

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2023
(Based on Japanese GAAP)**

February 16, 2024

Company name: Mitsubishi Pencil Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 7976 URL <https://www.mpuni.co.jp/>
 Representative: Representative Director, President Shigehiko Suhara
 General Manager of Financial Resources and
 Inquiries: Accounting Department Masataka Miyahara TEL 03-3458-6215
 Scheduled date of ordinary general meeting of shareholders: March 28, 2024
 Scheduled date to file Securities Report: March 28, 2024
 Scheduled date to commence dividend payments: March 29, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	74,801	8.4	11,851	28.2	12,889	27.3	10,166	46.3
Year ended December 31, 2022	68,997	11.5	9,243	22.9	10,128	21.9	6,951	22.8

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	186.77	–	9.4	9.3	15.8
Year ended December 31, 2022	125.73	–	7.0	8.0	13.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	145,472	116,489	78.6	2,103.23
As of December 31, 2022	130,801	105,002	78.8	1,874.99

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	11,763	(71)	(3,722)	55,856
Year ended December 31, 2022	7,281	(1,645)	(3,895)	47,098

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2022	–	16.50	–	18.50	35.00	2,010	27.8	1.9
Year ended December 31, 2023	–	18.00	–	22.00	40.00	2,267	21.4	2.0
Year ending December 31, 2024 (Forecast)	–	21.00	–	21.00	42.00		20.2	

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	78,000	4.3	12,500	5.5	13,000	0.9	11,300	11.1	207.94

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	63,286,292 shares	As of December 31, 2022	63,286,292 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	8,943,669 shares	As of December 31, 2022	8,305,522 shares
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Average number of shares during the period

Year ended December 31, 2023	54,435,645 shares	Year ended December 31, 2022	55,288,394 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	48,074	57,914
Notes and accounts receivable - trade	16,309	17,270
Inventories	20,354	20,665
Other	1,916	2,645
Allowance for doubtful accounts	(281)	(214)
Total current assets	86,373	98,281
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,826	23,929
Accumulated depreciation	(9,345)	(9,902)
Buildings and structures, net	14,481	14,026
Machinery, equipment and vehicles	24,717	24,981
Accumulated depreciation	(20,735)	(20,804)
Machinery, equipment and vehicles, net	3,981	4,177
Land	3,749	2,616
Construction in progress	1,145	1,198
Other	12,698	12,691
Accumulated depreciation	(12,077)	(12,161)
Other, net	621	530
Total property, plant and equipment	23,980	22,549
Intangible assets	1,224	1,089
Investments and other assets		
Investment securities	16,497	19,470
Deferred tax assets	378	598
Retirement benefit asset	1,375	2,547
Other	2,252	1,019
Allowance for doubtful accounts	(1,281)	(83)
Total investments and other assets	19,222	23,551
Total non-current assets	44,427	47,190
Total assets	130,801	145,472

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,070	9,298
Short-term borrowings	1,516	1,518
Income taxes payable	1,207	2,094
Provision for bonuses	612	666
Accounts payable - other	2,616	3,042
Other	3,308	3,178
Total current liabilities	17,330	19,798
Non-current liabilities		
Long-term borrowings	2,577	1,857
Deferred tax liabilities	1,669	3,464
Retirement benefit liability	3,312	3,115
Provision for retirement benefits for directors (and other officers)	92	61
Other	814	684
Total non-current liabilities	8,467	9,183
Total liabilities	25,798	28,982
Net assets		
Shareholders' equity		
Share capital	4,497	4,497
Capital surplus	3,964	3,978
Retained earnings	91,838	100,018
Treasury shares	(7,104)	(8,005)
Total shareholders' equity	93,195	100,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,205	8,527
Foreign currency translation adjustment	3,197	4,526
Remeasurements of defined benefit plans	488	750
Total accumulated other comprehensive income	9,892	13,804
Non-controlling interests	1,914	2,194
Total net assets	105,002	116,489
Total liabilities and net assets	130,801	145,472

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	68,997	74,801
Cost of sales	35,044	36,355
Gross profit	33,953	38,446
Selling, general and administrative expenses	24,709	26,594
Operating profit	9,243	11,851
Non-operating income		
Interest income	30	97
Dividend income	370	432
Rental income from land and buildings	68	51
Insurance claim income	21	24
Subsidy income	15	20
Foreign exchange gains	423	463
Other	88	121
Total non-operating income	1,018	1,211
Non-operating expenses		
Interest expenses	28	23
Commission for syndicated loans	59	53
administrative expenses for investment partnerships	15	63
Other	30	32
Total non-operating expenses	133	173
Ordinary profit	10,128	12,889
Extraordinary income		
Gain on sale of non-current assets	69	1,546
Gain on sale of investment securities	–	5
Gain on liquidation of subsidiaries and associates	33	–
Total extraordinary income	103	1,552
Extraordinary losses		
Loss on sale and retirement of non-current assets	39	70
Loss on sale of investment securities	0	–
Loss on valuation of investment securities	4	–
Factory restructuring loss	–	74
Impairment losses	6	–
Total extraordinary losses	52	145
Profit before income taxes	10,180	14,296
Income taxes - current	2,692	3,460
Income taxes - deferred	388	391
Total income taxes	3,081	3,851
Profit	7,098	10,444
Profit attributable to non-controlling interests	146	277
Profit attributable to owners of parent	6,951	10,166

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	7,098	10,444
Other comprehensive income		
Valuation difference on available-for-sale securities	1,648	2,321
Foreign currency translation adjustment	1,489	1,400
Remeasurements of defined benefit plans, net of tax	185	262
Total other comprehensive income	3,323	3,983
Comprehensive income	10,421	14,428
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,189	14,078
Comprehensive income attributable to non-controlling interests	232	349

Consolidated statements of changes in equity

Fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,497	3,976	87,708	(6,953)	89,229
Cumulative effects of changes in accounting policies			27		27
Restated balance	4,497	3,976	87,735	(6,953)	89,256
Changes during period					
Dividends of surplus			(1,797)		(1,797)
Profit attributable to owners of parent			6,951		6,951
Purchase of treasury shares				(1,257)	(1,257)
Disposal of treasury shares		5		37	43
Cancellation of treasury shares		(18)	(1,050)	1,068	-
Net changes in items other than shareholders' equity					
Total changes during period	-	(12)	4,102	(151)	3,939
Balance at end of period	4,497	3,964	91,838	(7,104)	93,195

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,557	1,793	303	6,654	1,789	97,673
Cumulative effects of changes in accounting policies						27
Restated balance	4,557	1,793	303	6,654	1,789	97,700
Changes during period						
Dividends of surplus						(1,797)
Profit attributable to owners of parent						6,951
Purchase of treasury shares						(1,257)
Disposal of treasury shares						43
Cancellation of treasury shares						-
Net changes in items other than shareholders' equity	1,648	1,404	185	3,238	124	3,362
Total changes during period	1,648	1,404	185	3,238	124	7,302
Balance at end of period	6,205	3,197	488	9,892	1,914	105,002

Fiscal year ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,497	3,964	91,838	(7,104)	93,195
Changes during period					
Dividends of surplus			(1,986)		(1,986)
Profit attributable to owners of parent			10,166		10,166
Purchase of treasury shares				(925)	(925)
Disposal of treasury shares		14		25	39
Net changes in items other than shareholders' equity					
Total changes during period	–	14	8,180	(900)	7,294
Balance at end of period	4,497	3,978	100,018	(8,005)	100,490

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,205	3,197	488	9,892	1,914	105,002
Changes during period						
Dividends of surplus						(1,986)
Profit attributable to owners of parent						10,166
Purchase of treasury shares						(925)
Disposal of treasury shares						39
Net changes in items other than shareholders' equity	2,321	1,328	262	3,912	280	4,192
Total changes during period	2,321	1,328	262	3,912	280	11,487
Balance at end of period	8,527	4,526	750	13,804	2,194	116,489

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	10,180	14,296
Depreciation	2,704	2,614
Increase (decrease) in allowance for doubtful accounts	(13)	4
Impairment losses	6	–
Increase (decrease) in retirement benefit liability	(874)	(98)
Decrease (increase) in retirement benefit asset	12	(898)
Interest and dividend income	(401)	(530)
Interest expenses	28	23
Foreign exchange losses (gains)	(366)	(371)
Loss (gain) on sale of investment securities	0	(5)
Loss (gain) on valuation of investment securities	4	–
Loss (gain) on sale and retirement of non-current assets	(29)	(1,475)
Decrease (increase) in trade receivables	(308)	(457)
Decrease (increase) in inventories	(768)	392
Increase (decrease) in trade payables	(287)	1,198
Other, net	377	(799)
Subtotal	10,265	13,893
Interest and dividends received	400	514
Interest paid	(28)	(23)
Income taxes paid	(3,356)	(2,620)
Net cash provided by (used in) operating activities	7,281	11,763
Cash flows from investing activities		
Purchase of non-current assets	(1,577)	(1,848)
Proceeds from sale of non-current assets	110	2,779
Purchase of investment securities	(145)	(290)
Proceeds from sale of investment securities	26	100
Proceeds from redemption of investment securities	99	599
Payments into time deposits	(768)	(1,261)
Proceeds from withdrawal of time deposits	677	240
Other, net	(68)	(393)
Net cash provided by (used in) investing activities	(1,645)	(71)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6)	1
Repayments of long-term borrowings	(720)	(720)
Purchase of treasury shares	(1,257)	(925)
Dividends paid	(1,795)	(1,979)
Dividends paid to non-controlling interests	(106)	(68)
Other, net	(8)	(29)
Net cash provided by (used in) financing activities	(3,895)	(3,722)
Effect of exchange rate change on cash and cash equivalents	859	788
Net increase (decrease) in cash and cash equivalents	2,599	8,757
Cash and cash equivalents at beginning of period	44,498	47,098
Cash and cash equivalents at end of period	47,098	55,856