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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 14, 2024

Company name: MITSUBA Corporation

Stock exchange listing: Tokyo

Code number: 7280

URL: <https://www.mitsuba.co.jp/>

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, President and Representative Director

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Scheduled date of filing quarterly securities report: February 14, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	256,872	8.3	14,451	302.0	15,711	306.7	10,161	-
December 31, 2022	237,090	13.5	3,594	1.1	3,862	11.1	(210)	-

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ 19,971 million [478.0%]
Nine months ended December 31, 2022: ¥ 3,455 million [(19.6)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended December 31, 2023	Yen 216.97	Yen 119.93
December 31, 2022	(19.85)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of December 31, 2023	Millions of yen 338,716	Millions of yen 105,037	% 24.8
March 31, 2023	328,452	86,958	20.3

(Reference) Equity: As of December 31, 2023: ¥ 84,006 million
As of March 31, 2023: ¥ 66,768 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	3.00	3.00
Fiscal year ending March 31, 2024	-	0.00	-		
Fiscal year ending March 31, 2024 (Forecast)				6.00	6.00

(Note) Revision to the forecast for dividends announced most recently: Yes

* “Dividends” above presents the status of dividends related to common stocks. Please refer to “Cash dividends of class stock,” mentioned later, for the status of dividends related to class stocks (unlisted) that have different rights from common stocks that the Company issues.

* For details, please refer to “Notice on the Revision of the Full-Year Consolidated Earnings Forecast and Dividend Forecast for the Fiscal Year Ending March 2024,” announced today (February 14, 2024).

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 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	340,000	6.4	19,000	182.8	19,000	214.1	11,000	828.0	232.37

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

* For details, please refer to “Notice on the Revision of the Full-Year Consolidated Earnings Forecast and Dividend Forecast for the Fiscal Year Ending March 2024,” announced today (February 14, 2024).

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

Note:For details, please refer to “(4) Notes to Quarterly Consolidated Financial Statements in 2. Quarterly Consolidated Financial Statements and Key Notes” on page 9 of the Attachments.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

December 31, 2023: 45,581,809 shares

March 31, 2023: 45,581,809 shares

2) Number of treasury shares at the end of the period:

December 31, 2023: 825,928 shares

March 31, 2023: 825,819 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023: 44,755,904 shares

Nine months ended December 31, 2022: 44,756,123 shares

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

* Proper use of earnings forecasts, and other special matters

Earnings forecasts and other forward-looking statements in this report are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Therefore, actual results may differ materially due to a variety of factors.

Please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information in 1. Qualitative Information on Quarterly Financial Results for the Period under Review” on page 3 of the Attachments for cautionary notes regarding underlying assumptions for and the use of earnings forecasts.

(How to access the supplementary materials on financial results)

The Company plans to post the materials on financial results on the Company’s website on February 14, 2024.

Cash dividends of class stock

The following is the breakdown of dividends per share related to class stocks that have different rights from common stocks.

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Class A stock	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	60,000.00	60,000.00
Fiscal year ending March 31, 2024	-	0.00	-		
Fiscal year ending March 31, 2024 (Forecast)				60,000.00	60,000.00

(Note) The number of issued Class A stocks above is 10,000 shares.

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

(1) Explanation of Business Results

In the consolidated cumulative third quarter under review, although the global economy remained on a growth track, it was affected by disruptions in supply chains and geopolitical risks resulting from events such as the armed conflict between Israel and Hamas. In Japan, although the economy managed to continue to grow stably due to a recovery in exports, rising energy prices and uncertainty in consumption are seen as issues on the horizon.

In the automotive industry, in which the Group operates, amid electrification gaining momentum globally, automotive production picked up as the situation of semiconductor supply improved due to the production increase of semiconductor manufacturers and the production adjustment of automakers.

Under these circumstances, the Group has started a new Medium-Term Management Plan (FY2023-FY2027) from this fiscal year and has been promoting various measures to achieve the Plan, focusing on “Responding to Mobility Evolution,” “Strengthening the Operating Foundation,” and “Soundness of Financial Structure”.

The consolidated financial results for the consolidated cumulative third quarter under review are as follows: Consolidated net sales were 256,872 million yen (up 8.3% year-on-year), with consolidated operating income of 14,451 million yen (up 302.0% year on year), partly due to the effect of exchange rate in addition to a sales increase against the background of a recovery in automotive production resulting from improvement in semiconductor supply. Both sales and profit increased year-on-year, as sales in Japan and the U.S. were on a recovery trend, and the motorcycle market in Asia continued to be strong, although sales of Japanese automakers remained slow in China. In addition, consolidated ordinary income was 15,711 million yen (up 306.7% year-on-year) and profit attributable to owners of parent was 10,161 million yen (loss attributable to owners of parent of 210 million yen for the same period of the previous year), due to foreign exchange gains of 706 million yen.

Operating results by business segment are presented as follows.

In the Transportation equipment-related operations, net sales were 242,416 million yen (up 8.4% year-on-year), as mentioned above, with segment profit of 13,021 million yen (up 419.6% year-on-year).

In the Information service operations, system sales for local governments, the police, and gas companies, and in-vehicle embedded software development support business and IT engineering service such as AMO service for manufacturing trended strongly, and the earnings structure was levelled out by factors such as an expansion in the usage fee business that utilizes data centers. As a result, net sales were 12,869 million yen (up 11.0% year-on-year) and segment profit was 1,124 million yen (up 46.4% year-on-year).

In Other operations, overall segment sales were 4,317 million yen (down 11.2% year-on-year), and segment profit was 298 million yen (down 1.6% year-on-year), mainly because revenue decreased in supplies business.

(2) Explanation of Financial Position

i) Analysis of Financial Position

(Assets, Liabilities, and Net Assets)

At the end of the consolidated third quarter under review, total assets were 338,716 million yen (328,452 million yen at the end of the previous consolidated fiscal year), an increase of 10,263 million yen. Current assets increased by 9,812 million yen to 208,001 million yen, and non-current assets increased by 451 million yen to 130,714 million yen.

The main reasons for the increase in current assets were an increase of 11,325 million yen in cash and deposits and an increase of 2,709 million yen in notes receivable - trade, accounts receivable - trade, and contract assets, partly due to the effect of exchange rate. The main reason for the increase in non-current assets was an increase of 1,793 million yen in investment securities, partly due to the fair valuation of shares held.

At the end of the consolidated third quarter under review, liabilities totaled 233,678 million yen (241,493 million yen at the end of the previous consolidated fiscal year), a decrease of 7,814 million yen. Current liabilities increased by 13,423 million yen to 143,936 million yen, and non-current liabilities decreased by 21,237 million yen to 89,742 million yen.

The increase in current liabilities was caused by an increase in long-term borrowings scheduled for repayment within one year due to the increase of 16,276 million yen in short-term borrowings. Non-current liabilities decreased due to a decrease of 22,306 million yen in long-term borrowings, which was caused by repayments to financial institutions and long-term borrowings scheduled for repayment within one year being transferred to short-term borrowings.

At the end of the consolidated third quarter under review, net assets totaled 105,037 million yen (86,958 million yen at the end of the previous consolidated fiscal year), an increase of 18,078 million yen. This was mainly due to an increase of 10,027 million yen in retained earnings and an increase of 5,555 million yen in foreign currency translation adjustment.

ii) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as “Cash”) for the consolidated third quarter under review were 85,468 million yen, an increase of 11,166 million yen from the end of the previous consolidated fiscal year. The status of each cash flow is as below.

(Cash flows from operating activities)

Cash provided by operating activities was 25,987 million yen (14,004 million yen for the same period of the previous year). The main reasons are profit before income taxes of 15,613 million yen and a decrease of 6,251 million yen in inventories.

(Cash flows from investing activities)

Cash used by investing activities was 5,919 million yen (7,030 million yen for the same period of the previous year). This was caused mainly by purchase of property, plant and equipment of 7,637 million yen.

(Cash flows from financing activities)

Cash used by financing activities was 10,685 million yen (10,939 million yen for the same period of the previous year). This was primarily caused by net increase in short-term borrowings of 6,667 million yen, repayments of long-term borrowings of 15,657 million yen, and dividends paid of 1,892 million yen (including dividends to non-controlling shareholders).

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

For the fiscal year ending March 2024, Although the sales plan was not achieved in real terms because the sales slump in the China area had a significant impact, both sales and profit items are expected to exceed the full-year forecasts at the beginning of the year, due to the unexpected depreciation of the yen, improvements of sales prices/distribution costs and lowering fixed costs. Based on these results, the consolidated earnings forecast for the fiscal year ending March 2024, announced on May 10, 2023, has been revised.

For details, please refer to “Notice on the Revision of the Full-Year Consolidated Earnings Forecast and Dividend Forecast for the Fiscal Year Ending March 2024,” announced today (February 14, 2024).

Earnings forecast is based on information available at this moment, and the actual numbers may be different from the forecast ones in the future depending on various factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	75,792	87,117
Notes and accounts receivable - trade, and contract assets	51,076	53,786
Merchandise and finished goods	12,148	11,146
Work in process	5,718	6,565
Raw materials and supplies	41,552	37,634
Other	11,932	11,784
Allowance for doubtful accounts	(30)	(31)
Total current assets	198,189	208,001
Non-current assets		
Property, plant and equipment		
Buildings and structures	82,654	85,141
Accumulated depreciation	(51,103)	(53,801)
Buildings and structures, net	31,551	31,340
Machinery, equipment and vehicles	175,558	179,171
Accumulated depreciation	(136,798)	(143,490)
Machinery, equipment and vehicles, net	38,759	35,680
Tools, furniture and fixtures	53,040	54,486
Accumulated depreciation	(48,499)	(49,913)
Tools, furniture and fixtures, net	4,541	4,573
Land	7,790	7,946
Leased assets	9,500	9,194
Accumulated depreciation	(4,744)	(4,997)
Leased assets, net	4,755	4,197
Construction in progress	6,283	8,446
Total property, plant and equipment	93,681	92,184
Intangible assets		
Software	978	788
Software in progress	10	21
Other	2,695	2,549
Total intangible assets	3,683	3,359
Investments and other assets		
Investment securities	15,713	17,506
Long-term loans receivable	2,496	2,562
Deferred tax assets	1,770	1,476
Long-term prepaid expenses	1,560	1,655
Retirement benefit asset	10,583	11,166
Other	773	802
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	32,897	35,169
Total non-current assets	130,262	130,714
Total assets	328,452	338,716

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,397	22,596
Short-term borrowings	75,801	92,077
Current portion of bonds payable	30	30
Accounts payable - other, and accrued expenses	18,874	15,143
Income taxes payable	2,365	2,143
Provision for bonuses	3,603	2,289
Provision for bonuses for directors (and other officers)	119	17
Provision for product warranties	1,524	971
Provision for settlement package	300	300
Provision for business restructuring	632	773
Other provisions	67	297
Other	6,797	7,295
Total current liabilities	130,513	143,936
Non-current liabilities		
Bonds payable	1,015	1,000
Long-term borrowings	93,571	71,265
Long-term accounts payable - other	6	1
Deferred tax liabilities	7,432	8,859
Retirement benefit liability	2,911	3,225
Other	6,043	5,390
Total non-current liabilities	110,980	89,742
Total liabilities	241,493	233,678
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	26,370	25,770
Retained earnings	28,250	38,277
Treasury shares	(603)	(603)
Total shareholders' equity	59,017	68,444
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	738	2,687
Foreign currency translation adjustment	10,301	15,856
Remeasurements of defined benefit plans	(3,288)	(2,981)
Total accumulated other comprehensive income	7,751	15,562
Non-controlling interests	20,189	21,030
Total net assets	86,958	105,037
Total liabilities and net assets	328,452	338,716

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	237,090	256,872
Cost of sales	207,974	219,314
Gross profit	29,116	37,557
Selling, general and administrative expenses	25,521	23,106
Operating profit	3,594	14,451
Non-operating income		
Interest income	708	1,231
Dividend income	425	529
Share of profit of entities accounted for using equity method	24	398
Foreign exchange gains	585	706
Other	808	889
Total non-operating income	2,552	3,754
Non-operating expenses		
Interest expenses	1,502	1,762
Other	782	731
Total non-operating expenses	2,284	2,494
Ordinary profit	3,862	15,711
Extraordinary income		
Gain on sale of non-current assets	123	18
Gain on sale of investment securities	91	327
Reversal of provision for product warranties	-	71
Other	4	21
Total extraordinary income	219	439
Extraordinary losses		
Impairment losses	9	52
Loss on retirement of non-current assets	56	138
Business restructuring expenses	123	121
Provision for business restructuring	-	200
Other	21	24
Total extraordinary losses	210	537
Profit before income taxes	3,871	15,613
Income taxes	2,868	3,947
Profit	1,002	11,665
Profit attributable to non-controlling interests	1,213	1,504
Profit (loss) attributable to owners of parent	(210)	10,161

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	1,002	11,665
Other comprehensive income		
Valuation difference on available-for-sale securities	(739)	1,976
Foreign currency translation adjustment	2,756	5,796
Remeasurements of defined benefit plans, net of tax	89	312
Share of other comprehensive income of entities accounted for using equity method	345	219
Total other comprehensive income	2,452	8,305
Comprehensive income	3,455	19,971
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,294	17,972
Comprehensive income attributable to non-controlling interests	1,160	1,998

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,871	15,613
Depreciation	12,745	12,188
Interest and dividend income	(1,134)	(1,760)
Interest expenses	1,502	1,762
Share of loss (profit) of entities accounted for using equity method	(24)	(398)
Loss (gain) on sale of property, plant and equipment	(113)	(8)
Decrease (increase) in trade receivables	845	(392)
Decrease (increase) in inventories	1,509	6,251
Increase (decrease) in trade payables	(567)	(1,321)
Other, net	(2,025)	(2,718)
Subtotal	16,609	29,216
Interest and dividends received	1,257	1,906
Interest paid	(1,394)	(1,679)
Income taxes paid	(2,467)	(3,455)
Net cash provided by (used in) operating activities	14,004	25,987
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,941)	(7,637)
Proceeds from sale of property, plant and equipment	344	110
Purchase of investment securities	(44)	(41)
Proceeds from sale of investment securities	215	2,005
Loan advances	(1,388)	(1,099)
Proceeds from collection of loans receivable	1,413	989
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(262)	-
Other, net	(366)	(246)
Net cash provided by (used in) investing activities	(7,030)	(5,919)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,099)	6,667
Proceeds from long-term borrowings	500	2,000
Repayments of long-term borrowings	(7,960)	(15,657)
Redemption of bonds	(15)	(15)
Dividends paid	(1,035)	(734)
Dividends paid to non-controlling interests	(621)	(1,158)
Proceeds from sale and leaseback transactions	1,042	94
Other, net	(1,749)	(1,881)
Net cash provided by (used in) financing activities	(10,939)	(10,685)
Effect of exchange rate change on cash and cash equivalents	173	1,783
Net increase (decrease) in cash and cash equivalents	(3,791)	11,166
Cash and cash equivalents at beginning of period	73,267	74,301
Cash and cash equivalents at end of period	69,475	85,468

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to assumptions for going concerns)

There are no applicable matters.

(Notes to significant changes in shareholders' equity)

There are no applicable matters.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of income tax expenses)

The Company calculates income tax expenses by reasonably estimating the effective tax rate expected to be imposed on pretax profit for the consolidated fiscal year that includes the third quarter under review (after tax effect accounting) and then multiplying profit before income taxes by the effective tax rate thus estimated.

(Segment information, etc.)

[Segment information]

I. For the nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 1)	Amount reported on quarterly consolidated statements of income (Note 2)
	Transportation Equipment-Related Operations	Information Service Operations	Other Operations			
Net sales						
Sales to outside customers	223,049	9,986	4,054	237,090	—	237,090
Inter-segment sales or transfers	494	1,607	805	2,907	(2,907)	—
Total	223,544	11,593	4,859	239,997	(2,907)	237,090
Segment profit	2,506	768	303	3,578	16	3,594

Notes:

1. The 16 million yen adjustment in segment profit is an amount in elimination of inter-segment transactions.
2. Segment profit/loss is adjusted to be consistent with operating profit in the quarterly consolidated statements of income.

II. For the nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 1)	Amount reported on quarterly consolidated statements of income (Note 2)
	Transportation Equipment-Related Operations	Information Service Operations	Other Operations			
Net sales						
Sales to outside customers	241,987	11,346	3,537	256,872	—	256,872
Inter-segment sales or transfers	429	1,522	779	2,731	(2,731)	—
Total	242,416	12,869	4,317	259,603	(2,731)	256,872
Segment profit	13,021	1,124	298	14,444	6	14,451

Notes:

1. The 6 million yen adjustment in segment profit is an amount in elimination of inter-segment transactions.
2. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statements of income.

(Matters related to revenue recognition)

Information on disaggregation of revenue from contracts with customers

For the nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

(Millions of yen)

	Reportable segment			Total
	Transportation Equipment-Related Operations	Information Service Operations	Other Operations	
Japan	57,283	9,986	4,054	71,324
The Americas	52,566	—	—	52,566
Europe	16,085	—	—	16,085
Asia	53,595	—	—	53,595
China	43,517	—	—	43,517
Revenue from contracts with customers	223,049	9,986	4,054	237,090
Other revenue	—	—	—	—
Sales to outside customers	223,049	9,986	4,054	237,090

For the nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)

(Millions of yen)

	Reportable segment			Total
	Transportation Equipment-Related Operations	Information Service Operations	Other Operations	
Japan	66,659	11,346	3,537	81,544
The Americas	63,262	—	—	63,262
Europe	19,657	—	—	19,657
Asia	56,961	—	—	56,961
China	35,447	—	—	35,447
Revenue from contracts with customers	241,987	11,346	3,537	256,872
Other revenue	—	—	—	—
Sales to outside customers	241,987	11,346	3,537	256,872