

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2022 (Based on Japanese GAAP)

July 28, 2022

Company name: Mitsubishi Pencil Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7976 URL <https://www.mpuni.co.jp/>
 Representative: Representative Director, President Shigehiko Suhara
 Executive Officer, General Manager of
 Inquiries: Financial Resources and Accounting Hisashi Jagawa TEL 03-3458-6215
 Department
 Scheduled date to file Quarterly Securities Report: August 4, 2022
 Scheduled date to commence dividend payments: September 6, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2022	33,881	10.7	4,672	13.4	5,570	18.7	3,908	20.8
Six months ended June 30, 2021	30,619	13.5	4,121	61.0	4,691	69.9	3,234	85.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2022	70.38		-	
Six months ended June 30, 2021	57.68		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2022	128,619	102,344	78.1	1,818.68
As of December 31, 2021	123,792	97,673	77.5	1,715.15

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2021	-	16.00	-	16.00	32.00
Year ending December 31, 2022	-	16.50	-	-	-
Year ending December 31, 2022 (Forecast)	-	-	-	16.50	33.00

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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	67,000	8.2	9,000	19.7	10,000	20.3	6,800	20.2	122.78

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2022
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) 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: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2022	64,286,292 shares	As of December 31, 2021	64,286,292 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	9,045,044 shares	As of December 31, 2021	8,382,346 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022	55,530,136 shares	Six months ended June 30, 2021	56,080,994 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	44,931	48,462
Notes and accounts receivable - trade	16,567	16,965
Inventories	18,831	20,688
Other	2,483	1,586
Allowance for doubtful accounts	(1,400)	(1,552)
Total current assets	81,413	86,151
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,850	14,665
Other, net	9,782	9,756
Total property, plant and equipment	24,633	24,422
Intangible assets	1,395	1,397
Investments and other assets		
Investment securities	14,175	14,602
Other	2,175	2,045
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	16,350	16,647
Total non-current assets	42,379	42,467
Total assets	123,792	128,619

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,314	8,510
Short-term borrowings	1,516	1,510
Income taxes payable	1,849	1,770
Provision for bonuses	564	531
Reserve for returned goods	41	–
Other	5,345	5,821
Total current liabilities	17,631	18,144
Non-current liabilities		
Long-term borrowings	3,298	2,937
Retirement benefit liability	3,817	3,774
Provision for retirement benefits for directors (and other officers)	101	108
Other	1,270	1,308
Total non-current liabilities	8,487	8,129
Total liabilities	26,119	26,274
Net assets		
Shareholders' equity		
Share capital	4,497	4,497
Capital surplus	3,976	3,982
Retained earnings	87,708	90,765
Treasury shares	(6,953)	(7,798)
Total shareholders' equity	89,229	91,446
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,557	4,915
Foreign currency translation adjustment	1,793	3,831
Remeasurements of defined benefit plans	303	271
Total accumulated other comprehensive income	6,654	9,019
Non-controlling interests	1,789	1,878
Total net assets	97,673	102,344
Total liabilities and net assets	123,792	128,619

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	30,619	33,881
Cost of sales	15,258	17,346
Gross profit	15,361	16,535
Selling, general and administrative expenses	11,240	11,862
Operating profit	4,121	4,672
Non-operating income		
Interest income	8	12
Dividend income	169	182
Rental income from land and buildings	29	33
Insurance claim income	29	9
Foreign exchange gains	329	677
Other	79	25
Total non-operating income	645	941
Non-operating expenses		
Interest expenses	16	13
Commission for syndicated loans	18	19
Sales discounts	35	–
Other	4	9
Total non-operating expenses	75	42
Ordinary profit	4,691	5,570
Extraordinary income		
Gain on sale of non-current assets	98	68
Gain on sale of investment securities	195	–
Gain on liquidation of subsidiaries and associates	–	33
Total extraordinary income	293	102
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	5
Factory restructuring loss	185	–
Total extraordinary losses	190	5
Profit before income taxes	4,794	5,667
Income taxes	1,420	1,668
Profit	3,373	3,999
Profit attributable to non-controlling interests	139	91
Profit attributable to owners of parent	3,234	3,908

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	3,373	3,999
Other comprehensive income		
Valuation difference on available-for-sale securities	511	358
Foreign currency translation adjustment	909	2,142
Remeasurements of defined benefit plans, net of tax	(11)	(31)
Total other comprehensive income	1,409	2,469
Comprehensive income	4,783	6,469
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,604	6,273
Comprehensive income attributable to non-controlling interests	178	196

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	4,794	5,667
Depreciation	1,161	1,266
Increase (decrease) in allowance for doubtful accounts	(121)	(51)
Increase (decrease) in retirement benefit liability	(1)	(125)
Decrease (increase) in retirement benefit asset	(11)	60
Interest and dividend income	(178)	(195)
Interest expenses	16	13
Foreign exchange losses (gains)	(290)	(616)
Loss (gain) on sale and retirement of non-current assets	(93)	(63)
Loss (gain) on sale of investment securities	(195)	–
Decrease (increase) in trade receivables	769	574
Decrease (increase) in inventories	(604)	(657)
Increase (decrease) in trade payables	1,618	41
Decrease (increase) in consumption taxes refund receivable	110	799
Other, net	(82)	(168)
Subtotal	6,892	6,545
Interest and dividends received	178	194
Interest paid	(16)	(13)
Income taxes paid	(562)	(1,877)
Net cash provided by (used in) operating activities	6,491	4,849
Cash flows from investing activities		
Purchase of non-current assets	(1,699)	(708)
Proceeds from sale of non-current assets	228	98
Purchase of investment securities	(201)	(26)
Proceeds from sale of investment securities	375	–
Proceeds from redemption of investment securities	–	99
Payments into time deposits	(548)	(795)
Proceeds from withdrawal of time deposits	69	57
Other, net	(8)	(24)
Net cash provided by (used in) investing activities	(1,783)	(1,298)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(13)	(8)
Repayments of long-term borrowings	(360)	(360)
Purchase of treasury shares	(2)	(882)
Dividends paid	(864)	(890)
Dividends paid to non-controlling interests	(73)	(106)
Other, net	(6)	(3)
Net cash provided by (used in) financing activities	(1,320)	(2,253)
Effect of exchange rate change on cash and cash equivalents	521	1,064
Net increase (decrease) in cash and cash equivalents	3,908	2,362
Cash and cash equivalents at beginning of period	42,078	44,498
Cash and cash equivalents at end of period	45,987	46,861