

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2024 (Based on Japanese GAAP)

July 30, 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 to file Semi-annual Securities Report: August 2, 2024
 Scheduled date to commence dividend payments: September 5, 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 six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(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, 2024	42,434	17.1	5,251	(7.2)	6,419	(1.8)	6,671	50.4
Six months ended June 30, 2023	36,240	7.0	5,658	21.1	6,538	17.4	4,436	13.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2024	122.24		-	
Six months ended June 30, 2023	81.39		-	

(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, 2024	181,467	128,572	69.6	2,256.27
As of December 31, 2023	145,472	116,489	78.6	2,103.23

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, 2023	-	18.00	-	22.00	40.00
Year ending December 31, 2024	-	21.00	-	-	-
Year ending December 31, 2024 (Forecast)	-	-	-	21.00	42.00

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	87,000	16.3	12,500	5.5	13,000	0.9	11,300	11.1	204.46

4. Notes

- (1) Significant changes in the scope of consolidation during the six months ended June 30, 2024: Yes
- (2) Application of special accounting methods for preparing interim 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, 2024	61,686,292 shares	As of December 31, 2023	63,286,292 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	5,725,803 shares	As of December 31, 2023	8,943,669 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, 2024	54,576,290 shares	Six months ended June 30, 2023	54,515,311 shares
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Interim consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	57,914	52,193
Notes and accounts receivable - trade	17,270	20,022
Inventories	20,665	29,170
Other	2,645	3,136
Allowance for doubtful accounts	(214)	(213)
Total current assets	98,281	104,308
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,026	15,420
Other, net	8,522	14,330
Total property, plant and equipment	22,549	29,751
Intangible assets		
Goodwill	–	11,608
Other	1,089	1,173
Total intangible assets	1,089	12,782
Investments and other assets		
Investment securities	19,470	23,823
Investment property, net	–	5,965
Other	4,164	4,920
Allowance for doubtful accounts	(83)	(83)
Total investments and other assets	23,551	34,624
Total non-current assets	47,190	77,158
Total assets	145,472	181,467

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,298	10,515
Short-term borrowings	1,518	16,510
Income taxes payable	2,094	2,890
Provision for bonuses	666	769
Other	6,221	8,328
Total current liabilities	19,798	39,013
Non-current liabilities		
Long-term borrowings	1,857	1,497
Retirement benefit liability	3,115	5,628
Provision for retirement benefits for directors (and other officers)	61	54
Other	4,149	6,701
Total non-current liabilities	9,183	13,881
Total liabilities	28,982	52,894
Net assets		
Shareholders' equity		
Share capital	4,497	4,497
Capital surplus	3,978	3,964
Retained earnings	100,018	102,015
Treasury shares	(8,005)	(4,458)
Total shareholders' equity	100,490	106,018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,527	11,179
Foreign currency translation adjustment	4,526	8,337
Remeasurements of defined benefit plans	750	725
Total accumulated other comprehensive income	13,804	20,243
Non-controlling interests	2,194	2,310
Total net assets	116,489	128,572
Total liabilities and net assets	145,472	181,467

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, 2023	Six months ended June 30, 2024
Net sales	36,240	42,434
Cost of sales	18,033	20,707
Gross profit	18,206	21,726
Selling, general and administrative expenses	12,548	16,474
Operating profit	5,658	5,251
Non-operating income		
Interest income	27	104
Dividend income	201	255
Rental income from land and buildings	27	95
Insurance claim income	14	19
Foreign exchange gains	593	767
Other	84	96
Total non-operating income	949	1,339
Non-operating expenses		
Interest expenses	11	31
Rental expenses	–	70
Commission for syndicated loans	17	16
administrative expenses for investment partnerships	31	26
Other	9	27
Total non-operating expenses	69	171
Ordinary profit	6,538	6,419
Extraordinary income		
Gain on sale of non-current assets	6	3,622
Gain on sale of investment securities	2	110
Total extraordinary income	8	3,732
Extraordinary losses		
Loss on sale and retirement of non-current assets	19	30
Total extraordinary losses	19	30
Profit before income taxes	6,527	10,121
Income taxes	1,911	3,312
Profit	4,615	6,809
Profit attributable to non-controlling interests	178	137
Profit attributable to owners of parent	4,436	6,671

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit	4,615	6,809
Other comprehensive income		
Valuation difference on available-for-sale securities	2,047	2,652
Foreign currency translation adjustment	1,560	3,908
Remeasurements of defined benefit plans, net of tax	(37)	(24)
Total other comprehensive income	3,570	6,536
Comprehensive income	8,186	13,345
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,941	13,110
Comprehensive income attributable to non-controlling interests	244	235

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	6,527	10,121
Depreciation	1,220	1,549
Increase (decrease) in allowance for doubtful accounts	(1)	(12)
Increase (decrease) in retirement benefit liability	(78)	(50)
Decrease (increase) in retirement benefit asset	(175)	(169)
Rental income from land and buildings	(27)	(95)
Interest and dividend income	(228)	(359)
Interest expenses	11	31
Foreign exchange losses (gains)	(525)	(711)
Loss (gain) on sale and retirement of non-current assets	13	(3,592)
Loss (gain) on sale of investment securities	(2)	(110)
Amortization of goodwill	33	236
Decrease (increase) in trade receivables	1,135	272
Decrease (increase) in inventories	557	(1,040)
Increase (decrease) in trade payables	255	950
Decrease (increase) in consumption taxes refund receivable	499	357
Other, net	(930)	(789)
Subtotal	8,283	6,587
Interest and dividends received	228	366
Interest paid	(11)	(31)
Income taxes paid	(1,204)	(2,229)
Net cash provided by (used in) operating activities	7,296	4,692
Cash flows from investing activities		
Purchase of non-current assets	(956)	(1,435)
Proceeds from sale of non-current assets	14	3,700
Purchase of investment securities	(68)	(486)
Proceeds from sale of investment securities	4	112
Proceeds from redemption of investment securities	600	–
Purchase of investment property	–	(5,993)
Proceeds from land and house rent received	27	95
Payments into time deposits	(797)	(2,296)
Proceeds from withdrawal of time deposits	232	988
Purchase of shares subsidiaries resulting in change in scope of consolidation	–	(21,122)
Other, net	(326)	(225)
Net cash provided by (used in) investing activities	(1,270)	(26,663)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4)	14,992
Repayments of long-term borrowings	(360)	(360)
Purchase of treasury shares	(925)	(0)
Dividends paid	(1,009)	(1,188)
Dividends paid to non-controlling interests	(68)	(116)
Other, net	(4)	(45)
Net cash provided by (used in) financing activities	(2,373)	13,280
Effect of exchange rate change on cash and cash equivalents	906	1,425
Net increase (decrease) in cash and cash equivalents	4,557	(7,264)
Cash and cash equivalents at beginning of period	47,098	55,856
Cash and cash equivalents at end of period	51,656	48,591