

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (unaudited) (Based on Japanese GAAP)

May 13, 2022

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, 2022
 Scheduled date of filing financial report: June 24, 2022
 Dividend payment date: June 27, 2022
 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, 2022 (April 1, 2021–March 31, 2022)

(1) Consolidated Operating Results

(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	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	80,711	5.6	4,231	31.1	5,733	(4.0)	5,251	(6.1)
March 31, 2021	76,403	(5.2)	3,227	12.4	5,970	10.8	5,594	51.4

Note: Comprehensive income

Fiscal year ended March 31, 2022	4,619 million yen	(21.4)%
Fiscal year ended March 31, 2021	5,879 million yen	89.4%

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal Year ended	Yen	Yen	%	%	%
March 31, 2022	396.08	394.52	7.2	4.5	5.2
March 31, 2021	416.30	414.57	7.8	4.6	4.2

(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, 2022	125,430	78,562	57.5	5,881.27
As of March 31, 2021	128,091	80,286	57.3	5,493.99

Reference: Equity	As of March 31, 2022	72,129 million yen
	As of March 31, 2021	73,428 million yen

(3) Consolidated Cash Flow

	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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	9,579	(4,701)	(6,422)	11,722
March 31, 2021	11,638	893	(9,242)	13,197

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, 2021	—	25.00	—	75.00	100.00	1,336	24.0	1.9
March 31, 2022	—	50.00	—	70.00	120.00	1,527	30.3	2.1
Fiscal year ending March 31, 2023 (Forecast)	—	50.00	—	50.00	100.00		34.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022–March 31, 2023)

(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	87,000	7.8	3,100	(26.7)	4,000	(30.2)	3,900	(25.7)	294.12

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:
- | | |
|----------------|-------------------|
| March 31, 2022 | 14,900,000 shares |
| March 31, 2021 | 14,900,000 shares |
- (ii) Number of treasury shares as of:
- | | |
|----------------|------------------|
| March 31, 2022 | 2,635,724 shares |
| March 31, 2021 | 1,534,775 shares |
- (iii) Average number of shares during the period:
- | | |
|----------------------------------|-------------------|
| Fiscal year ended March 31, 2022 | 13,259,696 shares |
| Fiscal year ended March 31, 2021 | 13,438,563 shares |

1. Non-consolidated Financial Results for the Fiscal Year Ended 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.)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2022	351.80	350.42
March 31, 2021	349.72	348.26

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	74,240	59,106	79.4	4,805.96
As of March 31, 2021	73,233	60,925	83.0	4,545.29

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

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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	13,532	12,058
Notes and accounts receivable - trade	24,428	—
Notes receivable - trade	—	1,323
Accounts receivable-trade	—	22,805
Contract assets	—	2,151
Merchandise and finished goods	4,241	4,189
Work in process	728	772
Raw materials and supplies	4,640	5,437
Other	921	702
Allowance for doubtful accounts	(15)	(17)
Total current assets	48,478	49,423
Non-current assets		
Property, plant and equipment		
Buildings and structures	50,332	51,214
Accumulated depreciation	(33,146)	(34,146)
Buildings and structures, net	17,185	17,067
Machinery, equipment and vehicles	160,135	164,027
Accumulated depreciation	(131,081)	(134,990)
Machinery, equipment and vehicles, net	29,053	29,036
Land	12,134	11,288
Construction in progress	1,425	296
Other	6,597	6,654
Accumulated depreciation	(5,424)	(5,455)
Other, net	1,172	1,199
Total property, plant and equipment	60,971	58,888
Intangible assets		
Goodwill	1,271	1,129
Other	416	359
Total intangible assets	1,688	1,488
Investments and other assets		
Investment securities	15,593	13,939
Deferred tax assets	553	593
Other	847	1,138
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	16,952	15,630
Total non-current assets	79,612	76,006
Total assets	128,091	125,430

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,075	11,020
Short-term loans payable	6,445	10,615
Current portion of long-term loans payable	4,156	4,808
Current portion of bonds	70	70
Income taxes payable	1,160	939
Provision for bonuses	422	437
Provision for environmental measures	35	—
Other	8,492	7,038
Total current liabilities	30,858	34,930
Non-current liabilities		
Bonds payable	420	350
Long-term loans payable	13,728	8,949
Deferred tax liabilities	725	516
Provision for directors' retirement benefits	64	79
Provision for environmental measures	52	50
Net defined benefit liability	1,230	1,270
Asset retirement obligations	658	648
Other	67	73
Total non-current liabilities	16,946	11,937
Total liabilities	47,804	46,867
Net assets		
Shareholders' equity		
Capital stock	11,485	11,485
Capital surplus	11,030	10,922
Retained earnings	52,476	56,056
Treasury shares	(5,000)	(8,961)
Total shareholders' equity	69,991	69,502
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,474	2,636
Remeasurements of defined benefit plans	(37)	(10)
Total accumulated other comprehensive income	3,436	2,626
Share acquisition rights	176	164
Non-controlling interests	6,681	6,268
Total net assets	80,286	78,562
Total liabilities and net assets	128,091	125,430

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

Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	76,403	80,711
Cost of sales	65,315	68,952
Gross profit	11,087	11,759
Selling, general and administrative expenses	7,860	7,527
Operating income	3,227	4,231
Non-operating income		
Interest income	0	0
Dividend income	336	264
Rent income	127	123
Insurance income	76	48
Share of profit of entities accounted for using equity method	2,210	1,002
Other	312	314
Total non-operating income	3,064	1,754
Non-operating expenses		
Interest expenses	197	137
Commission expenses	68	33
Other	54	82
Total non-operating expenses	321	252
Ordinary income	5,970	5,733
Extraordinary income		
Gain on sales of non-current assets	27	1,615
Gain on sales of investment securities	5,898	5
National subsidies	—	84
Gain on extinguishment of tie-in shares	—	57
Other	37	4
Total extraordinary income	5,963	1,767
Extraordinary losses		
Loss on sales of non-current assets	109	0
Loss on retirement of non-current assets	302	119
Impairment loss	3,785	72
Provision for environmental measures	37	—
Other	10	9
Total extraordinary losses	4,246	201
Profit before income taxes	7,688	7,299
Income taxes - current	2,484	1,865
Income taxes - deferred	(546)	4
Total income taxes	1,937	1,869
Profit	5,750	5,429
Profit attributable to non-controlling interests	156	177
Profit attributable to owners of parent	5,594	5,251

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Profit	5,750	5,429
Other comprehensive income		
Valuation difference on available-for-sale securities	(184)	(840)
Deferred gains or losses on hedges	(0)	—
Remeasurements of defined benefit plans	310	27
Share of other comprehensive income of entities accounted for using equity method	3	2
Total other comprehensive income	128	(810)
Comprehensive income	5,879	4,619
Comprehensive income attributable to		
Owners of parent	5,721	4,441
Non-controlling interests	158	177

(3) Consolidated Statement of Changes in Equity

Previous 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	—
Change in ownership interest of parent due to transactions with non-controlling interests					—
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							—
Change in ownership interest of parent due to transactions with non-controlling interests							—
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

Consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,485	11,030	52,476	(5,000)	69,991
Changes of items during period					
Dividends of surplus			(1,671)		(1,671)
Profit attributable to owners of parent			5,251		5,251
Purchase of treasury shares				(4,001)	(4,001)
Disposal of treasury shares		(8)		40	32
Cancellation of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests		(100)			(100)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(108)	3,580	(3,961)	(488)
Balance at end of current period	11,485	10,922	56,056	(8,961)	69,502

	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	3,474	—	(37)	3,436	176	6,681	80,286
Changes of items during period							
Dividends of surplus							(1,671)
Profit attributable to owners of parent							5,251
Purchase of treasury shares							(4,001)
Disposal of treasury shares							32
Cancellation of treasury shares							—
Change in ownership interest of parent due to transactions with non-controlling interests							(100)
Net changes of items other than shareholders' equity	(837)	—	27	(809)	(12)	(412)	(1,234)
Total changes of items during period	(837)	—	27	(809)	(12)	(412)	(1,723)
Balance at end of current period	2,636	—	(10)	2,626	164	6,268	78,562

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	7,688	7,299
Depreciation	6,543	6,225
Impairment loss	3,785	72
Amortization of goodwill	142	142
Increase (decrease) in allowance for doubtful accounts	(8)	1
Increase (decrease) in net defined benefit liability	36	79
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8	15
Increase (decrease) in provision for environmental measures	34	(37)
Interest and dividend income	(337)	(264)
Interest expenses	197	137
Share of loss (profit) of entities accounted for using equity method	(2,210)	(1,002)
Loss on retirement of property, plant and equipment	302	119
Loss (gain) on sales of property, plant and equipment	81	(1,615)
Loss (gain) on sales of investment securities	(5,898)	(5)
Insurance income	(76)	(48)
Subsidy income	—	(84)
Decrease (increase) in trade receivables	680	(1,841)
Decrease (increase) in inventories	1,071	(786)
Increase (decrease) in trade payables	(837)	944
Increase (decrease) in accrued consumption taxes	17	99
Other, net	414	399
Subtotal	11,636	9,850
Interest and dividends income	1,732	1,801
Interest expenses	(196)	(139)
Proceeds from insurance income	76	48
Income taxes paid	(1,895)	(2,073)
Income taxes refund	284	92
Net cash provided by (used in) operating activities	11,638	9,579
Cash flows from investing activities		
Payments into time deposits	(324)	(313)
Proceeds from withdrawal of time deposits	256	312
Purchase of property, plant and equipment	(7,842)	(7,231)
Payments for retirement of property, plant and equipment	(468)	(111)
Proceeds from sales of property plant and equipment	351	2,688
Purchase of intangible assets	(158)	(49)
Government subsidy	—	84
Purchase of investment securities	(1)	(0)
Proceeds from sales of investment securities	9,127	23
Purchase of shares of subsidiaries and associates	—	(88)
Other, net	(45)	(15)
Net cash provided by (used in) investing activities	893	(4,701)

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,960)	4,170
Proceeds from long-term loans payable	7,349	—
Repayments of long-term loans payable	(8,239)	(4,160)
Redemption of bonds	(88)	(70)
Purchase of treasury shares	(2,177)	(4,002)
Cash dividends paid	(1,028)	(1,669)
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	(9,242)	(6,422)
Effect of exchange rate change on cash and cash equivalents	0	—
Net increase (decrease) in cash and cash equivalents	3,289	(1,544)
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	13,197	11,722

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.

(Information on changes for reportable segment)

Manufacturing costs for some products, which had previously been included in "Adjustment" as R&D activities, have been included in "Special Material" since the consolidated accounting period of the fourth quarter of 2022, as full-scale production has begun in March 2022. The impact of this change on segment profit is minor.

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

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	45,167	18,135	9,756	128,295	(204)	128,091
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

FY2021 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2,3)
Net sales							
Sales to outside	37,445	20,598	16,674	5,992	80,711	—	80,711
Intersegment sales and transfers	1,930	676	185	2,181	4,974	(4,974)	—
Total	39,375	21,275	16,859	8,174	85,685	(4,974)	80,711
Segment profit	1,154	2,643	574	2	4,375	(143)	4,231
Segment assets	55,111	46,867	17,039	10,080	129,100	(3,670)	125,430
Other items							
Depreciation	3,178	1,398	1,061	500	6,138	87	6,225
Amortization of goodwill	—	—	—	142	142	—	142
Impairment loss	—	72	—	—	72	—	72
Investments in entities accounted for using equity method	3,826	—	—	—	3,826	—	3,826
Increase in tangible and intangible fixed assets	3,078	1,055	345	576	5,056	69	5,125

Notes:

1. "Adjustment" comprises the following:

(1) Segment profit (Millions of yen)

	FY2020	FY2021
Depreciation	(94)	(87)
Corporate expenses	(189)	(186)
Elimination, etc.	127	129
Total	(156)	(143)

(2) Segment assets (Millions of yen)

	FY2020	FY2021
Corporate assets	86,068	83,774
Elimination, etc.	(86,272)	(87,445)
Total	(204)	(3,670)

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

	FY2020	FY2021
Corporate assets	60	69
Total	60	69

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

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

FY2021 (April 1, 2021 to March 31, 2022)

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.	32,063	Industrial Material

Information on Impairment Loss of Fixed Assets of Each Reportable Segment

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

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

FY2021 (April 1, 2021 to March 31, 2022)

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

Information on Goodwill Amortization and Unamortized Balance of Each Reportable Segment

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

FY2021 (April 1, 2021 to March 31, 2022)

(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	—	—	—	1,129	—	1,129

Information on Gain on Negative Goodwill of Each Reportable Segment

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

Not applicable.

FY2021 (April 1, 2021 to March 31, 2022)

Not applicable.