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February 14,2023

Summary of Consolidated Financial Results for the Third Quarter of the Year Ending March 2023 (unaudited)

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(Amounts of less than one million yen are rounded down.)

1. Results for the Third Quarter of the Year Ending March 31, 2023 (April 1, 2022 -December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Nine Months of FY2022	154,522	17.1	(1,325)	-	653	(45.6)	(4,818)	-
First Nine Months of FY2021	131,927	10.9	192	-	1,200	-	442	-

Note: Comprehensive income
 First Nine Months of FY2022 ¥(2,880) million
 First Nine Months of FY2021 ¥1,763 million

	Profit per share	Diluted profit per share
	Yen	Yen
First Nine Months of FY2022	(109.02)	-
First Nine Months of FY2021	9.92	-

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Nine Months of FY2022	231,333	66,533	28.8
Year ended March 2022	215,879	69,613	32.2

Note: Shareholders' equity
 First Nine Months of FY2022 ¥66,508 million
 FY2021 ¥69,608 million

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2021	-	0.00	-	0.00	0.00
FY2022	-	0.00	-		
FY2022(Forecast)				5.00	5.00

Note : Revision to the forecast for dividends announced most recently ... None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	210,000	15.4	500	-	2,500	27.3	(2,000)	-	(44.99)

Note : Revision to the financial results forecast announced most recently ... Yes

4. Notes

- (1) Changes in significant subsidiaries during the period under review
(changes in specified subsidiaries resulting in changes in scope of consolidation): None
New: - (Company name); Excluded: - (Company name)
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- | | |
|--|------|
| 1) Changes in accounting policies due to the revision of accounting standards: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting estimates: | Yes |
| 4) Retrospective restatement: | None |
- (4) Total number of issued shares (common shares)
- | | |
|--|-------------------|
| 1) Total number of issued shares at the end of the period (including treasury shares): | |
| First Nine Months of FY2022 | 44,741,433 shares |
| FY2021 | 44,741,433 shares |
| 2) Total number of treasury shares at the end of the period: | |
| First Nine Months of FY2022 | 997,190 shares |
| FY2021 | 288,324 shares |
| 3) Average number of shares during the period: | |
| First Nine Months of FY2022 | 44,200,630 shares |
| First Nine Months of FY2021 | 44,571,214 shares |

Notes: The Company has adopted a BIP (Board Incentive Plan) trust, assuming the number of shares held by the trust are included in the number of treasury stock of “(4) Total number of issued shares (common shares)”.

* This quarterly financial results report is exempt from quarterly review by Certified Public Accountants or an Audit Firm

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently acquired by the Company and certain assumptions assessed to be reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operations Results

Forward-looking statements supplied below are forecasts Mitsubishi Paper Mills Limited and its consolidated subsidiaries (the “Group”) made as of the last day of the period under review.

(1) State of Operating Results

In the nine months ended December 31, 2022, economic activities continued to recover to a certain extent, assisted by efforts to prevent COVID-19’s spread consistent with those activities. Meanwhile, uncertainties remained high over matters such as prolongation of the situation in Ukraine and steep rises in raw material and fuel prices, as well as exchange rate fluctuations.

Sharp rises in the prices of fuels, such as crude oil, coal, natural gas, and wood chips, affected the Group significantly while the environment surrounding the Group shift to post-COVID-19's.

Under these circumstances, the Group worked to improve productivity by maintaining production systems in line with demand trends in each business and, in term of sales, strived to revise product prices and expand sales of new products.

The Group also began executing the Medium-Term Management Plan (for the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025) in the ongoing fiscal year, adopting “Creation of a New Mitsubishi Paper Mills Group” as a slogan.

The basic policy of the Medium-Term Management Plan (for the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025) is as follows.

- (i) Strengthen our revenue base through selection and concentration strategies and expansion of new business
- (ii) Contribution to a green society
- (iii) Organizational change to improve sustainability

In line with the policy of the Medium-Term Management Plan, the Group decided to sell the business it operated at the Flensburg Mill of its Germany subsidiary on January 30, 2023. On April 1, 2023, we plan to reorganize the group, including the integration of our company and our subsidiaries at the Kitakami Site. Going forward, we will continue to promote selection and concentration as a measure to improve profitability and reform the organization of the group.

As a result, consolidated net sales amounted to 154,522 million yen (up 17.1% year on year) in the first nine months under review due to revision of product prices in response to a steep rise in the prices of raw materials and fuel.

Profitability was significantly affected by surging raw material and fuel prices, despite the effect of cost-cutting initiatives linked mainly to product price revisions, fixed cost reduction and the improvement of carbon intensity. Consequently, consolidated operating loss came to 1,325 million yen (compared with operating income of 192 million yen in the first nine months of the previous fiscal year), consolidated ordinary income was 653 million yen (compared with consolidated ordinary income of 1,200 million yen in the first nine months of the previous fiscal year) due in part to foreign exchange gains, and loss attributable to owners of parent stood at 4,818 million yen primarily due to provision of allowance of loss on business transfer as a result of the sale of the business operated at the Flensburg Mill of the Germany subsidiary.

Operating results by segment are as follows:

In the first three months, the Company changed reportable segments to match its internal organization. Specifically, the Company added the warehouse and transportation business to the paper and pulp business to create the paper materials business segment and set up the functional materials business segment by integrating the imaging media business with the specialty materials business.

(Million yen)

		Net sales			Operating income (loss)		
		Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change (%)	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change (%)
Reportable Segments	Paper materials	103,644	122,897	18.6	(2,152)	(4,258)	–
	Functional materials	36,627	43,842	19.7	2,414	2,956	22.4
	Total	140,272	166,740	18.9	262	(1,301)	–
Others		4,449	4,160	(6.5)	38	96	152.4
Total		144,721	170,900	18.1	300	(1,205)	–
Adjustment (Note)		(12,793)	(16,378)		(107)	(120)	
Total		131,927	154,522	17.1	192	(1,325)	–

(Note) Adjustment is mainly related to internal transactions.

(Paper materials business)

In Japan, the sales volume fell below the previous fiscal year's level. However, the sales value increased given the positive effects of price revisions. In terms of exports, sales volume also fell below the level in the previous fiscal year, although the value of sales increased partly due to the positive effects of foreign exchange rates.

Regarding commercial pulp, the sales value increased, reflecting the implementation of selling price revisions due to a steep rise in international market prices, although the sales volume remained flat.

At Germany subsidiaries, while sales volume decreased year on year, selling prices were revised in response to sharp rises in the prices of raw materials and fuel such as natural gas and pulp, which resulted in higher sales value.

However, the above price revisions could not compensate for the rises in raw materials and fuel prices, and the paper materials business resulted in an increase in sales and a decrease in profit.

In addition to the penetration of the third price increase, optimization of the production system, and consolidation of brands that we are currently working on, we will expand the lineup of new materials such as bleached kraft pulp, kraft paper, and barrier paper made from 100% domestic softwood. We aim to transform our product portfolio and stabilize earnings at an early stage.

Germany subsidiaries will continue to aim to create a structure which enables stable revenue to be secured. To do this, the Group will continue its efforts to pass on cost increases appropriately through product prices, while simultaneously continuing to work to reduce costs by rebuilding its production systems.

(Functional materials business)

In the functional materials business, sales of water treatment membrane supporting bodies, decorative laminate base paper, tape base paper, etc. rose steadily, however, sales fell year on year for filters and backing paper for wall paper. Sales of electronics-related products increased year on year, reflecting higher overseas sales for battery separators and electronics industry materials.

The Group enhanced its lineup of melt blown non-woven fabrics by providing fabrics for use in face masks and high functional air filter filtration materials while also expanding sales of original alcohol-based sanitizer/disinfectants with a focus on educational facilities and medical institutions.

The sales volume of imaging media-related products fell below the previous fiscal year's level, although the value of sales remained flat from the previous year due to the impact of sales price revisions and foreign exchange rates.

As a result, the functional materials business achieved growth in both sales and profit overall due to price revisions and the expansion of sales of growth items, despite the impact of the sharp increase of prices of raw materials and fuel.

In the functional non-woven fabrics-related business, which is a priority business area in the Medium-term Management Plan, the Group seeks to expand sales of items such as heat-resistant non-woven fabrics and melt blown non-woven fabrics, while also seeking to acquire new users of water treatment membrane supporting bodies and new applications for them for special membranes by accurately addressing demand for water-related businesses overseas. In electronics-related products, it will focus on sales of electronics industry materials, starting with battery separators and special dry resists for automobiles, energy-saving devices and communication devices. It will strive to further expand sales of decorative laminate base paper, tape base paper whose sales remain strong.

Regarding imaging media-related products, the Group will focus on expanding exports while at the same time striving to improve profitability by continuing to review production systems for items with decreasing demand.

(2) Explanation of Financial Position

Assets at the end of the first nine months under review amounted to 231,333 million yen, up 15,454 million yen from the end of the previous fiscal year, mainly due to increases in accounts receivable - trade and inventories.

Total liabilities came to 164,800 million yen, up 18,534 million yen from the end of the previous fiscal year, chiefly attributable to a growth in notes and accounts payable - trade and commercial papers.

Net assets decreased 3,080 million yen from the end of the previous fiscal year, to 66,533 million yen, mainly reflecting the posting of loss attributable to owners of parent.

The equity ratio was 28.8%, down 3.4 percentage points from the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

In conjunction with consolidated results forecasts for the fiscal year ending March 31, 2023, the Group has revised the results forecasts announced on November 14, 2022. For details, please see the Notice Regarding Revisions to Consolidated Results Forecasts released today.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2021 Mar 31,2022	First Nine Months / FY2022 Dec 31,2022
Assets		
Current assets		
Cash and deposits	9,047	8,442
Notes receivable - trade	7,724	9,460
Accounts receivable - trade	33,879	41,125
Merchandise and finished goods	23,446	25,210
Work in process	6,487	6,486
Raw materials and supplies	10,857	16,545
Other	3,969	6,026
Allowance for doubtful accounts	(130)	(157)
Total current assets	95,282	113,140
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,335	20,359
Machinery, equipment and vehicles, net	37,694	36,999
Land	21,276	20,786
Construction in progress	1,638	745
Other, net	2,646	2,455
Total property, plant and equipment	84,590	81,345
Intangible assets		
Other	1,864	2,419
Total intangible assets	1,864	2,419
Investments and other assets		
Investment securities	19,868	20,142
Other	14,343	14,348
Allowance for doubtful accounts	(70)	(64)
Total investments and other assets	34,141	34,426
Total non-current assets	120,596	118,192
Total assets	215,879	231,333

(Million yen)

	FY2021 Mar 31, 2022	First Nine Months / FY2022 Dec 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,617	29,273
Electronically recorded obligations	3,541	4,506
Short-term loans payable	56,433	59,153
Commercial paper	6,000	14,000
Income taxes payable	475	163
Provision for loss on transfer of business	—	3,312
Other	11,652	12,492
Total current liabilities	102,720	122,900
Non-current liabilities		
Long-term loans payable	29,960	29,013
Provision for share awards	24	58
Provision for directors' retirement benefits	69	46
Net defined benefit liability	9,277	7,839
Asset retirement obligations	885	885
Other	3,329	4,056
Total non-current liabilities	43,545	41,899
Total liabilities	146,265	164,800
Net assets		
Shareholders' equity		
Capital stock	36,561	36,561
Capital surplus	6,488	6,524
Retained earnings	13,962	9,110
Treasury shares	(228)	(430)
Total shareholders' equity	56,784	51,765
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,688	4,481
Foreign currency translation adjustment	952	1,593
Remeasurements of defined benefit plans	7,182	8,668
Total accumulated other comprehensive income	12,824	14,743
Non-controlling interests	5	24
Total net assets	69,613	66,533
Total liabilities and net assets	215,879	231,333

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

	(Million yen)	
	First Nine Months / FY2021 Apr '21 - Dec '21	First Nine Months / FY2022 Apr '22 - Dec '22
Net sales	131,927	154,522
Cost of sales	112,496	135,801
Gross profit	19,431	18,720
Selling, general and administrative expenses	19,238	20,046
Operating income(loss)	192	(1,325)
Non-operating income		
Interest income	23	20
Dividend income	499	556
Share of profit of entities accounted for using equity method	671	557
Foreign exchange gains	259	849
Other	244	501
Total non-operating income	1,698	2,485
Non-operating expenses		
Interest expenses	448	403
Other	241	103
Total non-operating expenses	690	506
Ordinary income	1,200	653
Extraordinary income		
Gain on disposal of non-current assets	49	22
Subsidy income	—	347
Gain on sales of investment securities	690	—
Gain on transfer of business	840	—
Other	633	4
Total extraordinary income	2,214	374
Extraordinary losses		
Loss on disposal of non-current assets	353	236
Loss on tax purpose reduction entry of non-current assets	—	329
Provision for loss on transfer of business	—	3,233
Extra retirement payments	81	493
Impairment loss	492	—
Loss on valuation of investment securities	833	—
Other	538	11
Total extraordinary losses	2,298	4,304
Profit (loss) before income taxes	1,116	(3,277)
Income taxes	650	1,522
Profit (loss)	465	(4,799)
Profit attributable to non-controlling interests	23	19
Profit (loss) attributable to owners of parent	442	(4,818)

Consolidated quarterly statements of comprehensive income

	(Million yen)	
	First Nine Months / FY2021 Apr '21 - Dec '21	First Nine Months / FY2022 Apr '22 - Dec '22
Profit (loss)	465	(4,799)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,008	(207)
Foreign currency translation adjustment	236	652
Remeasurements of defined benefit plans, net of tax	51	1,485
Share of other comprehensive income of entities accounted for using equity method	2	(11)
Total other comprehensive income	1,297	1,919
Comprehensive income	1,763	(2,880)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,739	(2,899)
Comprehensive income attributable to non-controlling interests	23	19