

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

July 27, 2023

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, 2023
 Scheduled date to commence dividend payments: September 6, 2023
 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, 2023 (from January 1, 2023 to June 30, 2023)

(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, 2023	36,240	7.0	5,658	21.1	6,538	17.4	4,436	13.5
Six months ended June 30, 2022	33,881	10.7	4,672	13.4	5,570	18.7	3,908	20.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	81.39		-	
Six months ended June 30, 2022	70.38		-	

(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, 2023	138,017	111,221	79.1	2,008.21
As of December 31, 2022	130,801	105,002	78.8	1,874.99

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, 2022	-	16.50	-	18.50	35.00
Year ending December 31, 2023	-	18.00	-	-	-
Year ending December 31, 2023 (Forecast)	-	-	-	18.00	36.00

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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	70,500	2.2	9,500	2.8	10,400	2.7	7,100	2.1	130.45

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023
 (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: No
- 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, 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 June 30, 2023	8,943,524 shares	As of December 31, 2022	8,305,522 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, 2023	54,515,311 shares	Six months ended June 30, 2022	55,530,136 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	48,074	53,272
Notes and accounts receivable - trade	16,309	15,736
Inventories	20,354	20,645
Other	1,916	2,032
Allowance for doubtful accounts	(281)	(287)
Total current assets	86,373	91,399
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,481	14,294
Other, net	9,498	9,359
Total property, plant and equipment	23,980	23,653
Intangible assets	1,224	1,179
Investments and other assets		
Investment securities	16,497	18,963
Other	4,006	4,214
Allowance for doubtful accounts	(1,281)	(1,393)
Total investments and other assets	19,222	21,784
Total non-current assets	44,427	46,617
Total assets	130,801	138,017

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,070	8,356
Short-term borrowings	1,516	1,514
Income taxes payable	1,207	1,940
Provision for bonuses	612	563
Other	5,924	5,682
Total current liabilities	17,330	18,058
Non-current liabilities		
Long-term borrowings	2,577	2,217
Retirement benefit liability	3,312	3,185
Provision for retirement benefits for directors (and other officers)	92	56
Other	2,484	3,277
Total non-current liabilities	8,467	8,737
Total liabilities	25,798	26,796
Net assets		
Shareholders' equity		
Share capital	4,497	4,497
Capital surplus	3,964	3,978
Retained earnings	91,838	95,262
Treasury shares	(7,104)	(8,004)
Total shareholders' equity	93,195	95,734
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,205	8,253
Foreign currency translation adjustment	3,197	4,692
Remeasurements of defined benefit plans	488	451
Total accumulated other comprehensive income	9,892	13,397
Non-controlling interests	1,914	2,089
Total net assets	105,002	111,221
Total liabilities and net assets	130,801	138,017

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, 2022	Six months ended June 30, 2023
Net sales	33,881	36,240
Cost of sales	17,346	18,033
Gross profit	16,535	18,206
Selling, general and administrative expenses	11,862	12,548
Operating profit	4,672	5,658
Non-operating income		
Interest income	12	27
Dividend income	182	201
Rental income from land and buildings	33	27
Insurance claim income	9	14
Foreign exchange gains	677	593
Other	25	84
Total non-operating income	941	949
Non-operating expenses		
Interest expenses	13	11
Commission for syndicated loans	19	17
administrative expenses for investment partnerships	–	31
Other	9	9
Total non-operating expenses	42	69
Ordinary profit	5,570	6,538
Extraordinary income		
Gain on sale of non-current assets	68	6
Gain on sale of investment securities	–	2
Gain on liquidation of subsidiaries and associates	33	–
Total extraordinary income	102	8
Extraordinary losses		
Loss on sale and retirement of non-current assets	5	19
Total extraordinary losses	5	19
Profit before income taxes	5,667	6,527
Income taxes	1,668	1,911
Profit	3,999	4,615
Profit attributable to non-controlling interests	91	178
Profit attributable to owners of parent	3,908	4,436

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	3,999	4,615
Other comprehensive income		
Valuation difference on available-for-sale securities	358	2,047
Foreign currency translation adjustment	2,142	1,560
Remeasurements of defined benefit plans, net of tax	(31)	(37)
Total other comprehensive income	2,469	3,570
Comprehensive income	6,469	8,186
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,273	7,941
Comprehensive income attributable to non-controlling interests	196	244

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,667	6,527
Depreciation	1,266	1,220
Increase (decrease) in allowance for doubtful accounts	(51)	(1)
Increase (decrease) in retirement benefit liability	(125)	(78)
Decrease (increase) in retirement benefit asset	60	(175)
Interest and dividend income	(195)	(228)
Interest expenses	13	11
Foreign exchange losses (gains)	(616)	(525)
Loss (gain) on sale and retirement of non-current assets	(63)	13
Loss (gain) on sale of investment securities	–	(2)
Decrease (increase) in trade receivables	574	1,135
Decrease (increase) in inventories	(657)	557
Increase (decrease) in trade payables	41	255
Decrease (increase) in consumption taxes refund receivable	799	499
Other, net	(168)	(924)
Subtotal	6,545	8,283
Interest and dividends received	194	228
Interest paid	(13)	(11)
Income taxes paid	(1,877)	(1,204)
Net cash provided by (used in) operating activities	4,849	7,296
Cash flows from investing activities		
Purchase of non-current assets	(708)	(956)
Proceeds from sale of non-current assets	98	14
Purchase of investment securities	(26)	(68)
Proceeds from sale of investment securities	–	4
Proceeds from redemption of investment securities	99	600
Payments into time deposits	(795)	(797)
Proceeds from withdrawal of time deposits	57	232
Other, net	(24)	(299)
Net cash provided by (used in) investing activities	(1,298)	(1,270)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8)	(4)
Repayments of long-term borrowings	(360)	(360)
Purchase of treasury shares	(882)	(925)
Dividends paid	(890)	(1,009)
Dividends paid to non-controlling interests	(106)	(68)
Other, net	(3)	(4)
Net cash provided by (used in) financing activities	(2,253)	(2,373)
Effect of exchange rate change on cash and cash equivalents	1,064	906
Net increase (decrease) in cash and cash equivalents	2,362	4,557
Cash and cash equivalents at beginning of period	44,498	47,098
Cash and cash equivalents at end of period	46,861	51,656