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May 11,2023

Summary of Consolidated Financial Results for the Fiscal year Ended March 31, 2023 (unaudited)

Company name: **Mitsubishi Paper Mills Limited** (Code No.3864 Tokyo Stock Exchange)
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 General meeting of stockholders to be held: June 29,2023 Start of dividend payout: June 12,2023
 Statutory annual report to be presented: June 29,2023

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

1. Consolidated Financial Results for the Fiscal year Ended March 31, 2023

(April 1, 2022 to March 31, 2023)

(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	%
FY2022	209,542	15.2	968	-	3,089	57.3	(571)	-
FY2021	181,920	12.1	(248)	-	1,964	-	1,096	-

Note: Comprehensive income FY2022 ¥2,628 million FY2021 ¥6,957 million

	Profit per share	Diluted profit per share	Ratio of profit to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2022	(12.97)	-	(0.8)	1.4	0.5
FY2021	24.62	-	1.7	0.9	(0.1)

Note: Equity in earning of affiliates FY2022 ¥670 million FY2021 ¥1,066 million

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	227,058	72,041	31.7	1,646.59
FY2021	215,879	69,613	32.2	1,565.88

Note: Shareholders' equity FY2022 ¥72,028 million FY2021 ¥69,608 million

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2022	(2,721)	(3,565)	5,209	8,325
FY2021	1,698	(2,557)	(6,091)	9,047

2. Dividends

	Dividend per share					Total dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend on net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2021	-	0.00	-	0.00	0.00	-	-	-
FY2022	-	0.00	-	5.00	5.00	223	-	0.3
FY2023(Forecast)	-	0.00	-	5.00	5.00		5.5	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(% 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
First half	110,000	9.6	1,000	-	1,000	(33.5)	0	-	0.00
Full year	220,000	5.0	6,000	519.6	6,500	110.4	4,000	-	91.44

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) 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
- (3) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):
- | | |
|--------|-------------------|
| FY2022 | 44,741,433 shares |
| FY2021 | 44,741,433 shares |
- 2) Total number of treasury shares at the end of the period:
- | | |
|--------|----------------|
| FY2022 | 997,361 shares |
| FY2021 | 288,324 shares |
- 3) Average number of shares during the period:
- | | |
|--------|-------------------|
| FY2022 | 44,095,288 shares |
| FY2021 | 44,543,972 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 “(3) Total number of issued shares (common shares)”.

(Reference)

1. Results for the Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022	107,191	11.9	(1,361)	-	2,086	(54.5)	708	(60.5)
FY2021	95,823	10.6	159	-	4,589	-	1,793	-

	Profit per share	Diluted profit per share
	Yen	Yen
FY2022	16.06	-
FY2021	40.26	-

(2) Non-consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	168,320	49,789	29.6	1,137.91
FY2021	163,109	49,064	30.1	1,103.46

Note: Shareholders' equity FY2022 ¥49,789 million FY2021 ¥49,064 million

* This financial results report is exempt from being audited 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. Overview of Operating Results, etc.

(1) Overview of Operating Results

During the fiscal year ended March 31, 2023, economic activities continued to recover to a certain extent, reflecting progress in efforts aimed at preventing the spread of COVID-19 while facilitating economic 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.

Looking at the environment surrounding the Group, the Group was significantly affected by sharp increases in the prices of raw materials and fuel such as crude oil, coal, natural gas and wood chips amid a shift toward society living with COVID-19.

In response, the Group took steps to improve productivity by adopting production systems in line with demand trends in each business. Meanwhile, in term of sales, it strove 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 fiscal year under review, 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 took a range of measures to advance selection and concentration strategies. The Company decided to sell the business it operated at the Flensburg Mill of its Germany subsidiary on January 30, 2023. Equities are expected to be transferred in the first half of FY2023. In addition, the Company reorganized some of its group companies on April 1, 2023. To improve the efficiency of sales systems, it integrated Diamic Co., Ltd. into Mitsubishi Oji Paper Sales Co., Ltd., thereby merging the Group’s sales agents into a single company. As a result, regardless of product areas, Mitsubishi Oji Paper Sales Co., Ltd. will work to optimize sales on a group-wide basis as the Group’s sole sales company responsible for the sale of the Group’s products. Moreover, by integrating the Kitakami site subsidiary and Hachinohe site subsidiary into the Company, the Company moved forward with selection and concentration strategies and the Group’s reorganization to improve profitability.

As a result, consolidated net sales for the fiscal year under review amounted to 209,542 million yen (up 15.2% year on year) partly due to a 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. Even so, thanks to the effect of cost-cutting initiatives linked mainly to product price revisions, fixed cost reductions and the improvement of carbon intensity, consolidated operating income came to 968 million yen (compared with consolidated operating loss of 248 million yen in the previous fiscal year), consolidated ordinary income was 3,089 million yen (compared with consolidated ordinary income of 1,964 million yen in the previous fiscal year) due in part to foreign exchange gains, and loss attributable to owners of parent stood at 571 million yen primarily due to a loss on sale of businesses 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:

Effective from the fiscal year under review, the Company changed reportable segments to match its internal organization. Specifically, it integrated the imaging media business and the specialty materials business to set up the functional materials business, while also adding the warehouse and transportation business to the paper and pulp business to create the sustainable fiber materials business.

(Million yen)

		Net sales			Operating income (loss)		
		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change (%)	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change (%)
Reportable Segments	Functional materials	50,249	59,385	18.2	2,973	4,163	40.0
	Sustainable fiber materials	141,703	166,534	17.5	(3,208)	(3,095)	–
	Total	191,953	225,919	17.7	(235)	1,067	–
Others		7,020	5,303	(24.5)	75	120	58.8
Total		198,973	231,222	16.2	(159)	1,187	–
Adjustment (Note)		(17,052)	(21,680)		(88)	(219)	
Total		181,920	209,542	15.2	(248)	968	–

(Note) Adjustment is mainly related to internal transactions.

(Functional materials business)

In the functional materials business, sales of electronics-related products such as battery separators and electronics industry materials, decorative laminate base paper, and tape base paper, among other materials, rose from the year-age level. However, sales fell year on year for air filters, water treatment membrane supporting bodies and backing paper for wallpaper.

The Group enhanced its lineup of melt blown non-woven fabrics by launching, for example, dust collection filters with antibacterial and antivirus functions, among other items. It also took steps to launch the Diamour, a freezing device that preserves eggs and embryos through a very rapid vitrification process.

In the imaging media-related products business, the volume of sales declined for printing and prepress materials and photographic base paper. However, the value of sales increased year on year, reflecting the expansion of sales of inkjet paper overseas and 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 the expansion of sales of growth items and price revisions, despite the significant impact of surges in the 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 will continue to seek 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 such as food, beverages and medical care. In electronics-related products, it will focus on sales of electronics industry materials, starting with battery separators and special dry resists for automobiles, demand for which is expected to increase. It will strive to further expand sales of tape base paper and sterilization paper.

Regarding imaging media-related products, demand for which has been declining, the Group will work to maintain the volume of sales by tapping into new demand such as use for labeling and industrial ink-jet printers while also seeking to improve profitability by continuing to review production systems.

(Sustainable fiber materials business)

In the domestic market, the volume of sales, particularly that of printing paper, demand for which continues to fall, decreased. Even so, the value of sales increased partly due to the effect of price revisions. Both sales volume and value increased to a certain extent in exports.

With respect to commercial pulp, price revisions were made to domestic products to deal with cost increases linked to rising raw material and fuel prices. In exports, on the other hand, both sales volume and value increased partly due to the weak yen.

Regarding businesses operated in Germany, 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.

As a result, the sustainable fiber materials business achieved growth in both sales and profit overall due to price revisions, despite

the significant impact of surges in the prices of raw materials and fuel.

The Group will aim to transform its product portfolio and stabilize revenue at the earliest opportunity by expanding sales of bleached kraft paper with functions that contribute to plastic removal and enhancing the product lineup of barricote® paper. In addition, it will seek to maintain the effect of price revisions, and continue efforts to optimize production systems and inventory levels.

Regarding businesses operated in Germany, the Group will continue its efforts to secure stable revenue. To do this, it will continue to maintain a balance between costs and product prices and will work on cost reductions through the reestablishment of production systems following the sale of the Flensburg Mill.

(2) Overview of Financial Position

Assets at the end of the fiscal year under review amounted to 227,058 million yen, up 11,179 million yen from the end of the previous fiscal year, mainly due to increases in accounts receivable - trade and inventories.

Total liabilities came to 155,016 million yen, up 8,751 million yen from the end of the previous fiscal year, chiefly attributable to growth in loans payable and notes and accounts payable - trade.

Net assets increased 2,428 million yen from the end of the previous fiscal year, to 72,041 million yen, mainly due to the posting of an increase in remeasurements of defined benefit plans.

The equity ratio was 31.7%, down 0.5 percentage points from the end of the previous fiscal year.

(3) Overview of Cash Flows

Cash and cash equivalents at the end of the fiscal year totaled 8,325 million yen, a decrease of 721 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash used in operating activities stood at 2,721 million yen, an increase of 4,420 million yen year on year. Major inflows were depreciation of 8,287 million yen and a 3,293 million yen increase in notes and accounts payable - trade, while a major outflow was a 8,115 million yen increase in inventories and a 4,498 million yen increase in notes and accounts receivable - trade.

(Cash flow from investing activities)

Cash used in investing activities stood at 3,565 million yen, an increase of 1,007 million yen year on year. A major outflow was the purchase of property, plant and equipment and intangible assets of 4,546 million yen. A major inflow was proceeds from sales of property, plant and equipment and intangible assets of 717 million yen.

(Cash flows from financing activities)

Cash generated from financing activities amounted to 5,209 million yen, an increase of 11,300 million yen year on year. This was mainly due to an increase in loans payable.

(4) Future Outlook

The consolidated results forecasts for the fiscal year ending March 31, 2024 are net sales of 220,000 million yen, operating income of 6,000 million yen, ordinary income of 6,500 million yen, and profit attributable to owners of parent of 4,000 million yen.

The consolidated results forecasts above are based on assumed exchange rates of 135 yen to the U.S. dollar and 145 yen to the euro. The forecasts are based on the information currently available to the Company and include risks and uncertainties. Please note that actual results may be different due to various factors such as subsequent changes in business environment.

(5) Basic Policy for Dividends and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Company's basic policy regarding dividends of surplus and the like is to regard the distribution of profits to shareholders as a key management issue and maintain stable dividends while comprehensively considering business performance in each business year and internal reserves necessary to prepare for future management initiatives.

For the fiscal year under review, the Company plans to pay a year-end dividend of 5 yen per share after comprehensively taking into account the policy of maintaining stable dividends as well as recent performance trends.

For the next fiscal year, the Company plans to pay a year-end dividend of 5 yen per share under the basic policy above.

2. Basic Policy for the Selection of Accounting Standards

Taking into account the comparability of consolidated financial statements between periods and companies, the Group intends to prepare consolidated financial statements in accordance with Japanese standards in the foreseeable future.

The Group's policy is to take appropriate actions in consideration of future trends regarding the adoption of IFRS by other domestic companies.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2021 Mar 31,2022	FY2022 Mar 31,2023
Assets		
Current assets		
Cash and deposits	9,047	8,325
Notes receivable - trade	7,724	8,074
Accounts receivable - trade	33,879	38,470
Merchandise and finished goods	23,446	25,257
Work in process	6,487	6,322
Raw materials and supplies	10,857	18,498
Other	3,969	4,166
Allowance for doubtful accounts	(130)	(92)
Total current assets	95,282	109,024
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,335	19,703
Machinery, equipment and vehicles, net	37,694	34,918
Land	21,276	20,625
Leased assets, net	1,156	1,138
Construction in progress	1,638	733
Other, net	1,489	1,135
Total property, plant and equipment	84,590	78,256
Intangible assets		
Other	1,864	2,379
Total intangible assets	1,864	2,379
Investments and other assets		
Investment securities	19,868	21,605
Long-term loans receivable	1,215	765
Net defined benefit asset	10,662	12,035
Deferred tax assets	1,384	2,132
Other	1,081	923
Allowance for doubtful accounts	(70)	(64)
Total investments and other assets	34,141	37,398
Total non-current assets	120,596	118,034
Total assets	215,879	227,058

(Million yen)

	FY2021 Mar 31,2022	FY2022 Mar 31,2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,617	28,710
Electronically recorded obligations	3,541	3,485
Short-term loans payable	56,433	61,467
Commercial paper	6,000	5,000
Lease obligations	380	509
Accrued expenses	6,728	6,597
Income taxes payable	475	302
Contract liabilities	500	371
Provision for loss on transfer of business	—	1,614
Other	4,043	2,399
Total current liabilities	102,720	110,457
Non-current liabilities		
Long-term loans payable	29,960	32,603
Lease obligations	586	596
Deferred tax liabilities	694	938
Provision for share awards	24	53
Provision for directors' retirement benefits	69	49
Net defined benefit liability	9,277	7,603
Asset retirement obligations	885	885
Other	2,048	1,827
Total non-current liabilities	43,545	44,559
Total liabilities	146,265	155,016
Net assets		
Shareholders' equity		
Capital stock	36,561	36,561
Capital surplus	6,488	6,524
Retained earnings	13,962	13,357
Treasury shares	(228)	(430)
Total shareholders' equity	56,784	56,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,688	5,532
Foreign currency translation adjustment	952	1,111
Remeasurements of defined benefit plans	7,182	9,372
Total accumulated other comprehensive income	12,824	16,015
Non-controlling interests	5	13
Total net assets	69,613	72,041
Total liabilities and net assets	215,879	227,058

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

(Million yen)

	FY2021 Apr '21 - Mar '22	FY2022 Apr '22 - Mar '23
Net sales	181,920	209,542
Cost of sales	156,151	182,288
Gross profit	25,768	27,253
Selling, general and administrative expenses	26,017	26,285
Operating income(loss)	(248)	968
Non-operating income		
Interest income	30	27
Dividend income	531	652
Share of profit of entities accounted for using equity method	1,066	670
Foreign exchange gains	1,038	983
Other	436	545
Total non-operating income	3,104	2,878
Non-operating expenses		
Interest expenses	581	574
Other	309	182
Total non-operating expenses	891	757
Ordinary income	1,964	3,089
Extraordinary income		
Gain on disposal of non-current assets	53	39
Subsidy income	—	347
Gain on sales of investment securities	1,394	4
Gain on sale of businesses	840	—
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	285	—
Other	430	35
Total extraordinary income	3,004	427
Extraordinary losses		
Loss on disposal of non-current assets	402	263
Loss on tax purpose reduction entry of non-current assets	—	329
Impairment loss	1,317	52
Loss on sale of businesses	—	3,192
Extra retirement payments	433	651
Loss on valuation of investment securities	779	12
Loss on valuation of shares of subsidiaries and associates	395	—
Other	85	22
Total extraordinary losses	3,414	4,523
Profit (loss) before income taxes	1,554	(1,006)
Income taxes	455	(443)
Profit (loss)	1,098	(563)
Profit attributable to non-controlling interests	2	7
Profit (loss) attributable to owners of parent	1,096	(571)

Consolidated Statements of Comprehensive Income

	(Million yen)	
	FY2021 Apr '21 - Mar '22	FY2022 Apr '22 - Mar '23
Profit (loss)	1,098	(563)
Other comprehensive income		
Valuation difference on available-for-sale securities	745	843
Foreign currency translation adjustment	40	171
Remeasurements of defined benefit plans, net of tax	5,070	2,189
Share of other comprehensive income of entities accounted for using equity method	2	(12)
Total other comprehensive income	5,858	3,192
Comprehensive income	6,957	2,628
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,954	2,620
Comprehensive income attributable to non-controlling interests	2	8

(3) Consolidated Statements of Cash Flow

	(Million yen)	
	FY2021 Apr '21 - Mar '22	FY2022 Apr '22 - Mar '23
Cash flows from operating activities		
Profit (loss) before income taxes	1,554	(1,006)
Depreciation	8,489	8,287
Impairment loss	1,317	52
Decrease (increase) in net defined benefit asset	281	(1,520)
Increase (decrease) in net defined benefit liability	218	167
Increase (decrease) in provision for directors' retirement benefits	14	(19)
Increase (decrease) in provision for share awards	24	29
Interest and dividend income	(562)	(679)
Share of loss (profit) of entities accounted for using equity method	(1,066)	(670)
Foreign exchange losses (gains)	(509)	(573)
Interest expense	581	574
Loss (gain) on sales of short-term and long-term investment securities	(1,394)	(4)
Loss (gain) on valuation of investment securities	779	12
Loss (gain) on disposal of non-current assets	349	223
Loss (gain) on sale of businesses	(840)	3,192
Loss on tax purpose reduction entry of non-current assets	—	329
Subsidy income	—	(347)
Decrease (increase) in notes and accounts receivable - trade	(12,551)	(4,498)
Decrease (increase) in inventories	96	(8,115)
Increase (decrease) in notes and accounts payable - trade	6,083	3,293
Other, net	(694)	(1,243)
Subtotal	2,174	(2,517)
Subsidies received	200	547
Interest and dividend income received	562	680
Interest expenses paid	(584)	(535)
Income taxes paid	(652)	(896)
Net cash provided by (used in) operating activities	1,698	(2,721)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(6,255)	(4,546)
Proceeds from sales of property, plant and equipment and intangible assets	116	717
Purchase of investment securities	(11)	(11)
Proceeds from sales of investment securities	2,759	12
Payments of loans receivable	(0)	(0)
Collection of loans receivable	743	450
Proceeds from sale of businesses	840	—
Other, net	(750)	(186)
Net cash provided by (used in) investing activities	(2,557)	(3,565)

(Million yen)

	FY2021 Apr '21 - Mar '22	FY2022 Apr '22 - Mar '23
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(416)	3,774
Net increase (decrease) in commercial paper	(1,000)	(1,000)
Proceeds from long-term loans payable	9,800	14,288
Repayments of long-term loans payable	(13,998)	(11,196)
Repayments of lease obligations	(398)	(441)
Purchase of treasury shares	(75)	(214)
Proceeds from sales of treasury shares	0	—
Dividends paid to non-controlling interests	(1)	(0)
Net cash provided by (used in) financing activities	(6,091)	5,209
Effect of exchange rate change on cash and cash equivalents	296	213
Net increase (decrease) in cash and cash equivalents	(6,654)	(863)
Cash and cash equivalents at beginning of period	15,701	9,047
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	142
Cash and cash equivalents at end of period	9,047	8,325