Summary of Consolidated Financial Results for the Six Months Ended September 30, 2024 (unaudited) (Based on Japanese GAAP)

November 12, 2024

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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Semi-annual securities report issuing date: November 14, 2024
Dividend payment date: December 5, 2024
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, 2024 (April 1, 2024 – September 30, 2024)

(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	
Six Months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	46,572	9.3	1,873	139.1	3,059	3.7	2,096	(10.0)
September 30, 2023	42,615	1.3	783	(41.4)	2,949	15.7	2,328	(26.1)

Note: Comprehensive income
Six Months ended September 30, 2024 1,889 million yen (42.4)%
Six Months ended September 30, 2023 3,278 million yen 106.8%

	Basic earnings per share	Diluted earnings per share
Six Months ended	Yen	Yen
September 30, 2024	177.70	177.05
September 30, 2023	196.22	195.54

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	132,598	84,920	58.7
As of March 31, 2024	132,978	83,927	57.8

Reference: Equity As of September 30, 2024 77,840 million yen
As of March 31, 2024 76,866 million yen

2. Dividends

	Annual Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	End of fiscal year	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2024	—	50.00	—	70.00	120.00
March 31, 2025	—	60.00			
Fiscal year ending March 31, 2025 (Forecast)			—	60.00	120.00

Note: Revision to dividend forecasts published most recently: No

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

(% 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	95,000	9.8	4,000	74.2	6,200	0.2	4,300	(6.3)	364.44

Note: Revision to financial forecasts published most recently: Yes

4. Others

[1] Significant changes in the scope of consolidation during the period: Yes

New Takafuji Co., Ltd.

Eliminated —

Our consolidated subsidiaries, Takafuji Holdings Co., Ltd. and Takafuji Co., Ltd., have conducted an absorption-type merger, effective August 1, 2024, with Takafuji Co., Ltd. as the surviving company and Takafuji Holdings Co., Ltd. as the dissolving company.

[2]Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: No

[3] 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

[4] Number of issued shares (common shares)

(i) Number of issued shares (including treasury shares) as of:

September 30, 2024 13,000,000 shares
March 31, 2024 13,300,000 shares

(ii) Number of treasury shares as of:

September 30, 2024 1,197,912 shares
March 31, 2024 1,504,938 shares

(iii) Average number of shares during the period:

Six months ended September 30, 2024 11,798,772 shares
Six months ended September 30, 2023 11,868,741shares

*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.

Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	13,433	10,120
Notes and accounts receivable - trade, and contract assets	26,201	26,841
Merchandise and finished goods	5,568	5,319
Work in process	1,127	1,519
Raw materials and supplies	6,259	6,761
Other	1,585	1,663
Allowance for doubtful accounts	(26)	(25)
Total current assets	54,151	52,200
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,207	16,823
Machinery, equipment and vehicles, net	27,281	27,236
Land	12,640	13,012
Other, net	3,843	4,297
Total property, plant and equipment	59,972	61,369
Intangible assets		
Goodwill	2,590	3,654
Other	256	329
Total intangible assets	2,847	3,983
Investments and other assets		
Investment securities	14,449	13,201
Deferred tax assets	641	643
Other	958	1,241
Allowance for doubtful accounts	(41)	(41)
Total investments and other assets	16,007	15,044
Total non-current assets	78,827	80,397
Total assets	132,978	132,598

(Millions of Yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,831	9,872
Short-term loans payable	9,550	8,938
Current portion of long-term loans payable	4,634	4,597
Current portion of bonds	80	110
Income taxes payable	740	806
Provision for bonuses	482	531
Other	8,271	7,303
Total current liabilities	33,590	32,159
Non-current liabilities		
Bonds payable	230	250
Long-term loans payable	12,420	12,300
Deferred tax liabilities	438	370
Provision for directors' retirement benefits	95	92
Provision for environmental measures	47	47
Retirement benefit liability	936	989
Asset retirement obligations	642	606
Other	648	860
Total non-current liabilities	15,460	15,518
Total liabilities	49,050	47,677
Net assets		
Shareholders' equity		
Capital stock	11,485	11,485
Capital surplus	5,503	4,487
Retained earnings	62,140	63,411
Treasury shares	(5,089)	(4,051)
Total shareholders' equity	74,038	75,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,514	2,198
Deferred gains or losses on hedges	(0)	0
Remeasurements of defined benefit plans	313	309
Total accumulated other comprehensive income	2,827	2,508
Share acquisition rights	144	138
Non-controlling interests	6,916	6,941
Total net assets	83,927	84,920
Total liabilities and net assets	132,978	132,598

(2) Semi-annual Consolidated Statements of Income and Semi-annual Consolidated Statements of Comprehensive Income

Semi-annual Consolidated Statements of Income

(Millions of Yen)

	Six Months ended September 30, 2023	Six Months ended September 30, 2024
Net sales	42,615	46,572
Cost of sales	37,933	40,398
Gross profit	4,682	6,173
Selling, general and administrative expenses	3,898	4,300
Operating income	783	1,873
Non-operating income		
Interest income	2	2
Dividend income	114	142
Rent income	61	62
Insurance income	100	71
Share of profit of entities accounted for using equity method	1,840	806
Other	157	242
Total non-operating income	2,276	1,328
Non-operating expenses		
Interest expenses	75	90
Other	36	52
Total non-operating expenses	111	143
Ordinary income	2,949	3,059
Extraordinary income		
Gain on sales of non-current assets	14	107
Gain on sales of investment securities	57	3
Compensation for forced relocation	255	―
Total extraordinary income	326	110
Extraordinary losses		
Loss on sales of non-current assets	―	3
Loss on retirement of non-current assets	100	59
Impairment losses	105	―
Restoration expenses on facilities	282	―
Loss on valuation of shares of subsidiaries and associates	45	―
Business restructuring expenses	―	125
Total extraordinary losses	533	188
Profit before income taxes	2,743	2,981
Income taxes - current	571	708
Income taxes - deferred	(163)	64
Total income taxes	408	773
Profit	2,334	2,208
Profit attributable to non-controlling interests	5	111
Profit attributable to owners of parent	2,328	2,096

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months ended September 30, 2023	Six Months ended September 30, 2024
Profit	2,334	2,208
Other comprehensive income		
Valuation difference on available-for-sale securities	929	(318)
Deferred gains or losses on hedges	(0)	0
Remeasurements of defined benefit plans	8	(4)
Share of other comprehensive income of entities accounted for using equity method	5	2
Total other comprehensive income	944	(319)
Comprehensive income	3,278	1,889
Comprehensive income attributable to		
Owners of parent	3,272	1,777
Non-controlling interests	5	111

(3) Semi-annual Consolidated Statement of Cash Flows

(Millions of Yen)

	Six Months ended September 30, 2023	Six Months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,743	2,981
Depreciation	3,023	3,051
Impairment loss	105	―
Amortization of goodwill	118	197
Increase (decrease) in allowance for doubtful accounts	8	(1)
Increase (decrease) in provision for bonuses	(12)	46
Increase (decrease) in net defined benefit liability	17	47
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(7)	(3)
Interest and dividend income	(117)	(145)
Interest expenses	75	90
Share of loss (profit) of entities accounted for using equity method	(1,840)	(806)
Loss on retirement of property, plant and equipment	100	59
Loss (gain) on sales of property, plant and equipment	(14)	(104)
Loss (gain) on sales of investment securities	(57)	(3)
Insurance claim income	(100)	(71)
Compensation for forced relocation	(255)	―
Restoration expenses on facilities	282	―
Loss on valuation of shares of subsidiaries and associates	45	―
Business restructuring expenses	―	125
Decrease (increase) in trade receivables	(1,399)	(166)
Decrease (increase) in inventories	(338)	(618)
Increase (decrease) in trade payables	(65)	(153)
Other, net	57	(1,022)
Subtotal	2,369	3,504
Interest and dividends income	1,616	1,748
Interest expenses	(71)	(92)
Income taxes paid	(712)	(695)
Income taxes refund	78	439
Proceeds from insurance income	100	71
Proceeds from compensation for forced relocation	255	―
Net cash provided by (used in) operating activities	3,637	4,975
Cash flows from investing activities		
Payments into time deposits	(351)	(454)
Proceeds from withdrawal of time deposits	326	426
Purchase of property, plant and equipment	(3,605)	(3,787)
Proceeds from sales of property plant and equipment	54	111
Purchase of investment securities	(0)	―
Proceeds from sales of investment securities	98	10
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(589)	(1,525)
Other, net	428	(94)
Net cash provided by (used in) investing activities	(3,637)	(5,314)

(Millions of Yen)

	Six Months ended September 30, 2023	Six Months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,599	(712)
Proceeds from long-term borrowings	966	1,250
Repayments of long-term loans payable	(2,190)	(2,607)
Redemption of bonds	(40)	(40)
Purchase of treasury shares	(337)	(0)
Cash dividends paid	(594)	(824)
Dividends paid to non-controlling interests	(60)	(84)
Other, net	(8)	(39)
Net cash provided by (used in) financing activities	(665)	(3,058)
Net increase (decrease) in cash and cash equivalents	(666)	(3,396)
Cash and cash equivalents at beginning of period	9,974	12,687
Cash and cash equivalents at end of period	9,308	9,291

Segment Information

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

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

Six Months ended September 30, 2024

(Millions of yen)

	Industrial Material	Special Material	Household Products	Environment Related	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales							
Sales to outside	20,819	10,204	9,179	6,368	46,572	—	46,572
Intersegment sales and transfers	1,325	392	103	1,716	3,537	(3,537)	—
Total	22,144	10,597	9,283	8,084	50,110	(3,537)	46,572
Segment profit	356	884	339	215	1,795	78	1,873

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.