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August 4,2023

Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 2024 (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, 2024 (April 1, 2023 - June 30, 2023)

(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 FY2023	49,317	1.5	326	-	1,550	131.8	917	-
First Quarter of FY2022	48,604	16.4	(769)	-	668	99.6	(557)	-

Note: Comprehensive income
 First Quarter of FY2023 ¥1,637 million
 First Quarter of FY2022 ¥(919) million

	Profit per share	Diluted profit per share
	Yen	Yen
First Quarter of FY2023	20.96	-
First Quarter of FY2022	(12.53)	-

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Quarter of FY2023	227,715	73,493	32.3
Year ended March 2023	227,058	72,041	31.7

Note: Shareholders' equity
 First Quarter of FY2023 ¥73,481 million
 FY2022 ¥72,028 million

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2022	-	0.00	-	5.00	5.00
FY2023	-				
FY2023(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, 2024

(April 1, 2023 to March 31, 2024)

(% 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
First half	110,000	9.6	1,000	-	1,000	(33.5)	0	-	0.00
Full year	220,000	5.0	6,000	519.6	6,500	110.4	4,000	-	91.44

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): Yes
New: - (Company name);
Excluded: 1company (Company name) Kitakami HiTec Paper Corp.
- (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: | None |
| 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 FY2023 | 44,741,433 shares |
| FY2022 | 44,741,433 shares |
| 2) Total number of treasury shares at the end of the period: | |
| First Quarter of FY2023 | 979,176 shares |
| FY2022 | 997,361 shares |
| 3) Average number of shares during the period: | |
| First Quarter of FY2023 | 43,748,587 shares |
| First Quarter of FY2022 | 44,453,009 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

Looking at the environment surrounding the Group in the three months ended June 30, 2023, economic activities remained on a recovery track as COVID-19 showed signs of abating. Meanwhile, uncertainties remained high over matters such as prolongation of the situation in Ukraine and steep rises in raw material and fuel prices, as well as exchange rate fluctuations.

In response, the Group took steps to improve productivity by adopting production systems in line with demand trends in each business. Meanwhile, in term of sales, it strove to revise product prices and expand sales of new products.

In addition, the Group instituted the following initiatives in line with the basic policy of the “Medium-Term Management Plan” (for the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025) in order to enhance its corporate value.

(i) Strengthen our earing capacity by “selection and concentration” strategies and “expansion of new business”

The Group is implementing a reorganization, effective as of April 1, 2023 of some of its group companies, including the integration of the Company and subsidiaries of Kitakami site and the integration of subsidiaries of Hachinohe site aiming to promote efficiency.

The Group will continue to proceed with its organizational change to bolster profitability.

(ii) Contribution to a green society

The Group has decided to participate in the GX League (GX: green transformation) to strengthen and advance its initiatives to reach the target for 2030 that the Group has pledged to achieve in order to realize a carbon-neutral society.

(iii) Organizational change to improve sustainability

In April 2023, the Group established the Mitsubishi Paper Mills Group Basic Sustainability Policy. The Group will strive to enhance its corporate value by earning trust and support from its customers, and will seek to contribute to the realization of a sustainable society by helping to address a range of social issues. In line with the Basic Sustainability Policy, the Group is considering the creation of a Mitsubishi Paper Mills “Forest of Shareholders” (tentative name). With respect to diversity & inclusion, the first female outside director and female full-time Audit & Supervisory Board member were appointed at the Annual General Meeting of Shareholders on June 29, 2023.

Consolidated net sales amounted to 49,317 million yen (up 1.5% year on year) in the first three months under review.

Consolidated operating income came to 326 million yen (compared with an operating loss of 769 million yen in the first three months of the previous fiscal year), and consolidated ordinary income reached 1,550 million yen (compared with consolidated ordinary income of 668 million yen in the first three months of the previous fiscal year) due in part to foreign exchange gains. Profit attributable to owners of parent amounted to 917 million yen.

Operating results by segment are as follows:

In the first three months under review, the Company has reviewed the composition of each reportable segment in accordance with the reorganization of the Group and the organizational change of the Company effective April 1, 2023 and changed the segment for communication and specialty paper, including businesses operated in Germany, from the sustainable fiber materials business to the functional materials business and the segment to which Kitakami site products (photographic base paper) belong from the functional materials business to the sustainable fiber materials business.

(Million yen)

		Net sales			Operating income (loss)		
		Three months ended June 30, 2022	Three months ended June 30, 2023	Change (%)	Three months ended June 30, 2022	Three months ended June 30, 2023	Change (%)
Reportable Segments	Functional materials	25,857	26,108	1.0	173	898	418.2
	Sustainable fiber materials	23,409	23,903	2.1	(944)	(584)	–
	Total	49,267	50,012	1.5	(770)	313	–
Others		1,465	1,133	(22.7)	18	23	30.0
Total		50,732	51,145	0.8	(752)	337	–
Adjustment (Note)		(2,128)	(1,827)		(16)	(11)	
Total		48,604	49,317	1.5	(769)	326	–

(Note) Adjustment is mainly related to internal transactions.

(Functional materials business)

In industrial materials-related products, the sales amount of battery separators and water treatment membrane supporting bodies rose from the year-ago level, but the sales amount of air filters, decorative laminate base paper, tape base paper and backing paper for wallpaper decreased from the year-ago level.

In imaging materials-related products, the sales amount of special dry film resists for electronics industry materials rose from the year-ago level due to their adoption for processing metal components used in communication devices and the start of mass production, but the sales amount of printing and prepress materials-related products and inkjet paper declined from the year-ago level. The sales amount of information materials-related products rose from the year-ago level.

Regarding businesses operated in Germany, both the sales amount and sales volume decreased with declining demand attributable mainly to inventory adjustment in the market.

As a result, the functional materials business achieved growth in both sales and profit overall.

In the industrial materials business, which is a priority business area in the Medium-term Management Plan, the Group will continue to seek to expand sales of items such as heat-resistant non-woven fabrics and melt blown non-woven fabrics, while also seeking to acquire new users of water treatment membrane supporting bodies and new applications for them for special membranes such as food, beverages and medical care, and expand sales of battery separators for automobiles, demand for which is expected to increase. It will strive to further expand sales of tape base paper and sterilization paper.

In the imaging materials business, the Group will work to expand sales with special dry film resists as a starting point. Regarding imaging media-related products, demand for which has been declining mainly for image output and printing, the Group will work to maintain the volume of sales by tapping into new demand such as use for labeling and industrial inkjet while also seeking to improve profitability by continuing to review production systems.

Regarding the information materials business, the Group will work to stabilize revenue by maintaining the effects of price revisions.

Regarding businesses operated in Germany, the Group will continue its efforts to secure stable revenue. To do this, it will continue to maintain a balance between costs and product prices and will work on cost reductions through the reestablishment of production systems following the sale of the Flensburg Mill.

(Sustainable fiber materials business)

In the domestic market for printing paper, while the sales volume decreased due to a continuous fall in demand, the sales amount increased due to the effects of price revisions. In terms of exports, both the sales volume and sales amount decreased from the year-ago level as a result of emphasizing profitability in order-taking activities.

Regarding commercial pulp, both the sales volume and sales amount declined, affected by falling demand from major customers despite the effects of price revisions.

As a result, the sustainable fiber materials business achieved growth in both sales and profit overall.

The Group will aim to transform its product portfolio and stabilize revenue at the earliest opportunity by expanding sales of high functional kraft paper that contribute to plastic removal and reduction and enhancing the product lineup of barricote® paper. In addition, the Group will seek to maintain the effect of price revisions, and continue efforts to optimize production systems and inventory levels. For exports, the Group will focus on the expansion of sales volume and profits in light of trends in exchange rates.

(2) Explanation of Financial Position

Assets at the end of the first three months under review amounted to 227,715 million yen, up 657 million yen from the end of the previous fiscal year, mainly due to increases in the valuation difference on investment securities, etc.

Total liabilities came to 154,222 million yen, down 794 million yen from the end of the previous fiscal year, chiefly attributable to decrease in notes and accounts payable - trade.

Net assets increased 1,451 million yen from the end of the previous fiscal year, to 73,493 million yen, mainly reflecting the posting of profit attributable to owners of parent.

The equity ratio was 32.3%, up 0.6 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, 2024 remain unchanged from the same forecasts announced on May 11, 2023.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2022 Mar 31,2023	First Quarter / FY2023 Jun 30,2023
Assets		
Current assets		
Cash and deposits	8,325	8,178
Notes receivable - trade	8,074	10,188
Accounts receivable - trade	38,470	37,404
Merchandise and finished goods	25,257	26,865
Work in process	6,322	6,518
Raw materials and supplies	18,498	16,581
Other	4,166	3,999
Allowance for doubtful accounts	(92)	(98)
Total current assets	109,024	109,638
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,703	19,363
Machinery, equipment and vehicles, net	34,918	33,753
Land	20,625	20,701
Construction in progress	733	799
Other, net	2,274	2,177
Total property, plant and equipment	78,256	76,794
Intangible assets		
Other	2,379	2,440
Total intangible assets	2,379	2,440
Investments and other assets		
Investment securities	21,605	23,743
Other	15,856	15,164
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	37,398	38,843
Total non-current assets	118,034	118,077
Total assets	227,058	227,715

(Million yen)

	FY2022 Mar 31,2023	First Quarter / FY2023 Jun 30,2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,710	22,445
Electronically recorded obligations	3,485	3,495
Short-term loans payable	61,467	62,238
Commercial paper	5,000	9,000
Income taxes payable	302	210
Provision for loss on transfer of business	1,614	1,662
Other	9,877	10,616
Total current liabilities	110,457	109,668
Non-current liabilities		
Long-term loans payable	32,603	32,590
Provision for share awards	53	71
Provision for directors' retirement benefits	49	39
Net defined benefit liability	7,603	7,712
Asset retirement obligations	885	886
Other	3,362	3,253
Total non-current liabilities	44,559	44,553
Total liabilities	155,016	154,222
Net assets		
Shareholders' equity		
Capital stock	36,561	36,561
Capital surplus	6,524	6,523
Retained earnings	13,357	14,083
Treasury shares	(430)	(425)
Total shareholders' equity	56,012	56,743
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,532	7,002
Foreign currency translation adjustment	1,111	647
Remeasurements of defined benefit plans	9,372	9,087
Total accumulated other comprehensive income	16,015	16,738
Non-controlling interests	13	12
Total net assets	72,041	73,493
Total liabilities and net assets	227,058	227,715

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

(Million yen)

	First Quarter / FY2022 Apr '22 - Jun '22	First Quarter / FY2023 Apr '23 - Jun '23
Net sales	48,604	49,317
Cost of sales	42,792	43,224
Gross profit	5,811	6,093
Selling, general and administrative expenses	6,581	5,767
Operating income(loss)	(769)	326
Non-operating income		
Interest income	5	3
Dividend income	295	245
Share of profit of entities accounted for using equity method	198	17
Foreign exchange gains	1,006	1,034
Other	119	140
Total non-operating income	1,625	1,440
Non-operating expenses		
Interest expenses	139	177
Other	47	38
Total non-operating expenses	187	216
Ordinary income	668	1,550
Extraordinary income		
Gain on disposal of non-current assets	1	0
Gain on sale of investment securities	—	1
Subsidy income	292	—
Other	0	—
Total extraordinary income	295	1
Extraordinary losses		
Loss on disposal of non-current assets	132	62
Loss on tax purpose reduction entry of non-current assets	278	—
Loss on sale of businesses	—	32
Extra retirement payments	479	9
Other	1	0
Total extraordinary losses	891	103
Profit before income taxes	72	1,448
Income taxes	630	533
Profit (loss)	(558)	914
Profit (loss) attributable to non-controlling interests	1	(2)
Profit (loss) attributable to owners of parent	(557)	917

Consolidated quarterly statements of comprehensive income

	(Million yen)	
	First Quarter / FY2022 Apr '22 - Jun '22	First Quarter / FY2023 Apr '23 - Jun '23
Profit (loss)	(558)	914
Other comprehensive income		
Valuation difference on available-for-sale securities	(225)	1,470
Foreign currency translation adjustment	55	(463)
Remeasurements of defined benefit plans, net of tax	(176)	(284)
Share of other comprehensive income of entities accounted for using equity method	(14)	0
Total other comprehensive income	(360)	722
Comprehensive income	(919)	1,637
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(917)	1,639
Comprehensive income attributable to non-controlling interests	(1)	(1)