

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2021 (Based on Japanese GAAP)

February 17, 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
 General Manager of Financial Resources and
 Inquiries: Accounting Department Hisashi Jagawa TEL 03-3458-6215
 Scheduled date of ordinary general meeting of shareholders: March 30, 2022
 Scheduled date to file Securities Report: March 30, 2022
 Scheduled date to commence dividend payments: March 31, 2022
 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, 2021 (from January 1, 2021 to December 31, 2021)

(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, 2021 | 61,894 | 12.2 | 7,520 | 36.9 | 8,309 | 38.8 | 5,658 | 49.1 |
| Year ended December 31, 2020 | 55,180 | (11.0) | 5,493 | (23.7) | 5,988 | (21.0) | 3,794 | (14.5) |

| | 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, 2021 | 100.96 | – | 6.1 | 7.0 | 12.2 |
| Year ended December 31, 2020 | 67.57 | – | 4.2 | 5.1 | 10.0 |

(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, 2021 | 123,792 | 97,673 | 77.5 | 1,715.15 |
| As of December 31, 2020 | 114,882 | 91,855 | 78.4 | 1,604.90 |

(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, 2021 | 8,369 | (3,936) | (2,754) | 44,498 |
| Year ended December 31, 2020 | 4,735 | (4,555) | (3,913) | 42,078 |

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, 2020 | – | 15.50 | – | 15.50 | 31.00 | 1,809 | 45.9 | 1.9 |
| Year ended December 31, 2021 | – | 16.00 | – | 16.00 | 32.00 | 1,866 | 31.7 | 1.9 |
| Year ending December 31, 2022 (Forecast) | – | 16.50 | – | 16.50 | 33.00 | | 31.3 | |

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 | 64,000 | 3.4 | 8,320 | 10.6 | 8,700 | 4.7 | 5,900 | 4.3 | 105.54 |

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2021

(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: No

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, 2021 | 64,286,292 shares | As of December 31, 2020 | 64,286,292 shares |
|-------------------------|-------------------|-------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|------------------|-------------------------|------------------|
| As of December 31, 2021 | 8,382,346 shares | As of December 31, 2020 | 8,163,308 shares |
|-------------------------|------------------|-------------------------|------------------|

Average number of shares during the period

| | | | |
|------------------------------|-------------------|------------------------------|-------------------|
| Year ended December 31, 2021 | 56,051,850 shares | Year ended December 31, 2020 | 56,157,624 shares |
|------------------------------|-------------------|------------------------------|-------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of December 31, 2020 | As of December 31, 2021 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 42,779 | 44,931 |
| Notes and accounts receivable - trade | 15,142 | 16,567 |
| Inventories | 16,401 | 18,831 |
| Other | 1,724 | 2,483 |
| Allowance for doubtful accounts | (1,347) | (1,400) |
| Total current assets | 74,700 | 81,413 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 20,884 | 23,599 |
| Accumulated depreciation | (8,389) | (8,748) |
| Buildings and structures, net | 12,494 | 14,850 |
| Machinery, equipment and vehicles | 22,883 | 23,493 |
| Accumulated depreciation | (19,142) | (19,754) |
| Machinery, equipment and vehicles, net | 3,740 | 3,739 |
| Land | 3,952 | 3,782 |
| Construction in progress | 2,915 | 1,515 |
| Other | 13,507 | 13,477 |
| Accumulated depreciation | (12,772) | (12,732) |
| Other, net | 735 | 744 |
| Total property, plant and equipment | 23,837 | 24,633 |
| Intangible assets | 1,153 | 1,395 |
| Investments and other assets | | |
| Investment securities | 13,413 | 14,175 |
| Deferred tax assets | 302 | 337 |
| Retirement benefit asset | 435 | 758 |
| Other | 1,038 | 1,080 |
| Allowance for doubtful accounts | (0) | (0) |
| Total investments and other assets | 15,189 | 16,350 |
| Total non-current assets | 40,181 | 42,379 |
| Total assets | 114,882 | 123,792 |

(Millions of yen)

| | As of December 31, 2020 | As of December 31, 2021 |
|--|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,342 | 8,314 |
| Short-term borrowings | 1,528 | 1,516 |
| Income taxes payable | 645 | 1,849 |
| Provision for bonuses | 490 | 564 |
| Reserve for returned goods | 35 | 41 |
| Accounts payable - other | 2,067 | 2,468 |
| Other | 2,567 | 2,877 |
| Total current liabilities | 13,677 | 17,631 |
| Non-current liabilities | | |
| Long-term borrowings | 4,018 | 3,298 |
| Deferred tax liabilities | 604 | 474 |
| Retirement benefit liability | 3,808 | 3,817 |
| Provision for retirement benefits for directors (and other officers) | 115 | 101 |
| Other | 802 | 796 |
| Total non-current liabilities | 9,349 | 8,487 |
| Total liabilities | 23,026 | 26,119 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,497 | 4,497 |
| Capital surplus | 3,725 | 3,976 |
| Retained earnings | 83,807 | 87,708 |
| Treasury shares | (6,764) | (6,953) |
| Total shareholders' equity | 85,266 | 89,229 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,199 | 4,557 |
| Foreign currency translation adjustment | 473 | 1,793 |
| Remeasurements of defined benefit plans | 132 | 303 |
| Total accumulated other comprehensive income | 4,805 | 6,654 |
| Non-controlling interests | 1,783 | 1,789 |
| Total net assets | 91,855 | 97,673 |
| Total liabilities and net assets | 114,882 | 123,792 |

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

(Millions of yen)

| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|---|--|--|
| Net sales | 55,180 | 61,894 |
| Cost of sales | 27,870 | 31,226 |
| Gross profit | 27,310 | 30,667 |
| Selling, general and administrative expenses | 21,817 | 23,146 |
| Operating profit | 5,493 | 7,520 |
| Non-operating income | | |
| Interest income | 19 | 18 |
| Dividend income | 309 | 324 |
| Rental income from land and buildings | 59 | 63 |
| Insurance claim income | 55 | 37 |
| Subsidy income | 255 | 87 |
| Foreign exchange gains | – | 349 |
| Other | 86 | 67 |
| Total non-operating income | 786 | 949 |
| Non-operating expenses | | |
| Interest expenses | 46 | 31 |
| Foreign exchange losses | 111 | – |
| Commission for syndicated loans | 57 | 57 |
| Sales discounts | 60 | 62 |
| Other | 15 | 10 |
| Total non-operating expenses | 291 | 160 |
| Ordinary profit | 5,988 | 8,309 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 182 | 102 |
| Gain on sale of investment securities | – | 195 |
| Compensation income | – | 83 |
| Total extraordinary income | 182 | 381 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 16 | 15 |
| Loss on valuation of investment securities | 12 | 48 |
| Factory restructuring loss | 277 | 341 |
| Impairment losses | 81 | 156 |
| loss on cancellation of agency agreement | 171 | – |
| Other | – | 33 |
| Total extraordinary losses | 559 | 594 |
| Profit before income taxes | 5,612 | 8,095 |
| Income taxes - current | 1,529 | 2,546 |
| Income taxes - deferred | 121 | (364) |
| Total income taxes | 1,650 | 2,182 |
| Profit | 3,961 | 5,912 |
| Profit attributable to non-controlling interests | 166 | 254 |
| Profit attributable to owners of parent | 3,794 | 5,658 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|--|--|--|
| Profit | 3,961 | 5,912 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (803) | 357 |
| Foreign currency translation adjustment | (87) | 1,361 |
| Remeasurements of defined benefit plans, net of tax | 120 | 171 |
| Total other comprehensive income | (770) | 1,890 |
| Comprehensive income | 3,190 | 7,803 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,012 | 7,507 |
| Comprehensive income attributable to non-controlling interests | 178 | 295 |

Consolidated statements of changes in equity

Fiscal year ended December 31, 2020

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 4,497 | 3,721 | 81,718 | (6,330) | 83,606 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,705) | | (1,705) |
| Profit attributable to owners of parent | | | 3,794 | | 3,794 |
| Purchase of treasury shares | | | | (452) | (452) |
| Disposal of treasury shares | | 4 | | 18 | 22 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | 4 | 2,089 | (434) | 1,659 |
| Balance at end of period | 4,497 | 3,725 | 83,807 | (6,764) | 85,266 |

| | 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 | 5,002 | 573 | 11 | 5,587 | 1,654 | 90,849 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (1,705) |
| Profit attributable to owners of parent | | | | | | 3,794 |
| Purchase of treasury shares | | | | | | (452) |
| Disposal of treasury shares | | | | | | 22 |
| Net changes in items other than shareholders' equity | (803) | (99) | 120 | (782) | 129 | (653) |
| Total changes during period | (803) | (99) | 120 | (782) | 129 | 1,006 |
| Balance at end of period | 4,199 | 473 | 132 | 4,805 | 1,783 | 91,855 |

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 | | 250 | | 15 | 265 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | (28) | (28) |
| 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 | | | | | | 265 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | (28) |
| 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 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 5,612 | 8,095 |
| Depreciation | 2,452 | 2,501 |
| Increase (decrease) in allowance for doubtful accounts | (62) | (60) |
| Impairment losses | 81 | 156 |
| Increase (decrease) in retirement benefit liability | 62 | 16 |
| Decrease (increase) in retirement benefit asset | 14 | (88) |
| Interest and dividend income | (329) | (343) |
| Interest expenses | 46 | 31 |
| Foreign exchange losses (gains) | 116 | (297) |
| Loss (gain) on sale of investment securities | – | (195) |
| Loss (gain) on valuation of investment securities | 12 | 48 |
| Compensation income | – | (83) |
| Loss (gain) on sale and retirement of non-current assets | (165) | (86) |
| loss on cancellation agency agreement | 171 | – |
| Decrease (increase) in trade receivables | 1,272 | (885) |
| Decrease (increase) in inventories | (249) | (1,826) |
| Increase (decrease) in trade payables | (1,728) | 1,928 |
| Other, net | (673) | 490 |
| Subtotal | 6,632 | 9,402 |
| Interest and dividends received | 329 | 342 |
| Interest paid | (46) | (31) |
| Proceeds from compensation | – | 83 |
| Payments for agency contact termination | (241) | – |
| Income taxes paid | (1,939) | (1,427) |
| Net cash provided by (used in) operating activities | 4,735 | 8,369 |
| Cash flows from investing activities | | |
| Purchase of non-current assets | (4,474) | (3,965) |
| Proceeds from sale of non-current assets | 203 | 237 |
| Purchase of investment securities | (128) | (503) |
| Proceeds from sale of investment securities | – | 375 |
| Proceeds from redemption of investment securities | 100 | – |
| Payments into time deposits | (694) | (528) |
| Proceeds from withdrawal of time deposits | 390 | 461 |
| Other, net | 48 | (14) |
| Net cash provided by (used in) investing activities | (4,555) | (3,936) |

(Millions of yen)

| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|---|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (973) | (16) |
| Repayments of long-term borrowings | (720) | (720) |
| Purchase of treasury shares | (452) | (177) |
| Proceeds from sale of treasury shares | 0 | – |
| Dividends paid | (1,705) | (1,757) |
| Dividends paid to non-controlling interests | (49) | (74) |
| Other, net | (12) | (7) |
| Net cash provided by (used in) financing activities | (3,913) | (2,754) |
| Effect of exchange rate change on cash and cash equivalents | (87) | 742 |
| Net increase (decrease) in cash and cash equivalents | (3,821) | 2,420 |
| Cash and cash equivalents at beginning of period | 45,899 | 42,078 |
| Cash and cash equivalents at end of period | 42,078 | 44,498 |