

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 |
|---------------------|-------------------|-------------------------|-------------------|

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 |
|---------------------|------------------|-------------------------|------------------|

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 |
|--------------------------------|-------------------|--------------------------------|-------------------|

**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 |
|--|-------------------------|---------------------|
| <b>Liabilities</b>   |                         |                     |
| 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              |
| <b>Net assets</b>  |                         |                     |
| 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<br>June 30, 2021 | Six months ended<br>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<br>June 30, 2021 | Six months ended<br>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<br>June 30, 2021 | Six months ended<br>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                            |