

# Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (unaudited) (Based on Japanese GAAP)

November 12, 2020

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, 2020  
 Dividend payment date: December 7, 2020  
 Availability of support documentation: Yes  
 Holding of financial result briefing: No

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

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 1, 2020 – September 30, 2020)

### (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, 2020	36,663	(8.0)	864	5.2	2,177	4.9	3,057	136.9
September 30, 2019	39,870	1.4	821	(53.5)	2,075	(23.7)	1,290	(35.2)

Note: Comprehensive income

Six Months ended September 30, 2020	1,802 million yen	133.6%
Six Months ended September 30, 2019	771 million yen	(72.1)%

	Basic earnings per share	Diluted earnings per share
Six Months ended September 30, 2020	Yen 226.28	Yen 225.39
September 30, 2019	92.97	92.62

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	132,481	76,544	52.7
As of March 31, 2020	132,655	77,678	53.5

Reference: Equity	As of September 30, 2020	69,842 million yen
	As of March 31, 2020	70,908 million yen

## 2. Dividends

	Annual Dividends per share				
	1 <sup>st</sup> quarter end	2 <sup>nd</sup> quarter end	3 <sup>rd</sup> quarter end	End of fiscal year	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2020	—	25.00	—	50.00	75.00
March 31, 2021	—	25.00			
Fiscal year ending March 31, 2021 (Forecast)			—	25.00	50.00

Note: Revision to dividend forecasts published most recently: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(% 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	76,000	(5.7)	1,800	(37.3)	3,600	(33.2)	6,800	84.0	504.32

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: 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, 2020 14,900,000 shares

March 31, 2020 15,412,000 shares

(ii) Number of treasury shares as of:

September 30, 2020 1,534,499 shares

March 31, 2020 1,522,662 shares

(iii) Average number of shares during the period:

Six months ended September 30, 2020 13,511,330 shares

Six months ended September 30, 2019 13,884,423 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, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	10,175	15,914
Notes and accounts receivable - trade	25,109	22,878
Merchandise and finished goods	4,369	4,628
Work in process	793	759
Raw materials and supplies	5,519	5,363
Other	1,256	688
Allowance for doubtful accounts	(23)	(14)
Total current assets	47,200	50,219
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,346	17,609
Machinery, equipment and vehicles, net	30,015	29,942
Land	13,060	13,011
Other, net	3,416	4,297
Total property, plant and equipment	63,839	64,859
Intangible assets		
Goodwill	1,426	1,343
Other	350	338
Total intangible assets	1,776	1,681
Investments and other assets		
Investment securities	18,314	14,297
Deferred tax assets	565	568
Other	1,001	896
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	19,839	15,720
Total non-current assets	85,455	82,261
Total assets	132,655	132,481

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	10,913	9,393
Short-term loans payable	11,405	18,135
Current portion of long-term loans payable	7,267	3,972
Current portion of bonds	70	70
Income taxes payable	474	586
Provision for bonuses	425	448
Provision for environmental measures	0	20
Other	8,166	7,842
<b>Total current liabilities</b>	<b>38,723</b>	<b>40,468</b>
<b>Non-current liabilities</b>		
Bonds payable	508	455
Long-term loans payable	11,506	11,939
Deferred tax liabilities	1,253	695
Provision for directors' retirement benefits	55	53
Provision for environmental measures	53	54
Provision for business structure improvement	557	26
Net defined benefit liability	1,636	1,572
Asset retirement obligations	621	604
Other	60	65
<b>Total non-current liabilities</b>	<b>16,254</b>	<b>15,467</b>
<b>Total liabilities</b>	<b>54,977</b>	<b>55,936</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	11,485	11,485
Capital surplus	12,698	11,030
Retained earnings	47,910	50,273
Treasury shares	(4,494)	(4,998)
<b>Total shareholders' equity</b>	<b>67,599</b>	<b>67,790</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,657	2,369
Deferred gains or losses on hedges	0	—
Remeasurements of defined benefit plans	(348)	(316)
<b>Total accumulated other comprehensive income</b>	<b>3,309</b>	<b>2,052</b>
Share acquisition rights	146	176
Non-controlling interests	6,622	6,525
<b>Total net assets</b>	<b>77,678</b>	<b>76,544</b>
<b>Total liabilities and net assets</b>	<b>132,655</b>	<b>132,481</b>

## (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, 2019	Six Months ended September 30, 2020
Net sales	39,870	36,663
Cost of sales	35,103	31,866
Gross profit	4,766	4,797
Selling, general and administrative expenses	3,944	3,933
Operating income	821	864
Non-operating income		
Interest income	0	0
Dividend income	261	207
Rent income	51	64
Insurance income	55	68
Share of profit of entities accounted for using equity method	866	1,000
Other	156	108
Total non-operating income	1,392	1,450
Non-operating expenses		
Interest expenses	93	108
Other	44	27
Total non-operating expenses	138	136
Ordinary income	2,075	2,177
Extraordinary income		
Gain on sales of non-current assets	10	7
Gain on sales of investment securities	—	1,936
Insurance income	109	—
Other	—	11
Total extraordinary income	119	1,955
Extraordinary losses		
Loss on sales of non-current assets	2	36
Loss on retirement of non-current assets	246	211
Provision for environmental measures	34	23
Business restructuring expenses	334	—
Total extraordinary losses	617	270
Profit before income taxes	1,577	3,862
Income taxes - current	237	831
Income taxes - deferred	(33)	(23)
Total income taxes	204	808
Profit	1,373	3,053
Profit (loss) attributable to non-controlling interests	82	(3)
Profit attributable to owners of parent	1,290	3,057

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months ended September 30, 2019	Six Months ended September 30, 2020
Profit	1,373	3,053
Other comprehensive income		
Valuation difference on available-for-sale securities	(618)	(1,281)
Deferred gains or losses on hedges	—	(0)
Remeasurements of defined benefit plans	17	31
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(601)	(1,251)
Comprehensive income	771	1,802
Comprehensive income attributable to		
Owners of parent	690	1,800
Non-controlling interests	81	2

### (3) Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

	Six Months ended September 30, 2019	Six Months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,577	3,862
Depreciation	3,268	3,236
Amortization of goodwill	—	71
Increase (decrease) in allowance for doubtful accounts	(1)	(9)
Increase (decrease) in provision for bonuses	(8)	22
Increase (decrease) in net defined benefit liability	40	(19)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	(2)
Interest and dividend income	(261)	(207)
Interest expenses	93	108
Share of loss (profit) of entities accounted for using equity method	(866)	(1,000)
Loss on retirement of property, plant and equipment	246	211
Loss (gain) on sales of property, plant and equipment	(7)	28
Loss (gain) on sales of investment securities	—	(1,936)
Insurance claim income	(109)	—
Business restructuring expenses	334	—
Decrease (increase) in notes and accounts receivable - trade	2,888	2,231
Decrease (increase) in inventories	(430)	(69)
Increase (decrease) in notes and accounts payable - trade	(2,659)	(1,519)
Other, net	265	(309)
Subtotal	4,370	4,697
Interest and dividends income	1,080	1,602
Interest expenses	(94)	(102)
Income taxes paid	(656)	(719)
Income taxes refund	99	282
Proceeds from insurance income	243	67
Net cash provided by (used in) operating activities	5,042	5,827
Cash flows from investing activities		
Payments into time deposits	(152)	(219)
Proceeds from withdrawal of time deposits	146	196
Purchase of property, plant and equipment	(3,301)	(4,237)
Payments for retirement of property, plant and equipment	(1,040)	(427)
Proceeds from sales of property plant and equipment	10	30
Government subsidy	275	—
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	—	3,708
Other, net	(130)	(6)
Net cash provided by (used in) investing activities	(4,193)	(956)

(Millions of Yen)

	Six Months ended September 30, 2019	Six Months ended September 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,610	6,730
Proceeds from long-term loans payable	—	3,049
Repayments of long-term loans payable	(2,103)	(5,912)
Redemption of bonds	(35)	(53)
Purchase of treasury shares	(0)	(2,175)
Cash dividends paid	(693)	(694)
Dividends paid to non-controlling interests	(119)	(99)
Other, net	0	0
Net cash provided by (used in) financing activities	(1,341)	845
Effect of exchange rate change on cash and cash equivalents	—	0
Net increase (decrease) in cash and cash equivalents	(492)	5,716
Cash and cash equivalents at beginning of period	8,726	9,908
Cash and cash equivalents at end of period	8,233	15,624



## Segment Information

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

Six Months ended September 30, 2019

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales							
Sales to outside	18,735	10,579	8,835	1,720	39,870	—	39,870
Intersegment sales and transfers	976	397	148	1,025	2,548	(2,548)	—
Total	19,711	10,976	8,984	2,745	42,418	(2,548)	39,870
Segment profit or loss	370	338	200	(53)	856	(34)	821

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

Notes:

1. "Adjustment" comprises the following:

#### Segment profit

	Six Months ended September 30, 2019	Six Months ended September 30, 2020
Corporate expenses	(143)	(135)
Elimination, etc.	109	72
Total	(34)	(63)

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