

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 13, 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 of ordinary general meeting of shareholders: March 30, 2023
 Scheduled date to file Securities Report: March 30, 2023
 Scheduled date to commence dividend payments: March 31, 2023
 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	68,997	11.5	9,243	22.9	10,128	21.9	6,951	22.8
Year ended December 31, 2021	61,894	12.2	7,520	36.9	8,309	38.8	5,658	49.1

	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, 2022	125.73	–	7.0	8.0	13.4
Year ended December 31, 2021	100.96	–	6.1	7.0	12.2

(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, 2022	130,801	105,002	78.8	1,874.99
As of December 31, 2021	123,792	97,673	77.5	1,715.15

(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, 2022	7,281	(1,645)	(3,895)	47,098
Year ended December 31, 2021	8,369	(3,936)	(2,754)	44,498

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, 2021	–	16.00	–	16.00	32.00	1,866	31.7	1.9
Year ended December 31, 2022	–	16.50	–	18.50	35.00	2,010	27.8	1.9
Year ending December 31, 2023 (Forecast)	–	18.00	–	18.00	36.00		27.9	

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	129.14

4. Notes

- (1) Changes in significant subsidiaries during the year ended December 31, 2022
(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: Yes
- 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, 2022	63,286,292 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 December 31, 2022	8,305,522 shares	As of December 31, 2021	8,382,346 shares
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Average number of shares during the period

Year ended December 31, 2022	55,288,394 shares	Year ended December 31, 2021	56,051,850 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	44,931	48,074
Notes and accounts receivable - trade	16,567	16,309
Inventories	18,831	20,354
Other	2,483	1,916
Allowance for doubtful accounts	(1,400)	(281)
Total current assets	81,413	86,373
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,599	23,826
Accumulated depreciation	(8,748)	(9,345)
Buildings and structures, net	14,850	14,481
Machinery, equipment and vehicles	23,493	24,717
Accumulated depreciation	(19,754)	(20,735)
Machinery, equipment and vehicles, net	3,739	3,981
Land	3,782	3,749
Construction in progress	1,515	1,145
Other	13,477	12,698
Accumulated depreciation	(12,732)	(12,077)
Other, net	744	621
Total property, plant and equipment	24,633	23,980
Intangible assets	1,395	1,224
Investments and other assets		
Investment securities	14,175	16,497
Deferred tax assets	337	378
Retirement benefit asset	758	1,375
Other	1,080	2,252
Allowance for doubtful accounts	(0)	(1,281)
Total investments and other assets	16,350	19,222
Total non-current assets	42,379	44,427
Total assets	123,792	130,801

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,314	8,070
Short-term borrowings	1,516	1,516
Income taxes payable	1,849	1,207
Provision for bonuses	564	612
Reserve for returned goods	41	–
Accounts payable - other	2,468	2,616
Other	2,877	3,308
Total current liabilities	17,631	17,330
Non-current liabilities		
Long-term borrowings	3,298	2,577
Deferred tax liabilities	474	1,669
Retirement benefit liability	3,817	3,312
Provision for retirement benefits for directors (and other officers)	101	92
Other	796	814
Total non-current liabilities	8,487	8,467
Total liabilities	26,119	25,798
Net assets		
Shareholders' equity		
Share capital	4,497	4,497
Capital surplus	3,976	3,964
Retained earnings	87,708	91,838
Treasury shares	(6,953)	(7,104)
Total shareholders' equity	89,229	93,195
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,557	6,205
Foreign currency translation adjustment	1,793	3,197
Remeasurements of defined benefit plans	303	488
Total accumulated other comprehensive income	6,654	9,892
Non-controlling interests	1,789	1,914
Total net assets	97,673	105,002
Total liabilities and net assets	123,792	130,801

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

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	61,894	68,997
Cost of sales	31,226	35,044
Gross profit	30,667	33,953
Selling, general and administrative expenses	23,146	24,709
Operating profit	7,520	9,243
Non-operating income		
Interest income	18	30
Dividend income	324	370
Rental income from land and buildings	63	68
Insurance claim income	37	21
Subsidy income	87	15
Foreign exchange gains	349	423
Other	67	88
Total non-operating income	949	1,018
Non-operating expenses		
Interest expenses	31	28
Commission for syndicated loans	57	59
Administrative expenses for investment partnerships	–	15
Sales discounts	62	–
Other	10	30
Total non-operating expenses	160	133
Ordinary profit	8,309	10,128
Extraordinary income		
Gain on sale of non-current assets	102	69
Gain on sale of investment securities	195	–
Gain on liquidation of subsidiaries and associates	–	33
Compensation income	83	–
Total extraordinary income	381	103
Extraordinary losses		
Loss on sale and retirement of non-current assets	15	39
Loss on sale of investment securities	–	0
Loss on valuation of investment securities	48	4
Factory restructuring loss	341	–
Impairment losses	156	6
Other	33	–
Total extraordinary losses	594	52
Profit before income taxes	8,095	10,180
Income taxes - current	2,546	2,692
Income taxes - deferred	(364)	388
Total income taxes	2,182	3,081
Profit	5,912	7,098
Profit attributable to non-controlling interests	254	146
Profit attributable to owners of parent	5,658	6,951

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	5,912	7,098
Other comprehensive income		
Valuation difference on available-for-sale securities	357	1,648
Foreign currency translation adjustment	1,361	1,489
Remeasurements of defined benefit plans, net of tax	171	185
Total other comprehensive income	1,890	3,323
Comprehensive income	7,803	10,421
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,507	10,189
Comprehensive income attributable to non-controlling interests	295	232

Consolidated statements of changes in equity

Fiscal year ended December 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,497	3,725	83,807	(6,764)	85,266
Changes during period					
Dividends of surplus			(1,757)		(1,757)
Profit attributable to owners of parent			5,658		5,658
Purchase of treasury shares				(175)	(175)
Disposal of treasury shares		7		15	22
Change in ownership interest of parent due to transactions with non-controlling interests		243		(28)	214
Net changes in items other than shareholders' equity					
Total changes during period	–	250	3,901	(188)	3,963
Balance at end of period	4,497	3,976	87,708	(6,953)	89,229

	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	4,199	473	132	4,805	1,783	91,855
Changes during period						
Dividends of surplus						(1,757)
Profit attributable to owners of parent						5,658
Purchase of treasury shares						(175)
Disposal of treasury shares						22
Change in ownership interest of parent due to transactions with non-controlling interests						214
Net changes in items other than shareholders' equity	357	1,320	171	1,849	5	1,854
Total changes during period	357	1,320	171	1,849	5	5,817
Balance at end of period	4,557	1,793	303	6,654	1,789	97,673

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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	8,095	10,180
Depreciation	2,501	2,704
Increase (decrease) in allowance for doubtful accounts	(60)	(13)
Impairment losses	156	6
Increase (decrease) in retirement benefit liability	16	(874)
Decrease (increase) in retirement benefit asset	(88)	12
Interest and dividend income	(343)	(401)
Interest expenses	31	28
Foreign exchange losses (gains)	(297)	(366)
Loss (gain) on sale of investment securities	(195)	0
Loss (gain) on valuation of investment securities	48	4
Compensation income	(83)	–
Loss (gain) on sale and retirement of non-current assets	(86)	(29)
Decrease (increase) in trade receivables	(885)	(308)
Decrease (increase) in inventories	(1,826)	(768)
Increase (decrease) in trade payables	1,928	(287)
Other, net	490	377
Subtotal	9,402	10,265
Interest and dividends received	342	400
Interest paid	(31)	(28)
Proceeds from compensation	83	–
Income taxes paid	(1,427)	(3,356)
Net cash provided by (used in) operating activities	8,369	7,281
Cash flows from investing activities		
Purchase of non-current assets	(3,965)	(1,577)
Proceeds from sale of non-current assets	237	110
Purchase of investment securities	(503)	(145)
Proceeds from sale of investment securities	375	26
Proceeds from redemption of investment securities	–	99
Payments into time deposits	(528)	(768)
Proceeds from withdrawal of time deposits	461	677
Other, net	(14)	(68)
Net cash provided by (used in) investing activities	(3,936)	(1,645)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(16)	(6)
Repayments of long-term borrowings	(720)	(720)
Purchase of treasury shares	(177)	(1,257)
Dividends paid	(1,757)	(1,795)
Dividends paid to non-controlling interests	(74)	(106)
Other, net	(7)	(8)
Net cash provided by (used in) financing activities	(2,754)	(3,895)
Effect of exchange rate change on cash and cash equivalents	742	859
Net increase (decrease) in cash and cash equivalents	2,420	2,599
Cash and cash equivalents at beginning of period	42,078	44,498
Cash and cash equivalents at end of period	44,498	47,098