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November 13,2023

Summary of Consolidated Financial Results for the Second 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 Second Quarter of the Year Ending March 31, 2024 (April 1, 2023 -September 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 Half of FY2023	96,703	(3.6)	1,995	-	3,526	134.5	1,638	-
First Half of FY2022	100,364	16.9	(435)	-	1,504	103.2	(288)	-
Note: Comprehensive income	First Half of FY2023		¥3,505 million		First Half of FY2022		¥(707) million	

	Profit per share	Diluted profit per share
	Yen	Yen
First Half of FY2023	37.45	-
First Half of FY2022	(6.51)	-

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Half of FY2023	231,622	75,366	32.5
Year ended March 2023	227,058	72,041	31.7
Note: Shareholders' equity	First Half of FY2023	¥75,350 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	-	0.00	-	-	-
FY2023(Forecast)	-	-	-	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
Full year	200,000	(4.6)	6,000	519.6	7,500	142.7	4,000	-	91.44

Note : Revision to the financial results forecast announced most recently ... Yes

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 Half of FY2023 | 44,741,433 shares |
| FY2022 | 44,741,433 shares |
| 2) Total number of treasury shares at the end of the period: | |
| First Half of FY2023 | 965,686 shares |
| FY2022 | 997,361 shares |
| 3) Average number of shares during the period: | |
| First Half of FY2023 | 43,760,269 shares |
| First Half of FY2022 | 44,386,646 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

The environment surrounding the Group in the six months ended September 30, 2023 remained on a recovery track due to normalization of social activities, etc. Meanwhile, there are uncertainty matters such as the ongoing situation in Ukraine, rising tensions in the Middle East, steep rises in raw material and fuel prices, and exchange rate fluctuations, etc.

Under these circumstances, the Group took steps to improve productivity and ensure the stable operation of its mills, while in terms of sales, it sought 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 ended March 31, 2023 to the fiscal year ending March 31, 2025) in order to enhance its corporate value.

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

The Group implemented reorganization, effective as of April 1, 2023, mainly by integrating its sales subsidiaries, the Company and subsidiaries of Kitakami site, and subsidiaries of Hachinohe site, with the aim of reducing fixed costs and enhancing corporate governance. On September 1, 2023, the Group completed the sale of the business it operated at the Flensburg Mill of its Germany subsidiary which was announced on January 30, 2023. Meanwhile, the Group decided to transfer the thermal paper converting business, etc. of Katsumata Co., Ltd., the Company’s consolidated subsidiary (sub-subsidiary), and the sports club business operated by Ryoshi Co., Ltd., the Company’s consolidated subsidiary, and its fixed assets (trust beneficiary interest). The Group will continue to proceed with its organizational change to bolster profitability.

(ii) Contribution to a green society

We are proceeding with information disclosure in accordance with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) regarding both the risks and opportunities that climate change poses to business so that we aim for the sustainable growth and improving our corporate value over the medium to long term of our group. In efforts to reduce CO2 emissions, the Group participated in the GX League (GX: green transformation) to advance its initiatives to reach the target for 2030 that the Group has pledged to achieve in order to realize a carbon-neutral society.

To expand sales of environmentally friendly products, we are expanding sales of kraft paper and barrier paper, which are in strong demand for use in paper bags for mail-order shopping, take-out meals, and other uses. We will contribute to the realization of a safe, comfortable and sustainable society by eliminating and reducing plastic usage.

(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. Moreover, the Group established a new framework called Mitsubishi Paper Mill’s Forest with Nissy & Kassy in September 2023. The purpose of the framework is to deepen shareholders’ understanding about the current status of its activities to promote sustainability, in addition to its business activities to manufacture quality paper material products based on benefits from forests, and to encourage shareholders’ involvement, by offering them opportunities for planting trees and visiting company-owned forests.

Consolidated net sales amounted to 96,703 million yen (down 3.6% year on year) in the first six months under review.

Consolidated operating income came to 1,995 million yen (compared with an operating loss of 435 million yen in the first six months of the previous fiscal year) due mainly to product price revisions, and consolidated ordinary income reached 3,526 million yen (compared with consolidated ordinary income of 1,504 million yen in the first six months of the previous fiscal year) due in part to foreign exchange gains. Profit attributable to owners of parent amounted to 1,638 million yen.

Operating results by segment are as follows:

(Million yen)

		Net sales			Operating income (loss)		
		Six months ended September 30, 2023	Six months ended September 30, 2024	Change (%)	Six months ended September 30, 2023	Six months ended September 30, 2024	Change (%)
Reportable Segments	Functional materials	53,553	50,223	(6.2)	1,389	1,928	38.8
	Sustainable fiber materials	47,941	47,707	(0.5)	(1,927)	12	–
	Total	101,495	97,931	(3.5)	(538)	1,941	–
Others		2,991	2,569	(14.1)	52	82	56.3
Total		104,487	100,500	(3.8)	(485)	2,023	–
Adjustment (Note)		(4,122)	(3,797)		49	(28)	
Total		100,364	96,703	(3.6)	(435)	1,995	–

(Note) Adjustment is mainly related to internal transactions.

(Functional materials business)

In industrial materials-related products, the sales amount of battery separators and rewrite media rose from the year-age level, but the sales amount of air filters, decorative laminate base paper, tape base paper and backing paper for wallpaper decreased from the year-age level.

In the imaging media-related business, revenue from inkjet paper exceeded the level a year ago, reflecting the expansion of overseas sales volume. Revenue from special dry film resists was lower than the level a year ago, given poor communications device sales and a downturn in the semiconductor-related market.

In the information media-related business, revenue exceeded the level a year ago, attributable to the effect of price revisions, despite lower sales volume compared to a year ago.

Regarding businesses operated in Germany, both sales volume and value declined, due mainly to the impact of decreasing demand caused by concerns about economic recession.

As a result, the functional materials business as a whole posted lower sales and higher profits.

In the industrial material business, which is a priority business area in the Medium-term Management Plan, the Group will focus on the water treatment membrane supporting body business in response to increasing global demand for water business and the expansion of sales in the United States and Europe of the filter business, including total heat exchanger elements that can realize both ventilation for preventing infectious diseases and energy conservation in response to environmental issues. At the same time, the Group will work to expand the scope of the battery separator business, for which demand is increasing in tandem with vehicle electrification and growing communication equipment, by ensuring stable operation of a newly introduced machine dedicated to paper production.

In the imaging media-related business, the Group will work to expand sales of special dry film resists for use in communication devices in addition to expand sales for automotive-related applications. Regarding imaging media-related product business, demand for image output and printing is decreasing. In response, the Group will work to maintain sales volume by expanding sales of products for labeling and industrial inkjet and promoting sales in developing countries in Asia, while seeking to improve profitability by continuing to review production systems.

Regarding the information media-related business, the Group will work to stabilize earnings and to increase sales of high value-added products such as FSC certified paper products.

On September 1, 2023, the Group completed the sale of the business it operated at the Flensburg Mill of its Germany subsidiary. Going forward, the Group aims to secure earnings through the further business structure reform at the Bielefeld Mill.

(Sustainable fiber materials business)

In the domestic market for printing paper, while sales volume decreased compared to a year ago due to a fall in demand, revenue increased owing to the effect of price revisions implemented last year. Revenue from exports exceeded the level a year ago, partly owing to the effect of a weak yen. The Company also continued production systems in line with demand trends.

With respect to commercial pulp, both export sales volume and value decreased as sales were suppressed due to price declines in overseas markets.

As a result, the sustainable fiber materials business as a whole posted lower sales and higher profits.

The Group will aim to transform its product portfolio and stabilize earnings from previous year, mainly by expanding sales of kraft paper that contributes to plastic removal and reduction, while enhancing the product lineup of barricote® paper, in addition to continuing its initiatives for maintaining price levels and optimizing production systems and inventory levels by further maximizing the synergy effects of both Hachinohe and Kitakami factories. 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 six months of the fiscal year under review amounted to 231,622 million yen, up 4,563 million yen from the end of the previous fiscal year, mainly attributable to an increase in cash and deposits reflecting the effect of month-ends, holidays, etc. and rises in inventory and the valuation of investment securities, which was partly offset by decreases in property, plant and equipment, etc.

Total liabilities came to 156,255 million yen, up 1,239 million yen from the end of the previous fiscal year, chiefly due to an increase in accrued expenses, which was partly offset by decreases in notes and accounts payable – trade, etc.

Net assets increased 3,324 million yen from the end of the previous fiscal year, to 75,366 million yen, mainly reflecting an increase in valuation difference on available-for-sale securities.

The equity ratio was 32.5%, up 0.9 percentage points from the end of the previous fiscal year.

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

For full-year consolidated results forecasts, please refer to the “Notice of Differences between Financial Forecasts for the First Six Months of Fiscal Year Ending March 31, 2024 and Actual Results and Revisions to Full-Year Financial Forecasts” announced today (November 13, 2023).

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2022 Mar 31, 2023	First Half / FY2023 Sep 30, 2023
Assets		
Current assets		
Cash and deposits	8,325	12,410
Notes receivable - trade	8,074	9,420
Accounts receivable - trade	38,470	36,929
Merchandise and finished goods	25,257	28,379
Work in process	6,322	6,943
Raw materials and supplies	18,498	15,816
Other	4,166	3,241
Allowance for doubtful accounts	(92)	(109)
Total current assets	109,024	113,031
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,703	18,972
Machinery, equipment and vehicles, net	34,918	32,725
Land	20,625	20,914
Construction in progress	733	941
Other, net	2,274	2,096
Total property, plant and equipment	78,256	75,650
Intangible assets		
Other	2,379	2,269
Total intangible assets	2,379	2,269
Investments and other assets		
Investment securities	21,605	25,646
Other	15,856	15,088
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	37,398	40,670
Total non-current assets	118,034	118,590
Total assets	227,058	231,622

	(Million yen)	
	FY2022 Mar 31, 2023	First Half / FY2023 Sep 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,710	25,832
Electronically recorded obligations	3,485	4,996
Short-term loans payable	61,467	67,432
Commercial paper	5,000	7,000
Income taxes payable	302	509
Provision for loss on transfer of business	1,614	1,798
Other	9,877	11,539
Total current liabilities	110,457	119,108
Non-current liabilities		
Long-term loans payable	32,603	24,562
Provision for share awards	53	82
Provision for directors' retirement benefits	49	38
Net defined benefit liability	7,603	8,098
Asset retirement obligations	885	939
Other	3,362	3,426
Total non-current liabilities	44,559	37,147
Total liabilities	155,016	156,255
Net assets		
Shareholders' equity		
Capital stock	36,561	36,561
Capital surplus	6,524	6,523
Retained earnings	13,357	14,805
Treasury shares	(430)	(420)
Total shareholders' equity	56,012	57,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,532	8,159
Foreign currency translation adjustment	1,111	813
Remeasurements of defined benefit plans	9,372	8,907
Total accumulated other comprehensive income	16,015	17,881
Non-controlling interests	13	15
Total net assets	72,041	75,366
Total liabilities and net assets	227,058	231,622

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

(Million yen)

	First Half / FY2022 Apr '22 - Sep '22	First Half / FY2023 Apr '23 - Sep '23
Net sales	100,364	96,703
Cost of sales	87,391	83,102
Gross profit	12,973	13,600
Selling, general and administrative expenses	13,409	11,604
Operating income(loss)	(435)	1,995
Non-operating income		
Interest income	11	7
Dividend income	327	271
Share of profit of entities accounted for using equity method	363	311
Foreign exchange gains	1,309	1,262
Other	295	175
Total non-operating income	2,307	2,028
Non-operating expenses		
Interest expenses	288	403
Other	78	94
Total non-operating expenses	367	497
Ordinary income	1,504	3,526
Extraordinary income		
Gain on disposal of non-current assets	8	0
Gain on sale of investment securities	—	1
Subsidy income	347	—
Other	4	—
Total extraordinary income	359	2
Extraordinary losses		
Loss on disposal of non-current assets	226	81
Loss on tax purpose reduction entry of non-current assets	329	—
Loss on cancellation of contracts	—	434
Impairment losses	—	130
Loss on sale of businesses	—	119
Extra retirement payments	482	31
Other	7	20
Total extraordinary losses	1,045	817
Profit before income taxes	818	2,711
Income taxes	1,093	1,071
Profit (loss)	(275)	1,639
Profit attributable to non-controlling interests	13	0
Profit (loss) attributable to owners of parent	(288)	1,638

Consolidated quarterly statements of comprehensive income

	(Million yen)	
	First Half / FY2022 Apr '22 - Sep '22	First Half / FY2023 Apr '23 - Sep '23
Profit (loss)	(275)	1,639
Other comprehensive income		
Valuation difference on available-for-sale securities	(616)	2,625
Foreign currency translation adjustment	545	(299)
Remeasurements of defined benefit plans, net of tax	(349)	(464)
Share of other comprehensive income of entities accounted for using equity method	(11)	5
Total other comprehensive income	(432)	1,866
Comprehensive income	(707)	3,505
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(720)	3,504
Comprehensive income attributable to non-controlling interests	13	1