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August 6,2024

Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 2025 (unaudited)

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

1. Results for the First Quarter of the Year Ending March 31, 2025 (April 1, 2024 - June 30, 2024)

(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 Quarter of FY2024	45,003	(8.7)	(70)	-	354	(77.2)	(23)	-
First Quarter of FY2023	49,317	1.5	326	-	1,550	131.8	917	-

Note: Comprehensive income
 First Quarter of FY2024 ¥266 million
 First Quarter of FY2023 ¥1,637 million

	Profit per share	Diluted profit per share
	Yen	Yen
First Quarter of FY2024	(0.54)	-
First Quarter of FY2023	20.96	-

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Quarter of FY2024	232,691	90,785	39.0
Year ended March 2024	235,380	90,954	38.6

Note: Shareholders' equity
 First Quarter of FY2024 ¥90,761 million
 FY2023 ¥90,932 million

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2023	-	0.00	-	10.00	10.00
FY2024	-				
FY2024(Forecast)		0.00	-	10.00	10.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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	94,000	(2.8)	2,500	25.3	2,500	(29.1)	1,500	(8.5)	34.19
Full year	197,000	1.8	8,000	47.9	8,000	12.7	8,000	91.8	182.33

Note : Revision to the financial results forecast announced most recently ... None

4. Notes

- (1) Significant changes in the scope of consolidation during the period: Yes
Newly included: - (Company name);
Excluded: 5 companies (Company name); Shin-Hokuryo Forest Products Co., Ltd. etc.
- (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 Quarter of FY2024 | 44,741,433 shares |
| FY2023 | 44,741,433 shares |
- 2) Total number of treasury shares at the end of the period:
- | | |
|-------------------------|----------------|
| First Quarter of FY2024 | 926,647 shares |
| FY2023 | 950,850 shares |
- 3) Average number of shares during the period:
- | | |
|-------------------------|-------------------|
| First Quarter of FY2024 | 43,796,576 shares |
| First Quarter of FY2023 | 43,748,587 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)”.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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

Looking at the environment surrounding the Group in the three months ended June 30, 2024, the Group experienced a moderate recovery of social/economic activity, driven by increased personal consumption and an increase in inbound tourism demand. At the same time, the economic outlook remained uncertain due to the normalization of weak yen and geopolitical risks related to the prolonged war in Ukraine and the situation in the Middle East, which affect the prices of raw materials and fuel, the impact of global monetary tightening, and concerns about a slowdown of the Chinese economy.

Under these circumstances, the Group took steps to improve productivity and reduce costs, while in terms of sales, it sought to expand sales of new products.

In addition, the Group instituted the following initiatives in line with the basic policy of the Medium-Term Management Plan (for the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025) in order to enhance its corporate value.

(i) Strengthen our earning capacity by “selection and concentration” strategies and “expansion of new business”

The Group underwent a restructuring among its subsidiaries, to enhance operational efficiency. On April 1, 2024, the Company integrated Shin-Hokuryo Forest Products Co., Ltd., Kyoryo Chemical Co., Ltd., and Takasago Paper Processing Co., Ltd. Additionally, Mitsubishi Paper Engineering Co., Ltd. merged with Ryoukou Co., Ltd., Mitsubishi Oji Paper Sales Co., Ltd. merged with RYOSHI Co., Ltd., and also on July 1, 2024, the Company merged with its subsidiary KJ SPECIALTY PAPER Co., Ltd.. The Group will continue to proceed with its organizational transformation to bolster its profitability and strengthen corporate governance.

(ii) Contribution to a green society

Aiming for the sustainable growth of the Group, the medium- to long-term enhancement of its corporate value and contribution to society, the Group is promoting information disclosure in line with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) regarding both the risks and opportunities that climate change poses to its business.

With regard to its initiatives to reduce CO2 emissions, the Group participated in the GX League (GX: green transformation) to advance the initiatives to reach the target for 2030 that the Group has pledged to achieve in order to realize a carbon-neutral society. In terms of the sales expansion of environmentally friendly products, the Group is seeking to expand sales of kraft paper and barrier paper, which are in strong demand for use in paper bags for mail order and take-out meals. The Group will contribute to eliminating and reducing plastic usage and realizing a safe and comfortable green society.

(iii) Organizational change to improve sustainability

Under the Mitsubishi Paper Mills Group Basic Sustainability Policy, which was established in April 2023, the Group strives to enhance its corporate value by earning the trust and support of its stakeholders while also helping to address a range of social issues with a view toward realizing a sustainable society. It plans to offer shareholders the chance to participate in the Mitsubishi Paper Mill’s Forest with Nissy & Kassy program, aiming to increase their understanding of the Group’s sustainability efforts through tree planting experiences. Additionally, the Group will work to disclose more detailed information by publishing integrated reports to ensure that all stakeholders understand all of its corporate activities.

The Group renewed its core systems in the previous fiscal year. The Group will continue to push forward with the introduction of digital technologies, improving operational efficiency and increasing work safety while implementing digital transformation initiatives that will enhance corporate value.

Consolidated net sales amounted to 45,003 million yen (down 8.7% year on year) in the first three months under review.

On the profitability side, a consolidated operating loss of 70 million yen was recorded (compared to a consolidated operating income of 326 million yen in the previous fiscal year) due to a significant decline in sales volume, despite a reduction in labor and other costs resulting from the Group’s restructuring. Consolidated ordinary income was 354 million yen (down 77.2% year on year). A loss attributable to owners of parent of 23 million yen was recorded.

Operating results by segment are as follows:

(Million yen)

		Net sales			Operating income (loss)		
		Three months ended June 30, 2023	Three months ended June 30, 2024	Change (%)	Three months ended June 30, 2023	Three months ended June 30, 2024	Change (%)
Reportable Segments	Functional materials	26,108	22,778	(12.8)	898	830	(7.5)
	Sustainable fiber materials	23,903	22,786	(4.7)	(584)	(860)	–
	Total	50,012	45,565	(8.9)	313	(29)	–
Others		1,133	1,087	(4.1)	23	(12)	–
Total		51,145	46,652	(8.8)	337	(42)	–
Adjustment (Note)		(1,827)	(1,648)		(11)	(28)	
Total		49,317	45,003	(8.7)	326	(70)	–

(Note) Adjustment is mainly related to internal transactions.

(Functional materials business)

In functional materials-related products, sales of separators for power storage devices, rewriteable media and air filters rose from the previous year. Sales of tape base paper were solid both in Japan and abroad, exceeding the previous year in both volume and monetary terms. Sales of water treatment base materials declined in monetary terms from the previous fiscal year due to changes in customer quality requirements and intensifying competition in the Chinese market. Sales of decorative laminate base paper fell in both volume and monetary terms from the previous fiscal year, reflecting a decrease in export demand.

Of imaging-related products, sales of products for inkjet printers were below the previous year in both volume and monetary terms due to a decline in demand for products related to image output and printing. Sales of carbonless paper and PPC paper were lower than the previous year in both volume and monetary terms. Sales of thermal paper increased from the previous year in both volume and monetary terms as the Group captured demand in the POS market.

Sales from the Flensburg Plant declined from the previous year in both volume and monetary terms due to the sale of the Flensburg Plant.

As a result, the functional materials business as a whole posted lower sales and profits.

In the functional materials-related business, the Group aims to meet the customer quality requirements for water treatment base materials. The Group will strive to capture the growing demand for industrial products and seawater desalination. The Group will continue to focus on increasing overseas sales of tape base paper. It will continue to stabilize profits by improving production efficiency and optimizing the product portfolio for decorative laminate base paper and backing paper for wallpaper.

Regarding imaging-related products, the Group will strive to increase sales of products for large posters, labels and industrial inkjet printing and sales in emerging countries in Asia. The Group will continue promoting sales of thermal paper in the POS and work to increase sales of Environmentally friendly and value-added products, such as PPC paper that has achieved FSC certification to stabilize profits.

In the business in Germany, the Group will reform its business structure to stabilize profits.

(Sustainable fiber materials business)

In the domestic printing paper market, sales decreased in volume and value from the previous year, reflecting the continued decline in demand. Given the market environment in which the yen remained weak, exports increased year on year in both volume and monetary terms.

Sales of commercial pulp rose in both volume and value from the previous year, reflecting increased exports resulting from the recovery of overseas markets.

As a result, the sustainable fiber materials business posted lower sales and profits.

The Group will maintain printing paper prices and optimize the production system based on demand trends. It will also continue to optimize inventory levels. The Group aims to increase sales of commercial pulp in line with market trends.

The demand for products that contain no or little plastic is high due to rising environmental awareness. Against this backdrop, the Company's kraft paper and barricote® paper, a highly printable wrapping paper, has been well received and used by many customers.

The Company thus plans to expand its craft paper product lineup and increase sales. The Company aims to improve production efficiency by generating synergy at the Hachinohe and Kitakami Mills and reducing costs, thereby strengthening the business foundation.

(2) Explanation of Financial Position

Assets at the end of the first three months under review amounted to 232,691 million yen, down 2,688 million yen from the end of the previous consolidated fiscal year, mainly due to decreases in cash and deposits and accounts receivable – trade.

Liabilities came to 141,906 million yen, down 2,519 million yen from the end of the previous fiscal year, chiefly attributable to decreases in short-term loans payables and income taxes payable.

Net assets decreased 169 million yen from the end of the previous fiscal year, to 90,785 million yen, mainly due to the posting of decreases in remeasurements of defined benefit plans and retained earnings.

The equity ratio was 39.0%, up 0.4 percentage points from the end of the previous fiscal year.

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

Consolidated results forecasts for the fiscal year ending March 31, 2025 remain unchanged from the same forecasts announced on May 13, 2024.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2023 Mar 31,2024	First Quarter / FY2024 Jun 30,2024
Assets		
Current assets		
Cash and deposits	10,009	7,436
Notes receivable - trade	10,493	10,708
Accounts receivable - trade	37,642	35,553
Merchandise and finished goods	23,092	21,414
Work in process	6,744	6,937
Raw materials and supplies	12,007	15,147
Other	1,981	2,547
Allowance for doubtful accounts	(40)	(40)
Total current assets	101,930	99,704
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,327	17,062
Machinery, equipment and vehicles, net	30,866	30,103
Land	20,317	20,428
Construction in progress	1,018	1,401
Other, net	1,771	1,657
Total property, plant and equipment	71,301	70,652
Intangible assets		
Other	1,954	1,810
Total intangible assets	1,954	1,810
Investments and other assets		
Investment securities	26,376	27,383
Retirement benefit asset	31,680	31,288
Other	2,215	1,924
Allowance for doubtful accounts	(78)	(72)
Total investments and other assets	60,194	60,524
Total non-current assets	133,450	132,987
Total assets	235,380	232,691

(Million yen)

	FY2023 Mar 31,2024	First Quarter / FY2024 Jun 30,2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,779	24,732
Electronically recorded obligations	4,607	4,695
Short-term loans payable	62,026	61,281
Income taxes payable	1,261	414
Other	11,596	11,222
Total current liabilities	104,272	102,347
Non-current liabilities		
Long-term loans payable	22,281	22,268
Provision for share awards	114	132
Provision for directors' retirement benefits	36	5
Net defined benefit liability	6,855	6,366
Asset retirement obligations	939	939
Other	9,925	9,846
Total non-current liabilities	40,153	39,558
Total liabilities	144,425	141,906
Net assets		
Shareholders' equity		
Capital stock	36,561	36,561
Capital surplus	6,523	6,524
Retained earnings	17,336	16,866
Treasury shares	(416)	(404)
Total shareholders' equity	60,005	59,547
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,399	10,050
Foreign currency translation adjustment	763	845
Remeasurements of defined benefit plans	20,763	20,316
Total accumulated other comprehensive income	30,926	31,213
Non-controlling interests	22	23
Total net assets	90,954	90,785
Total liabilities and net assets	235,380	232,691

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

(Million yen)

	First Quarter / FY2023 Apr '23 - Jun '23	First Quarter / FY2024 Apr '24 - Jun '24
Net sales	49,317	45,003
Cost of sales	43,224	39,804
Gross profit	6,093	5,198
Selling, general and administrative expenses	5,767	5,269
Operating income(loss)	326	(70)
Non-operating income		
Interest income	3	4
Dividend income	245	226
Share of profit of entities accounted for using equity method	17	62
Foreign exchange gains	1,034	297
Other	140	96
Total non-operating income	1,440	687
Non-operating expenses		
Interest expenses	177	225
Other	38	36
Total non-operating expenses	216	262
Ordinary income	1,550	354
Extraordinary income		
Gain on disposal of non-current assets	0	68
Gain on termination of retirement benefit plan	—	50
Gain on sale of investment securities	1	—
Total extraordinary income	1	118
Extraordinary losses		
Loss on disposal of non-current assets	62	45
Business restructuring costs	—	58
Loss on sale of businesses	32	—
Other	9	43
Total extraordinary losses	103	147
Profit before income taxes	1,448	325
Income taxes	533	346
Profit (loss)	914	(20)
Profit (loss) attributable to non-controlling interests	(2)	2
Profit (loss) attributable to owners of parent	917	(23)

Consolidated quarterly statements of comprehensive income

(Million yen)

	First Quarter / FY2023 Apr '23 - Jun '23	First Quarter / FY2024 Apr '24 - Jun '24
Profit (loss)	914	(20)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,470	650
Foreign currency translation adjustment	(463)	80
Remeasurements of defined benefit plans, net of tax	(284)	(446)
Share of other comprehensive income of entities accounted for using equity method	0	2
Total other comprehensive income	722	287
Comprehensive income	1,637	266
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,639	263
Comprehensive income attributable to non-controlling interests	(1)	3