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November 9, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: MIMAKI ENGINEERING CO., LTD.
Listing: Tokyo
Securities Code: 6638
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Representative: Kazuaki Ikeda, President
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Scheduled date to file Quarterly Securities Report: November 10, 2022
Scheduled date to commence dividend payments: December 7, 2022
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(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	%
Six months ended September 30, 2022	33,980	18.0	1,885	11.5	1,709	0.5	1,296	(17.1)
Six months ended September 30, 2021	28,803	38.1	1,691	–	1,701	–	1,564	–

Note: Comprehensive income Six months ended September 30, 2022 ¥2,695 million [59.2%]
Six months ended September 30, 2021 ¥1,693 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	45.06	45.04
Six months ended September 30, 2021	53.06	53.00

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	66,866	21,220	31.6
As of March 31, 2022	60,857	18,716	30.6

Reference: Equity As of September 30, 2022 ¥21,129 million
As of March 31, 2022 ¥18,633 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	7.50	–	7.50	15.00
Year ending March 31, 2023	–	7.50			
Year ending March 31, 2023 (Forecast)			–	7.50	15.00

Note: Revision of cash dividend forecast most recently announced: No

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(% Display is the year-on-year rate of increase/decrease for the full year and the year-on-year rate for the quarter)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	71,800	20.6	3,420	33.1	3,070	14.2	2,200	(6.3)	76.45

Note: Revision of consolidated financial results forecast most recently announced: Yes

*** Notes**

(1) Changes in significant subsidiaries during the six months ended September 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting for preparing quarterly consolidated financial statements: No

(3) 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: No

Note: For details, please refer to "Quarterly consolidated financial statements and significant notes thereto, (3) Notes on quarterly consolidated financial statements, (Changes in accounting policies)" on page 10 of the attached materials.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	32,040,000 shares
As of March 31, 2022	32,040,000 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2022	3,260,767 shares
As of March 31, 2022	3,264,767 shares

(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	28,777,233 shares
Six months ended September 30, 2021	29,494,233 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
The forecasts and other forward-looking statements in this report are based on currently available information and certain assumptions determined as rational. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. In addition, actual business results may differ significantly due to various factors. Please refer to "Qualitative information on quarterly consolidated financial results, (3) Explanation of consolidated financial forecasts and other forward-looking statements" on page 5 of the attached materials for the conditions that are the premise of the business forecast and precautions when using the business forecast.

Table of contents of attached materials

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1. Qualitative information on quarterly consolidated financial results

(1) Explanation of operating results

During the six months ended September 30, 2022 (hereinafter referred to as “the period under review”), the global economy has been facing tough conditions amid the continuing impact of product supply shortages and significant cost increases due to difficulties in procuring parts and raw materials. The historic inflation due to soaring energy and food prices triggered by Russia’s invasion of Ukraine, and a slowdown in economic growth due to rapid interest rate hikes caused by monetary policies in the U.S. and European countries are also contributing factors. In Japan, while the economy is gradually picking up, the situation continues to be unpredictable due to growing uncertainty over the future caused by rising inflation and the rapid depreciation of the yen.

In this environment, the Group has continued to expand sales and launch new products, develop its business in anticipation of rapid changes in the market environment and customer needs, and build a foundation to improve profitability, based on the priority measures set forth in the “Mimaki V10” mid- to long-term growth strategy. During the period under review, in response to a recovery in demand and future business expansion, the Company established the new Maruko Factory in Ueda-shi, Nagano, for the purpose of increasing production capacity and strengthening development capability. In terms of sales, we worked to expand sales by developing the Company’s extensive product lineup, centering on new products introduced in the previous fiscal period, and by promoting our industry-leading high image quality and high productivity, upon the resurgence of industrial printing-related exhibitions around the world, which had been postponed due to the novel coronavirus disease (COVID-19).

For net sales during the period under review, overall demand for the Company’s products remained strong although sales continued to be affected by a shortage of parts, mainly for semiconductors, longer transportation lead times, and the sales decline in Europe due to the Russia-Ukraine crisis. For printers under ongoing supply constraints, new products performed well in the IP (Industrial Products) market. Sales in the TA (Textile Apparel) market, which had been slow to recover from the COVID-19, increased mainly in emerging countries. The SG (Sign Graphics) market sales were also strong, especially for mainstay products. Sales of ink and spare parts also sold well due to increased operation of printer at customer locations. In addition to the above, the positive effect of the yen’s depreciation on foreign exchange resulted in a significant increase in sales. In terms of profit, although we proceeded with revising selling prices to cope with overall cost increases, the cost of sales ratio rose year on year due to increased costs from parts procurement that prioritizes avoidance of loss of sales opportunities, as well as soaring energy price. In addition, operating profit increased significantly because of the effect of yen depreciation although SG&A expenses increased mainly in personnel costs, sales promotion expenses, and R&D costs due to increased business and sales activities. In the period under review, accounting adjustments were made to the financial statements of a Turkish subsidiary in accordance with “Financial Reporting in Hyperinflationary Economies” (IAS 29), and the effect of these adjustments was recorded as an inflation accounting adjustment in non-operating expenses*. Profit attributable to owners of parent decreased, because the effective statutory tax rate has returned to normal levels in the period under review. Before, the tax rate had been at a low level due to the increase in the amount recorded for deferred tax assets for internal profit eliminations between group companies in the fiscal year ended March 31, 2022.

* For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes on quarterly consolidated financial statements.”

As a result of the above, for the period under review, the Group posted net sales of 33,980 million yen (up 18.0% year on year), operating profit of 1,885 million yen (up 11.5% year on year), ordinary profit of 1,709 million yen (up 0.5% year on year), and profit attributable to owners of parent of 1,296 million yen (down 17.1% year on year).

In addition, the major exchange rates (average rates from April 2022 to September 2022) for the period under review were 1 US$ = 133.98 yen (109.80 yen in the same period of the previous fiscal year) and 1 EUR = 138.72 yen (130.89 yen in the same period of the previous fiscal year).

The operating results by segment are as follows.

(Japan, Asia and Oceania)

Net sales were 15,182 million yen (up 19.5% year on year). In Japan, strong sales continued in the IP market, mainly for new products. In the FA (Factory Automation) business, despite the impact of delays in parts procurement, orders were strong and sales increased substantially, resulting in a large increase in overall sales. In Asia and Oceania, while China was affected by the lockdown, sales in Thailand, India, Indonesia, and other countries grew substantially for the TA market in addition to the strong SG and IP markets, and sales of ink and spare parts were also strong, resulting in a substantial increase in sales for the entire area.

(North America and Latin America)

Net sales were 9,399 million yen (up 34.8% year on year). In North America, sales in the IP market expanded favorably for both new and existing products, while products for the SG and TA markets remained strong. In addition, strong ink sales and the positive impact of foreign exchange rates also contributed to a significant increase in sales. In Latin America, where there was a slight delay in sales recovery from the impact of the COVID-19, sales of main units for all SG, IP, and TA markets increased significantly, and sales of ink and spare parts also grew substantially, resulting in a large increase in sales for the entire area.

(Europe, the Middle East and Africa)

Net sales were 9,397 million yen (up 3.0% year on year). Although sales continued to be negatively affected by the Russia-Ukraine crisis, sales in Germany, the U.K., Portugal, France, etc. were strong, despite some variations between other major countries. Although sales declined in the TA market, sales in the SG and IP markets remained strong and ink demand was firm. The positive impact of foreign exchange rates also contributed to an overall increase in sales.

The details of net sales by market are as follows.

	Net sales (Thousands of yen)	Component ratio (%)	Year-on-year changes (%)
SG market	13,707,269	40.3	11.9
IP market	9,407,739	27.7	22.0
TA market	3,345,411	9.8	20.9
FA business	2,243,074	6.6	18.2
Other	5,276,674	15.5	26.3
Total	33,980,169	100.0	18.0

(SG market)

Net sales were 13,707 million yen (up 11.9% year on year). For main units, sales of entry-level model JV/UJV100 and cutting plotters with the new CG-AR were strong, despite the impact of parts procurement difficulties. Sales of the mainstay mid-range models also remained strong. In addition, ink sales were favorable.

(IP market)

Net sales were 9,407 million yen (up 22.0% year on year). For main units, sales of the mainstay UJF-7151PlusII and UJF-6042MkIIe compact flatbed printers with updated lineups grew substantially, while sales of large flatbed printers also increased, resulting in a significant increase in overall sales. Sales of ink also increased substantially.

(TA market)

Net sales were 3,345 million yen (up 20.9% year on year). For main units, sales of entry-level model TS100 grew substantially, mainly in Latin America and Asia, while sales of the mainstay mid-range models remained strong, resulting in a significant increase in overall sales volume. Sales of ink also increased substantially.

(FA business)

Net sales were 2,243 million yen (up 18.2% year on year). Despite the impact of delays in parts procurement, orders were strong, and sales in the FA equipment, metal processing, PCB inspection equipment, and PCB mounting equipment businesses grew substantially.

The details of net sales by category are as follows.

	Net sales (Thousands of yen)	Component ratio (%)	Year-on-year changes (%)
Machines	13,855,152	40.8	13.2
Ink	12,413,623	36.5	21.1
Spare parts	2,842,661	8.4	22.5
Other	4,868,731	14.3	22.1
Total	33,980,169	100.0	18.0

(2) Explanation of financial position

(Assets)

Total assets as of September 30, 2022 increased 6,009 million yen from the end of the previous fiscal year to 66,866 million yen. Total current assets increased 4,625 million yen from the end of the previous fiscal year to 52,120 million yen. This was due to an increase in cash and deposits, as well as an increase in merchandise and finished goods, and raw materials and supplies as a result of operations to secure inventories in response to the impact of continued longer transportation lead times and shortages of parts and raw materials in order to avoid loss of sales opportunities. Total non-current assets increased 1,384 million yen from the end of the previous fiscal year to 14,746 million yen. This was mainly due to an increase in buildings and structures related to the acquisition of the Maruko Factory.

(Liabilities)

Total liabilities as of September 30, 2022 increased 3,506 million yen from the end of the previous fiscal year to 45,646 million yen. Total current liabilities increased 4,692 million yen from the end of the previous fiscal year to 37,022 million yen. This was mainly due to an increase in short-term borrowings. Total non-current liabilities decreased 1,186 million yen from the end of the previous fiscal year to 8,624 million yen. This was mainly due to a decrease in long-term borrowings.

(Net assets)

Total net assets as of September 30, 2022 increased 2,503 million yen from the end of the previous fiscal year to 21,220 million yen. This was mainly due to increases in foreign currency translation adjustment and retained earnings.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

Regarding the consolidated financial results forecast for the fiscal year ending March 31, 2023, we have revised the forecast announced on August 3, 2022, reflecting recent trends in operating results, as follows.

	Net sales (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Basic earnings per share (Yen)
Previous forecast (A)	69,100	3,130	3,020	2,170	75.41
Revised forecast (B)	71,800	3,420	3,070	2,200	76.45
Change (B-A)	2,700	290	50	30	
Change (%)	3.9	9.3	1.7	1.4	
Reference: Results for the previous fiscal year (Year ended March 31, 2022)	59,511	2,569	2,688	2,347	80.40

* The above forecasts have been prepared based on the information available as of the date of publication of this material, and actual results may vary due to various factors.

(Reasons for revision of the forecast of consolidated financial results for the fiscal year ending March 31, 2023)

In the second half of the fiscal year, the global economy is expected to continue to face an uncertain outlook due to economic stagnation caused by soaring prices of energy, food, and other commodities and continued inflation, as well as restrained capital investment due to rising interest rates. The severe business environment is also expected to continue due to the forecast that the negative impact stemming from the procurement of parts and raw materials and logistics will continue for the time being.

For net sales, the Company expects that product supply restrictions due to difficulties in procuring parts and materials will remain in some areas and products, as well as the impact of continued longer transportation lead times. On the other hand, we expect strong demand from customers in the SG, IP, and TA markets as we enhance our product lineup, and we will steadily convert product inventories to sales by further strengthening our sales activities. In terms of profit, the cost of sales ratio is expected to deteriorate since we changed the previous assumption that soaring costs of parts, materials, energy, etc. would gradually dissipate into the outlook that those price rises will affect costs throughout the second half of the fiscal year. In addition, SG&A expenses at overseas subsidiaries are expected to increase after translation into yen due to the sharp depreciation of the yen. At the same time, the assumed exchange rate will be revised toward a weaker yen. As a result of reviewing the consolidated financial results forecast in light of the above circumstances, we have revised the previously announced forecast for the fiscal year ending March 31, 2023.

(Assumptions for foreign exchange rates)

The exchange rates assumed in the financial results forecast are 1 US$:135.00 yen and 1 EUR:135.00 yen, from the third quarter onward.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	8,971,526	10,330,005
Notes and accounts receivable - trade, and contract assets	9,212,935	10,027,755
Merchandise and finished goods	14,627,845	16,839,666
Work in process	2,828,991	2,428,803
Raw materials and supplies	8,375,320	8,629,738
Other	3,526,946	3,900,928
Allowance for doubtful accounts	(48,529)	(36,460)
Total current assets	47,495,036	52,120,436
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,622,857	3,910,571
Land	3,296,059	3,462,323
Other, net	3,258,561	3,769,919
Total property, plant and equipment	10,177,477	11,142,814
Intangible assets		
Goodwill	220,890	192,826
Other	366,998	431,138
Total intangible assets	587,888	623,964
Investments and other assets		
Investment securities	146,926	145,943
Deferred tax assets	1,523,093	1,722,837
Other	1,878,151	2,185,800
Allowance for doubtful accounts	(951,295)	(1,075,083)
Total investments and other assets	2,596,876	2,979,498
Total non-current assets	13,362,243	14,746,278
Total assets	60,857,279	66,866,715

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,571,634	4,601,913
Electronically recorded obligations - operating	5,917,210	4,520,531
Short-term borrowings	10,623,315	16,640,672
Current portion of long-term borrowings	3,813,036	2,856,278
Lease liabilities	179,591	162,876
Income taxes payable	650,980	625,526
Provision for bonuses	904,279	1,158,541
Provision for bonuses for directors (and other officers)	41,184	28,736
Provision for product warranties	1,512,195	1,204,426
Other	5,116,356	5,222,788
Total current liabilities	32,329,783	37,022,289
Non-current liabilities		
Long-term borrowings	8,432,453	7,034,633
Lease liabilities	818,221	919,528
Deferred tax liabilities	69,590	65,369
Retirement benefit liability	384,090	397,445
Asset retirement obligations	59,631	148,804
Provision for retirement benefits for directors (and other officers)	45,900	–
Other	650	58,316
Total non-current liabilities	9,810,537	8,624,098
Total liabilities	42,140,321	45,646,387

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders’ equity		
Share capital	4,357,456	4,357,456
Capital surplus	4,617,426	4,617,296
Retained earnings	11,878,738	12,981,414
Treasury shares	(1,951,816)	(1,949,426)
Total shareholders’ equity	18,901,804	20,006,740
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,760	7,802
Foreign currency translation adjustment	(354,857)	1,025,981
Remeasurements of defined benefit plans	77,803	88,771
Total accumulated other comprehensive income	(268,293)	1,122,556
Share acquisition rights	33,595	33,423
Non-controlling interests	49,850	57,606
Total net assets	18,716,957	21,220,327
Total liabilities and net assets	60,857,279	66,866,715

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

Quarterly consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	28,803,885	33,980,169
Cost of sales	17,044,439	20,379,284
Gross profit	11,759,445	13,600,884
Selling, general and administrative expenses	10,068,064	11,715,125
Operating profit	1,691,380	1,885,759
Non-operating income		
Interest income	7,683	12,091
Dividend income	630	787
Insurance claim income	5,234	44,060
Purchase discounts	7,525	5,823
Foreign exchange gains	–	21,234
Subsidy income	38,675	36,965
Other	43,262	48,104
Total non-operating income	103,013	169,068
Non-operating expenses		
Interest expenses	67,962	108,301
Foreign exchange losses	4,850	–
Share of loss of entities accounted for using equity method	3,008	48,864
Inflation Accounting Adjustment	–	120,168
Other	16,984	67,752
Total non-operating expenses	92,805	345,086
Ordinary profit	1,701,587	1,709,741
Extraordinary income		
Gain on sale of non-current assets	30,177	58,883
Other	1,186	25
Total extraordinary income	31,363	58,909
Extraordinary losses		
Loss on sale of non-current assets	349	10
Total extraordinary losses	349	10
Profit before income taxes	1,732,602	1,768,640
Income taxes - current	635,204	657,668
Income taxes - deferred	(465,167)	(192,295)
Total income taxes	170,037	465,372
Profit	1,562,565	1,303,267
Profit (loss) attributable to non-controlling interests	(2,404)	6,598
Profit attributable to owners of parent	1,564,970	1,296,669

Quarterly consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,562,565	1,303,267
Other comprehensive income		
Valuation difference on available-for-sale securities	1,350	(957)
Foreign currency translation adjustment	141,803	1,390,799
Remeasurements of defined benefit plans, net of tax	(13,469)	10,968
Share of other comprehensive income of entities accounted for using equity method	815	(8,801)
Total other comprehensive income	130,500	1,392,007
Comprehensive income	1,693,065	2,695,275
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,692,411	2,687,519
Comprehensive income attributable to non-controlling interests	654	7,756

(3) Notes on quarterly consolidated financial statements

(Note on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment stipulated in paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimate for the impact of the spread of the COVID-19)

The Group makes accounting estimates such as impairment accounting for non-current assets and recoverability of deferred tax assets based on the information available at the time of preparation of consolidated financial statements. Although the impact of the COVID-19 on the Group's business varies depending on the business, the accounting estimate is made based on the assumption that the impact will continue for a certain period of the fiscal year ending March 31, 2023.

(Accounting for hyperinflation)

During the six months ended September 30, 2022, since the cumulative three-year inflation rate in Turkey exceeded 100%, the Group determined that its subsidiary in Turkey, whose functional currency is the Turkish lira, is operating in a hyperinflationary economy. Therefore, the Group has made accounting adjustments to the financial statements of its Turkish subsidiary in accordance with the requirements set forth in IAS 29 "Financial Reporting in Hyperinflationary Economies."

IAS 29 requires that the financial statements of subsidiaries in a hyperinflationary economy to be restated by applying the unit of measurement as of the end of the reporting period before inclusion in the consolidated financial statements.

The Group uses conversion factors calculated from the Consumer Price Index (CPI) of Turkey published by the Turkish Statistical Institute (TURKSTAT) for the purpose of adjusting the financial statements of its subsidiary in Turkey.

For the subsidiary in Turkey, non-monetary items such as property, plant, and equipment presented at cost are adjusted using conversion factors based on the acquisition date. Monetary and non-monetary items presented at current cost are not adjusted, since they are considered to be presented in the unit of measurement as of the end of the reporting period. The effect of inflation on net monetary items is presented in non-operating expenses in the quarterly consolidated statements of income.

The financial statements of the Turkish subsidiary are translated at the exchange rate at the end of the second quarter of the current fiscal year and reflected in the consolidated financial statements of the Group.

(Contingent debt)

MIMAKI BRASIL COMERCIO E IMPORTACAO LTDA (hereinafter referred to as Mimaki Brazil), a consolidated subsidiary of the company, was investigated by the Brazilian tax authorities regarding the importation of our inkjet printers and received two additional tax notices totaling 84,920 thousand

Brazilian reals (105,778 thousand Brazilian reals with interest for delay added). Mimaki Brazil disagrees with the findings of the authorities and has filed a tax case with the court in December 2019 with respect to the 44,494 thousand Brazilian reals (57,728 thousand Brazilian reals with added interest for the delay) for which it received a notice of additional taxation in September 2018. In addition, we filed a complaint with the tax authorities in December of the same year regarding the 40,425 thousand Brazilian reals (48,049 thousand Brazilian reals with late interest added) that received the additional tax notice in November 2018.

Mimaki Brazil will take appropriate measures based on the idea that this additional taxation is groundless. Therefore, it is difficult to estimate the amount of impact on the Group's business performance at this time.