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November 13,2024

Summary of Consolidated Financial Results for the Second Quarter of the Year Ending March 2025 (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, 2025 (April 1, 2024 -September 30, 2024)

(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 FY2024	88,400	(8.6)	934	(53.2)	450	(87.2)	(232)	-
First Half of FY2023	96,703	(3.6)	1,995	-	3,526	134.5	1,638	-
Note: Comprehensive income	First Half of FY2024		¥(933) million		First Half of FY2023		¥3,505 million	

	Profit per share	Diluted profit per share
	Yen	Yen
First Half of FY2024	(5.31)	-
First Half of FY2023	37.45	-

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Half of FY2024	221,650	89,584	40.4
Year ended March 2024	235,380	90,954	38.6
Note: Shareholders' equity	First Half of FY2024		¥89,570 million
	FY2023		¥90,932 million

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2023	-	0.00	-	10.00	10.00
FY2024	-	0.00	-	10.00	10.00
FY2024(Forecast)	-	-	-	10.00	10.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025

(April 1, 2024 to March 31, 2025)

(% 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	197,000	1.8	8,000	47.9	8,000	12.7	8,000	91.8	182.33

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

4. Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: - (Company name);

Excluded: 6 companies (Company name); KJ SPECIALTY PAPER Co., Ltd. etc.

(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 Half of FY2024 44,741,433 shares

FY2023 44,741,433 shares

2) Total number of treasury shares at the end of the period:

First Half of FY2024 910,680 shares

FY2023 950,850 shares

3) Average number of shares during the period:

First Half of FY2024 43,811,248 shares

First Half of FY2023 43,760,269 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 Financial Results for the Period under Review

(1) Explanation of Operations Results

Looking at the environment surrounding the Group in the six months ended September 30, 2024, the Group experienced a moderate recovery of social and economic activity, driven by the recovery of personal consumption and a rally in demand for inbound tourism. At the same time, the economic outlook remained uncertain due to sudden fluctuations of the forex market, geopolitical risks related to the prolonged war in Ukraine and the situation in the Middle East which have been affecting the prices of raw materials and fuel, the change of global financial policy and concerns about the slowdown of the Chinese economy.

Under these circumstances, the Group took steps to improve productivity and reduce costs, while in terms of sales, it sought to 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”

To improve the efficiency of its business, the Company merged subsidiaries on April 1, 2024 and July 1, 2024 and reorganized the Group through the merger of its subsidiaries. The Group will continue to proceed with its organizational transformation to bolster its profitability and strengthen corporate governance. It also decided to stop operating certain older production facilities at the Takasago Mill and to consolidate and replace them with high production efficiency machines, with the goal of reducing fixed cost and improving production efficiency.

Regarding the initiatives for the expansion of new businesses, the Company held an R&D IR briefing on October 16, 2024 to increase stakeholders’ understanding of its activities to create high value-added products through the use of its research and development and technological capabilities to maintain the source of its growth.

(ii) Contribution to a green society

Aiming for the sustainable growth of the Group, the medium- to long-term enhancement of its corporate value and contribution to society, the Group is promoting information disclosure in line with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) regarding both the risks and opportunities that climate change poses to its business.

In its activities to maintain and conserve biodiversity, the Company’s Murabi Company Forest in Fukushima prefecture was certified as a Nationally Certified Sustainably Managed Natural Site by the Ministry of the Environment. The Company has also joined the 30by30 Alliance for Biodiversity and will continue to create environmental value and contribute to achieving a sustainable global environment.

To expand its eco-friendly products, the Group has been expanding sales of kraft paper and barrier paper based on the strong demand for their use as paper bags, and it has developed photo-grade inkjet media which is recyclable and does not use plastic film. The Group will contribute to eliminating and reducing plastic usage and realizing a safe and comfortable green society.

(iii) Organizational change to improve sustainability

Under the Mitsubishi Paper Mills Group Basic Sustainability Policy, which was established in April 2023, the Group strives to enhance its corporate value by earning the trust and support of its stakeholders while also helping to address a range of social issues with a view toward realizing a sustainable society. It offered shareholders the chance to participate in the Mitsubishi Paper Mill’s Forest with Nissy & Kassy program, aiming to increase their understanding of the Group’s sustainability efforts through tree planting experiences. Additionally, the Group worked to disclose more detailed information by publishing integrated reports to ensure that all stakeholders understand all of its corporate activities.

The Group renewed its core systems in the previous fiscal year. The Group will continue to push forward with the introduction of digital technologies, improving operational efficiency and increasing work safety while implementing digital transformation initiatives that will enhance corporate value.

Consolidated net sales amounted to 88,400 million yen (down 8.6% year on year) in the first six months under review.

In terms of profits, consolidated operating income came to 934 million yen (down 53.2% year on year), and consolidated ordinary income amounted to 450 million yen (down 87.2%), in the first six months of the fiscal year under review. This reflected the impact of a decrease in volume and an accident associated with certain facilities, which was partly offset by a decline in the cost of labor and other positive cost reduction effects achieved through group organizational restructuring. Loss attributable to owners of parent was 232 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	50,223	46,203	(8.0)	1,928	1,664	(13.7)
	Sustainable fiber materials	47,707	43,007	(9.9)	12	(652)	–
	Total	97,931	89,210	(8.9)	1,941	1,012	(47.9)
Others		2,569	2,381	(7.3)	82	(3)	–
Total		100,500	91,591	(8.9)	2,023	1,008	(50.2)
Adjustment (Note)		(3,797)	(3,190)		(28)	(74)	
Total		96,703	88,400	(8.6)	1,995	934	(53.2)

(Note) Adjustment is mainly related to internal transactions.

(Functional materials business)

Sales of thermal paper increased from the previous year in both volume and monetary terms as the Group captured demand in the POS market. In communication paper-related products, both sales volume and value of carbonless paper and PPC paper were below the previous year due to a decline in demand.

Of imaging-related products, sales of products for inkjet printers were below the previous year in both volume and monetary terms due to a decline in demand for products related to image output and printing.

In functional materials-related products, the sales values of separators for power storage devices, rewriteable media and glass fiber non-woven fabric increased from the previous year. Sales of tape base paper were solid both in Japan and abroad, exceeding the previous year in both volume and monetary terms. Sales of water treatment base materials declined in monetary terms from the previous fiscal year due to changes in customer quality requirements and intensifying competition in the Chinese market. Sales of decorative laminate base paper fell from the previous fiscal year in both volume and monetary terms as there was not a recovery of export demand. Sales from the business in Germany declined from the previous year in both volume and monetary terms due to the sale of the Flensburg Plant.

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

In communication paper-related products, the Group will continuously promote the expansion of sales of thermal paper for use in the POS market and sales of eco-friendly, high value-added products such as PPC paper that has achieved FSC certification, with the aim of stabilizing profits.

Regarding imaging-related products, the Group will strive to increase sales of inkjet printing paper for large posters, labels and industrial use and sales in emerging countries in Asia.

In functional materials-related products, the Group aims to increase its market shares by steadily fulfilling customers' quality requirements for water treatment base materials and it will strive to capture the growing demand for industrial products and products for seawater desalination. In separators for power storage devices, the Group will work to expand sales for the condenser market. In tape base paper, the Group will continue to focus on increasing overseas sales, while in decorative laminate base paper and backing paper for wallpaper, it will work to stabilize profits mainly by optimizing the product mix and improving production efficiency.

In the business in Germany, the Group will reform its business structure to stabilize profits.

It came to light that, regarding the heat resistant electrically insulated pressboard products manufactured by Mitsubishi Paper Engineering Co., Ltd., a member of the Group, certain measurement data was falsified and that products were shipped out without implementing certain predetermined inspections. Regarding this incident, a special investigation committee has been established to clarify the entire picture of the incident, analyze causes and prevent reoccurrence.

(Sustainable fiber materials business)

In printing paper, revenues from exports increased due to the growth of the sales volume on the back of a market environment in which the yen remained weak, while sales value in the domestic market decreased year on year, due to the continued downward trend in demand.

Sales of commercial pulp rose in both volume and value from the previous year, reflecting increased exports resulting from the recovery of overseas markets.

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

In addition to the ongoing efforts to increase the penetration of product price revisions, the Group will continue to work on initiatives to optimize production systems and inventory levels according to demand trends in printing paper and focus on expanding sales of commercial pulp based on market developments.

In the packaging field, the demand for products that contain little or no plastic is high both in Japan and abroad, due to rising environmental awareness. Against this backdrop, the Company's kraft paper, a highly printable paper, has been well received and it is used by many customers. The Company thus plans to expand its kraft paper product lineup and increase sales. Moreover, the Company aims to improve production efficiency by generating synergy at the Hachinohe and Kitakami Mills and reducing costs, thereby strengthening the foundation of its business.

(2) Explanation of Financial Position

Assets at the end of the first six months under review amounted to 221,650 million yen, down 13,729 million yen from the end of the previous consolidated fiscal year, mainly due to decreases in cash and deposits and accounts receivable – trade.

Total liabilities came to 132,065 million yen, down 12,359 million yen from the end of the previous fiscal year, chiefly attributable to decreases in loans payable and notes and accounts payable - trade.

Net assets decreased 1,369 million yen from the end of the previous fiscal year, to 89,584 million yen, mainly due to the posting of decreases in remeasurements of defined benefit plans and retained earnings.

The equity ratio was 40.4%, up 1.8 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, 2025 remain unchanged from the same forecasts announced on May 13, 2024.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2023 Mar 31,2024	First Half / FY2024 Sep 30,2024
Assets		
Current assets		
Cash and deposits	10,009	4,832
Notes receivable - trade	10,493	6,905
Accounts receivable - trade	37,642	33,247
Merchandise and finished goods	23,092	21,435
Work in process	6,744	7,188
Raw materials and supplies	12,007	14,782
Other	1,981	2,718
Allowance for doubtful accounts	(40)	(43)
Total current assets	101,930	91,067
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,327	16,913
Machinery, equipment and vehicles, net	30,866	30,083
Land	20,317	20,592
Construction in progress	1,018	998
Other, net	1,771	1,498
Total property, plant and equipment	71,301	70,086
Intangible assets		
Other	1,954	1,656
Total intangible assets	1,954	1,656
Investments and other assets		
Investment securities	26,376	26,625
Retirement benefit asset	31,680	30,400
Other	2,215	1,886
Allowance for doubtful accounts	(78)	(72)
Total investments and other assets	60,194	58,839
Total non-current assets	133,450	130,583
Total assets	235,380	221,650

(Million yen)

	FY2023 Mar 31,2024	First Half / FY2024 Sep 30,2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,779	21,031
Electronically recorded obligations- operating	4,607	4,489
Short-term borrowings	62,026	59,071
Income taxes payable	1,261	635
Other	11,596	9,802
Total current liabilities	104,272	95,029
Non-current liabilities		
Long-term borrowings	22,281	20,848
Provision for share awards	114	130
Provision for directors' retirement benefits	36	5
Retirement benefit liability	6,855	5,821
Asset retirement obligations	939	939
Other	9,925	9,290
Total non-current liabilities	40,153	37,036
Total liabilities	144,425	132,065
Net assets		
Shareholders' equity		
Share capital	36,561	36,561
Capital surplus	6,523	6,524
Retained earnings	17,336	16,657
Treasury shares	(416)	(404)
Total shareholders' equity	60,005	59,338
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,399	9,415
Foreign currency translation adjustment	763	1,130
Remeasurements of defined benefit plans	20,763	19,686
Total accumulated other comprehensive income	30,926	30,232
Non-controlling interests	22	14
Total net assets	90,954	89,584
Total liabilities and net assets	235,380	221,650

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

(Million yen)

	First Half / FY2023 Apr '23 - Sep '23	First Half / FY2024 Apr '24 - Sep '24
Net sales	96,703	88,400
Cost of sales	83,102	76,885
Gross profit	13,600	11,515
Selling, general and administrative expenses	11,604	10,580
Operating profit	1,995	934
Non-operating income		
Interest income	7	16
Dividend income	271	261
Share of profit of entities accounted for using equity method	311	139
Foreign exchange gains	1,262	—
Other	175	143
Total non-operating income	2,028	560
Non-operating expenses		
Interest expenses	403	485
Foreign exchange losses	—	455
Other	94	103
Total non-operating expenses	497	1,044
Ordinary profit	3,526	450
Extraordinary income		
Gain on disposal of non-current assets	0	68
Gain on termination of retirement benefit plan	—	50
Gain on liquidation of subsidiaries and associates	—	46
Gain on sale of investment securities	1	—
Total extraordinary income	2	165
Extraordinary losses		
Loss on disposal of non-current assets	81	79
Loss on cancellation of contracts	434	—
Impairment losses	130	—
Business restructuring costs	7	60
Loss on sale of businesses	119	—
Special investigation related costs	—	146
Other	44	18
Total extraordinary losses	817	304
Profit before income taxes	2,711	311
Income taxes	1,071	550
Profit (loss)	1,639	(239)
Profit (loss) attributable to non-controlling interests	0	(6)
Profit (loss) attributable to owners of parent	1,638	(232)

Consolidated Statements of Comprehensive Income

	(Million yen)	
	First Half / FY2023 Apr '23 - Sep '23	First Half / FY2024 Apr '24 - Sep '24
Profit (loss)	1,639	(239)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,625	12
Foreign currency translation adjustment	(299)	364
Remeasurements of defined benefit plans, net of tax	(464)	(1,077)
Share of other comprehensive income of entities accounted for using equity method	5	6
Total other comprehensive income	1,866	(694)
Comprehensive income	3,505	(933)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,504	(926)
Comprehensive income attributable to non-controlling interests	1	(6)