2,639	6,283
Non-controlling interests	148	249

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,485	10,922	56,056	(8,961)	69,502
Changes of items during period					
Dividends of surplus			(1,453)		(1,453)
Profit attributable to owners of parent			4,130		4,130
Purchase of treasury shares				(1,260)	(1,260)
Disposal of treasury shares		(7)		54	47
Cancellation of treasury shares		(5,412)		5,412	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(5,419)	2,677	4,206	1,464
Balance at end of current period	11,485	5,502	58,734	(4,755)	70,967

	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	2,636	—	(10)	2,626	164	6,268	78,562
Changes of items during period							
Dividends of surplus							(1,453)
Profit attributable to owners of parent							4,130
Purchase of treasury shares							(1,260)
Disposal of treasury shares							47
Cancellation of treasury shares							—
Net changes of items other than shareholders' equity	(1,478)	(0)	(12)	(1,491)	(35)	76	(1,450)
Total changes of items during period	(1,478)	(0)	(12)	(1,491)	(35)	76	13
Balance at end of current period	1,158	(0)	(23)	1,135	129	6,344	78,576

Consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,485	5,502	58,734	(4,755)	70,967
Changes of items during period					
Dividends of surplus			(1,184)		(1,184)
Profit attributable to owners of parent			4,590		4,590
Purchase of treasury shares				(339)	(339)
Disposal of treasury shares		0		4	5
Cancellation of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	3,405	(334)	3,071
Balance at end of current period	11,485	5,503	62,140	(5,089)	74,038

	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	1,158	(0)	(23)	1,135	129	6,344	78,576
Changes of items during period							
Dividends of surplus							(1,184)
Profit attributable to owners of parent							4,590
Purchase of treasury shares							(339)
Disposal of treasury shares							5
Cancellation of treasury shares							—
Net changes of items other than shareholders' equity	1,355	0	337	1,692	15	572	2,280
Total changes of items during period	1,355	0	337	1,692	15	572	5,351
Balance at end of current period	2,514	(0)	313	2,827	144	6,916	83,927

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	5,411	5,909
Depreciation	6,028	6,166
Impairment loss	256	207
Amortization of goodwill	142	284
Increase (decrease) in allowance for doubtful accounts	0	6
Increase (decrease) in retirement benefit liability	60	37
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(6)	(8)
Increase (decrease) in provision for environmental measures	2	(1)
Interest and dividend income	(250)	(234)
Interest expenses	137	155
Share of loss (profit) of entities accounted for using equity method	(1,881)	(3,227)
Loss on retirement of property, plant and equipment	214	170
Loss (gain) on sales of property, plant and equipment	(5)	(28)
Loss (gain) on sales of investment securities	(1,932)	(60)
Insurance income	(36)	(417)
Compensation for forced relocation	—	(255)
Subsidy income	—	(129)
Restoration expenses on facilities	—	281
Business restructuring expenses	—	279
Decrease (increase) in trade receivables	(417)	867
Decrease (increase) in inventories	(2,847)	378
Increase (decrease) in trade payables	(951)	(274)
Increase (decrease) in accrued consumption taxes	(524)	683
Other, net	79	(401)
Subtotal	3,476	10,388
Interest and dividends income	1,036	1,734
Interest expenses	(140)	(151)
Proceeds from insurance income	36	417
Income taxes paid	(1,828)	(1,320)
Income taxes refund	0	74
Proceeds from compensation for forced relocation	—	255
Net cash provided by (used in) operating activities	2,582	11,397
Cash flows from investing activities		
Payments into time deposits	(324)	(680)
Proceeds from withdrawal of time deposits	336	589
Purchase of property, plant and equipment	(4,729)	(6,310)
Proceeds from sales of property plant and equipment	29	74
Purchase of intangible assets	(34)	(74)
Government subsidy	—	341
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	3,807	150
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(589)
Other, net	(235)	397
Net cash provided by (used in) investing activities	(1,149)	(6,101)

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(550)	(1,264)
Proceeds from long-term loans payable	5,800	4,968
Repayments of long-term loans payable	(5,565)	(4,604)
Redemption of bonds	(70)	(80)
Purchase of treasury shares	(1,261)	(339)
Cash dividends paid	(1,452)	(1,183)
Dividends paid to non-controlling interests	(72)	(60)
Other, net	(8)	(17)
Net cash provided by (used in) financing activities	(3,180)	(2,582)
Net increase (decrease) in cash and cash equivalents	(1,748)	2,713
Cash and cash equivalents at beginning of period	11,722	9,974
Cash and cash equivalents at end of period	9,974	12,687

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.

“Environment Related” engages in the business utilizing natural environment for the purpose of effectively utilizing our own property forests located in the Minami-Alps. It also engages in the business reusing resources for the purpose of expanding the recycling business that designates our supply chain as our starting point.

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

FY2022 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2,3)
Net sales							
Sales to outside	41,201	19,587	17,163	6,178	84,130	—	84,130
Intersegment sales and transfers	2,291	1,074	194	2,323	5,884	(5,884)	—
Total	43,493	20,661	17,358	8,502	90,015	(5,884)	84,130
Segment profit	977	615	(139)	84	1,539	101	1,640
Segment assets	55,341	45,975	16,812	9,628	127,758	(4,410)	123,347
Other items							
Depreciation	3,247	1,257	1,014	509	6,028	—	6,028
Amortization of goodwill	—	—	—	142	142	—	142
Impairment loss	—	198	57	—	256	—	256
Investments in entities accounted for using equity method	4,921	—	—	—	4,921	—	4,921
Increase in tangible and intangible fixed assets	2,895	920	436	157	4,409	8	4,417

FY2023 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2,3)
Net sales							
Sales to outside	39,899	19,644	17,963	9,009	86,517	—	86,517
Intersegment sales and transfers	2,555	782	188	2,866	6,392	(6,392)	—
Total	42,455	20,427	18,151	11,875	92,909	(6,392)	86,517
Segment profit or loss	1,282	495	567	122	2,467	(170)	2,296
Segment assets	57,179	45,575	16,600	13,824	133,181	(202)	132,978
Other items							
Depreciation	3,238	1,301	1,019	606	6,166	—	6,166
Amortization of goodwill	—	—	—	284	284	—	284
Impairment loss	—	207	—	—	207	—	207
Investments in entities accounted for using equity method	6,653	—	—	—	6,653	—	6,653
Increase in tangible and intangible fixed assets	3,573	800	617	1,791	6,782	286	7,068

Notes:

1. "Adjustment" comprises the following:

(1) Segment profit (Millions of yen)

	FY2022	FY2023
Corporate expenses	(32)	(290)
Elimination, etc.	134	119
Total	101	(170)

(2) Segment assets (Millions of yen)

	FY2022	FY2023
Corporate assets	86,408	90,121
Elimination, etc.	(90,819)	(90,323)
Total	(4,410)	(202)

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

	FY2022	FY2023
Corporate assets	8	286
Total	8	286

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

FY2022 (April 1, 2022 to March 31, 2023)

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.	35,820	Industrial Material

FY2023 (April 1, 2023 to March 31, 2024)

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.	33,962	Industrial Material

Information on Impairment Loss of Fixed Assets of Each Reportable Segment

FY2022 (April 1, 2022 to March 31, 2023)

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

FY2023 (April 1, 2023 to March 31, 2024)

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

Information on Goodwill Amortization and Unamortized Balance of Each Reportable Segment

FY2022 (April 1, 2022 to March 31, 2023)

(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	—	—	—	986	—	986

FY2023 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Corporate/ Elimination	Total
Amortization during the period	—	—	—	284	—	284
Balance at the end of the period	—	—	—	2,590	—	2,590

Information on Gain on Negative Goodwill of Each Reportable Segment

FY2022 (April 1, 2022 to March 31, 2023)

Not applicable.

FY2023 (April 1, 2023 to March 31, 2024)

Not applicable.