

August 5,2022

Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 2023 (unaudited)

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(Amounts of less than one million yen are rounded down.)

1. Results for the First Quarter of the Year Ending March 31, 2023 (April 1, 2022 - June 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter of FY2022	48,604	16.4	(769)	-	668	99.6	(557)	-
First Quarter of FY2021	41,746	1.4	(1)	-	335	-	(1,161)	-

Note: Comprehensive income
 First Quarter of FY2022 ¥(919) million
 First Quarter of FY2021 ¥(580) million

	Profit per share	Diluted profit per share
	Yen	Yen
First Quarter of FY2022	(12.53)	-
First Quarter of FY2021	(26.01)	-

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	Million yen
First Quarter of FY2022	219,801	68,696	31.3
Year ended March 2022	215,879	69,613	32.2

Note: Shareholders' equity
 First Quarter of FY2022 ¥68,693 million
 FY2021 ¥69,608 million

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2021	-	0.00	-	0.00	0.00
FY2022	-				
FY2022(Forecast)		0.00	-	5.00	5.00

Note : Revision to the forecast for dividends announced most recently … None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023

(April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	200,000	9.9	2,500	-	3,500	78.2	1,500	36.8	33.74

Note : Revision to the financial results forecast announced most recently … None

4. Notes

- (1) Changes in significant subsidiaries during the period under review
(changes in specified subsidiaries resulting in changes in scope of consolidation): None
New: - (Company name); Excluded: - (Company name)
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- | | |
|--|------|
| 1) Changes in accounting policies due to the revision of accounting standards: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting estimates: | Yes |
| 4) Retrospective restatement: | None |
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):
- | | |
|-------------------------|-------------------|
| First Quarter of FY2022 | 44,741,433 shares |
| FY2021 | 44,741,433 shares |
- 2) Total number of treasury shares at the end of the period:
- | | |
|-------------------------|----------------|
| First Quarter of FY2022 | 288,549 shares |
| FY2021 | 288,324 shares |
- 3) Average number of shares during the period:
- | | |
|-------------------------|-------------------|
| First Quarter of FY2022 | 44,453,009 shares |
| First Quarter of FY2021 | 44,657,546 shares |

Notes: The Company has adopted a BIP (Board Incentive Plan) trust, assuming the number of shares held by the trust are included in the number of treasury stock of “(4) Total number of issued shares (common shares)”.

* This quarterly financial results report is exempt from quarterly review by Certified Public Accountants or an Audit Firm.

* Explanation of the proper use of financial results forecast and other notes.

The earnings forecasts and other forward-looking statements herein are based on information currently acquired by the Company and certain assumptions assessed to be reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operations Results

Forward-looking statements supplied below are forecasts Mitsubishi Paper Mills Limited and its consolidated subsidiaries (the “Group”) made as of the last day of the period under review.

(1) State of Operating Results

In the three months ended June 30, 2022, economic activities continued to recover to a certain extent, assisted by efforts to prevent COVID-19’s spread consistent with those activities. Meanwhile, uncertainties remained high over matters such as steep rises in raw material and fuel prices, as well as exchange rate fluctuations that may result from the rapid depreciation of the yen, amid concern over the possible prolongation of the situation in Ukraine.

Looking at conditions surrounding the Group, a demand recovery was observed mainly due to the easing of restrictions on outings and events. However, sharp rises in the prices of fuels, such as crude oil, coal and natural gas, affected the Group significantly.

Under these circumstances, the Group worked to improve productivity by to continue production systems in line with demand trends in each business and, in term of sales, strived to revise product prices and expand sales of new products.

The Group began executing the Mid-Term Management Plan (for the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025) in the ongoing fiscal year, adopting “Creation of a New Mitsubishi Paper Mills Group” as a slogan.

The outline of the Mid-Term Management Plan (for the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025) is as follows.

(i) Strengthen our revenue base through selection and concentration strategies and expansion of new business

(ii) Contribution to a green society

(iii) Organizational change to improve sustainability

Consolidated net sales amounted to 48,604 million yen (up 16.4% year on year) in the first three months under review.

The consolidated operating loss came to 769 million yen (compared with an operating loss of 1 million yen in the first three months of the previous fiscal year), and consolidated ordinary income reached 668 million yen (compared with ordinary income of 335 million yen in the first three months of the previous fiscal year), reflecting the strong effects of steep raw material and fuel price increases, despite the cost-cutting effects produced by product price revisions, fixed cost reduction, carbon intensity improvement and the like. Loss attributable to owners of parent was 557 million yen.

Operating results by segment are as follows:

In the first three months under review, the Company changed reportable segments to match its internal organization. Specifically, the Company added the warehouse and transportation business to the paper and pulp business to create the paper materials business segment and set up the functional materials business segment by integrating the imaging media business with the specialty materials business.

(Million yen)

		Net sales			Operating income (loss)		
		First Quarter of FY2021	First Quarter of FY2022	Change (%)	First Quarter of FY2021	First Quarter of FY2022	Change (%)
Reportable Segments	Paper materials	32,935	38,828	17.9	(1,124)	(1,811)	–
	Functional materials	11,651	14,010	20.2	1,219	1,081	(11.3)
	Total	44,587	52,839	18.5	95	(730)	–
Others		1,518	1,465	(3.5)	(2)	18	–
Total		46,105	54,304	17.8	93	(712)	–
Adjustment (Note)		(4,359)	(5,700)		(94)	(57)	
Total		41,746	48,604	16.4	(1)	(769)	–

(Note) Adjustment is mainly related to internal transactions.

(Paper materials business)

In Japan, the sales volume remained at the previous fiscal year's level. However, the sales value increased given the positive effects of price revisions. Both sales volume and value also increased in exports. In terms of production, the Company continued production systems in line with demand trends.

Both sales volume and value increased in European subsidiaries.

Meanwhile, the soaring prices of raw materials and fuels heavily affected costs in Japan and Europe.

As a result, net sales for the paper materials business increased and profits for the business decreased.

Under these circumstances, the Company announced product price revisions again to deal with further cost increases attributable to factors such as raw material and fuel prices, which remained unprecedented levels, and a continued upward trend in logistics expenses. The Company is advancing initiatives based on the revisions. Regarding commercial pulp, the Company will work to launch and expand the production and sales of bleached kraft pulp that exclusively uses home-grown conifers as a raw material at Kitakami Hitec Paper Corp. while focusing on expanding the sales volume for exports, taking foreign exchange trends into consideration.

As self-help efforts, the Company will also continue initiatives for optimizing production systems and normalizing inventory levels according to demand trends, stepping up cooperation with the Oji Group and expanding the lineup of new materials centered on pulp and wrapping paper in a sustained attempt to convert its product portfolio and stabilize its revenue at an early stage.

(Functional materials business)

Sales rose steadily for water treatment membrane supporting bodies, battery separators and tape base paper. However, sales fell year on year for filters, decorative laminate base paper, backing paper for wall paper and the like.

Both the sales volume and the sales value increased for electronics-related products, reflecting the acquisition of new customers.

Sales for imaging media-related products stayed at the previous fiscal year's level.

Meanwhile, the soaring prices of raw materials and fuels affected costs heavily.

As a result, net sales for the functional materials business rose and profits for the business fell.

The Company will keep focusing on expanding the sales of battery separators, heat-resistant non-woven fabrics, tape base paper, electronics-related products and newly launched melt-blown non-woven fabrics, in addition to acquiring users for water treatment membrane supporting bodies and applying the bodies to membrane bio-reactors (MBRs).

The Company is continuing production system reviews for imaging media-related products and strengthening the revenue base for those products. The Company will take initiatives for improving revenue in Japan and overseas, including efforts for expanding sales to new customers.

(2) Explanation of Financial Position

Assets at the end of the first three months under review amounted to 219,801 million yen, up 3,922 million yen from the end of the previous fiscal year, mainly due to increases in accounts receivable - trade and inventories.

Total liabilities came to 151,105 million yen, up 4,840 million yen from the end of the previous fiscal year, chiefly attributable to a growth in short-term loans payable.

Net assets decreased 917 million yen from the end of the previous fiscal year, to 68,696 million yen, mainly reflecting the posting of loss attributable to owners of parent.

The equity ratio was 31.3%, down 0.9 percentage points from the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Consolidated results forecasts for the fiscal year ending March 31, 2023 remain unchanged from the same forecasts announced on May 12, 2022.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2021 Mar 31,2022	First Quarter / FY2022 Jun 30,2022
Assets		
Current assets		
Cash and deposits	9,047	6,275
Notes receivable - trade	7,724	8,327
Accounts receivable - trade	33,879	35,802
Merchandise and finished goods	23,446	23,503
Work in process	6,487	6,572
Raw materials and supplies	10,857	14,198
Other	3,969	4,920
Allowance for doubtful accounts	(130)	(150)
Total current assets	95,282	99,450
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,335	20,938
Machinery, equipment and vehicles, net	37,694	36,457
Land	21,276	21,789
Construction in progress	1,638	2,750
Other, net	2,646	2,597
Total property, plant and equipment	84,590	84,533
Intangible assets		
Other	1,864	2,026
Total intangible assets	1,864	2,026
Investments and other assets		
Investment securities	19,868	19,742
Other	14,343	14,115
Allowance for doubtful accounts	(70)	(66)
Total investments and other assets	34,141	33,791
Total non-current assets	120,596	120,351
Total assets	215,879	219,801

(Million yen)

	FY2021 Mar 31,2022	First Quarter / FY2022 Jun 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,617	24,702
Electronically recorded obligations	3,541	3,823
Short-term loans payable	56,433	60,167
Commercial paper	6,000	6,000
Income taxes payable	475	116
Other	11,652	12,480
Total current liabilities	102,720	107,290
Non-current liabilities		
Long-term loans payable	29,960	29,943
Provision for share awards	24	32
Provision for directors' retirement benefits	69	71
Net defined benefit liability	9,277	9,556
Asset retirement obligations	885	885
Other	3,329	3,325
Total non-current liabilities	43,545	43,814
Total liabilities	146,265	151,105
Net assets		
Shareholders' equity		
Capital stock	36,561	36,561
Capital surplus	6,488	6,524
Retained earnings	13,962	13,372
Treasury shares	(228)	(228)
Total shareholders' equity	56,784	56,229
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,688	4,463
Foreign currency translation adjustment	952	993
Remeasurements of defined benefit plans	7,182	7,006
Total accumulated other comprehensive income	12,824	12,463
Non-controlling interests	5	3
Total net assets	69,613	68,696
Total liabilities and net assets	215,879	219,801

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

	(Million yen)	
	First Quarter / FY2021 Apr '21 - Jun '21	First Quarter / FY2022 Apr '22 - Jun '22
Net sales	41,746	48,604
Cost of sales	35,496	42,792
Gross profit	6,250	5,811
Selling, general and administrative expenses	6,251	6,581
Operating loss	(1)	(769)
Non-operating income		
Interest income	6	5
Dividend income	288	295
Share of profit of entities accounted for using equity method	157	198
Foreign exchange gains	39	1,006
Other	88	119
Total non-operating income	580	1,625
Non-operating expenses		
Interest expenses	154	139
Other	89	47
Total non-operating expenses	243	187
Ordinary income	335	668
Extraordinary income		
Gain on disposal of non-current assets	1	1
Subsidy income	—	292
Other	0	0
Total extraordinary income	1	295
Extraordinary losses		
Loss on disposal of non-current assets	126	132
Loss on tax purpose reduction entry of non-current assets	—	278
Extra retirement payments	77	479
Loss on valuation of shares of subsidiaries and associates	646	—
Other	163	1
Total extraordinary losses	1,013	891
Profit (loss) before income taxes	(677)	72
Income taxes	484	630
loss	(1,161)	(558)
Profit attributable to non-controlling interests	0	1
loss attributable to owners of parent	(1,161)	(557)

Consolidated quarterly statements of comprehensive income

	(Million yen)	
	First Quarter / FY2021 Apr '21 - Jun '21	First Quarter / FY2022 Apr '22 - Jun '22
loss	(1,161)	(558)
Other comprehensive income		
Valuation difference on available-for-sale securities	420	(225)
Foreign currency translation adjustment	152	55
Remeasurements of defined benefit plans, net of tax	4	(176)
Share of other comprehensive income of entities accounted for using equity method	2	(14)
Total other comprehensive income	580	(360)
Comprehensive income	(580)	(919)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(581)	(917)
Comprehensive income attributable to non-controlling interests	0	(1)