February 14, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: MIMAKI ENGINEERING CO., LTD.
Listing: Tokyo
Securities Code: 6638
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Scheduled date to file Quarterly Securities Report: February 14, 2024
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: No

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

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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	%
Nine months ended December 31, 2023	54,826	4.7	3,946	26.2	3,417	22.9	2,437	24.5
Nine months ended December 31, 2022	52,346	19.8	3,126	36.8	2,779	21.1	1,957	(5.7)

Note: Comprehensive income Nine months ended December 31, 2023 ¥3,475 million [39.4%]
Nine months ended December 31, 2022 ¥2,492 million [3.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	84.70	84.61
Nine months ended December 31, 2022	68.03	68.00

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	72,356	25,057	34.4
As of March 31, 2023	69,789	22,056	31.5

Reference: Equity As of December 31, 2023 ¥24,917 million
As of March 31, 2023 ¥21,952 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, 2023	–	7.50	–	10.00	17.50
Year ending March 31, 2024	–	10.00	–		
Year ending March 31, 2024 (Forecast)				10.00	20.00

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

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(% 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	76,800	8.8	4,840	14.1	4,280	12.9	3,160	12.6	109.79

Note: Revision of consolidated financial results forecast most recently announced: No

*** Notes**

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023
(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: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement: No

(4) Number of issued shares (common shares)

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

As of December 31, 2023	32,040,000 shares
As of March 31, 2023	32,040,000 shares

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

As of December 31, 2023	3,252,467 shares
As of March 31, 2023	3,260,767 shares

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

Nine months ended December 31, 2023	28,781,960 shares
Nine months ended December 31, 2022	28,777,903 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 4 of the attached materials for the conditions that are the premise of the business forecast and precautions when using the business forecast.

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1. Qualitative information on quarterly consolidated financial results

(1) Explanation of operating results

During the nine months ended December 31, 2023 (hereinafter referred to as "the period under review"), the global economy remained generally uncertain. Contributing factors include heightened geopolitical risks as well as the continuation of inflation at a high level and the impact of monetary policies by central banks and governments in various countries. In North America, the economy remained strong, centering on personal consumption. In Europe, the economy continued to stagnate against the backdrop of the prolonged invasion of Ukraine. In Japan, the economy continued to recover steadily, driven by increased export demand. Other positive factors include rebound in personal consumption and capital investment accompanying the end of the COVID-19 crisis, as well as recovery in inbound demand.

Under such circumstances, the Group has executed the priority measures set forth in the "Mimaki V10" medium- to long-term growth strategy established in December 2020. We have continued to launch new products for more sales, develop its business in anticipation of rapid changes in the market environment and customer needs, and build a foundation to improve profitability. In the third quarter of the current fiscal year, the Company obtained the 3M Performance Guarantee for our inks for the sign graphics (SG) market. This guarantee ensures a highly compatible printer-ink-film combination by evaluating printing performance, adhesion performance, and other factors through various tests. For the Industrial Products (IP) market, the Company also announced the "M2COA" series. This automated package system for order goods and industrial product printing combines an arm robot and our printer. Furthermore, for the Textile Apparel (TA) market, the Company has steadily implemented strategies for future sales expansion. We opened the Agata Technical Training Center, a technical showroom equipped with the latest sustainable printing solutions. Besides, we hosted a community service event, the Mimaki Festival in October for the first time in five years.

Net sales for the period under review increased, due in part to the positive impact of the yen's depreciation on foreign exchange in general. By product market, the TxF150, Direct to Film (DTF) machine, launched this fiscal year, sustained strong sales in the TA market. Sales of ink to the SG market remained strong. In addition, the IP market and the Factory Automation (FA) business maintained the same level of sales in the current period as in the same period of the previous year. The same period of the previous year saw a significant expansion in sales of new products in the IP market, and a high level of demand in the FA business. By region, sales in Europe were lower than in the same period of the previous year due to economic stagnation. On the other hand, in Asia/Oceania, sales in China increased substantially in contrast to the weak performance in the same period of the previous year due to the COVID-19 crisis. Sales in North America remained strong due to firm economic trends. In Japan, strong sales continued due to increased demand with the economic recovery. In terms of profit, the cost of sales ratio improved despite continued sales of products using high-cost materials such as semiconductors procured in the previous fiscal year. Reasons for such improvement were a decrease in transportation costs, and price reviews in response to overall increase in costs due to advancing inflation. SG&A expenses increased due to several factors. These include the rise in expenses related to research and development for upcoming new technologies and products. Also, increased personnel expenses and heightened sales activities, which were prompted by active participation in global exhibitions, contributed to the rise in the expenses. However, the increase in SG&A expenses as a percentage of sales remained at a minimum. Together with the positive effect of exchange rates, this resulted in a year-on-year increase in operating profit. Due to concerns of potential violation of sanctions imposed on Russia and Belarus occurring at the Company's European subsidiary MIMAKI EUROPE B.V. (the Netherlands), we had reasonably estimated the provision regarding the relevant transactions and recognized it as a provision for loss on sanctions in the nine months ended December 31, 2022. Afterwards, in December 2023, we were investigated by the taxation authority of the Netherlands but no fines were imposed. As we now do not expect any fines to arise, the Group reversed the provision and recorded the reversal of provision for loss on sanctions in extraordinary income in the current period.

As a result of the above, for the period under review, the Group posted net sales of 54,826 million yen (up 4.7% year on year), operating profit of 3,946 million yen (up 26.2% year on year), ordinary profit of 3,417 million yen (up 22.9% year on year), and profit attributable to owners of parent of 2,437 million yen (up 24.5% year on year).

In addition, the major exchange rates (average rates from April 2023 to December 2023) for the period under review were 1 US$ = 143.29 yen (136.53 yen in the same period of the previous fiscal year) and 1 EUR = 155.28 yen (140.60 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 24,782 million yen (up 7.8% year on year). In Japan, sales to the IP market remained strong due to a recovery in demand for industrial products and goods. Sales of both new and existing models remained strong in the TA market. Demand for ink was sluggish, although main units were strong for the SG market. In the FA business, sales increased due to strong sales of FA equipment and printed circuit board (PCB) mounting equipment. As a result of the above, overall sales increased. In Asia and Oceania, sales to the SG, IP, and TA markets remained strong due to significant demand recovery in China from the same period of the previous year. Economic growth in India, Indonesia, and other countries also committed to the sales while other countries such as Australia and Thailand saw lower sales. Overall sales increased, although sales to Taiwan in the FA business, which had strong sales in the same period of the previous year, declined.

(North America and Latin America)

Net sales were 15,548 million yen (up 9.0% year on year). In North America, sales to the TA market grew substantially, with a focus on new products, as the economy remained strong, centering on personal consumption. Demand for ink for the SG and IP markets remained strong. Meanwhile, sales of the main units were sluggish compared to the same period of the previous year, when sales were at a high level. In addition to the above, the positive impact of exchange rates resulted in an increase in sales. In Latin America, sales increased in many countries such as Brazil and Mexico, resulting in an increase in sales.

(Europe, the Middle East, and Africa)

Net sales were 14,496 million yen (down 4.0% year on year). In Europe, sales increased significantly, partly due to the effect of new products in the TA market amid the positive impact of foreign exchange rates. Sales to the SG and IP markets declined compared to the high level of the same period of the previous year due to the impact of economic stagnation. By country, sales declined in Germany, Italy, the United Kingdom, and other countries while strong sales continued in countries such as Portugal, France, and Poland. As a result of the above, overall sales decreased.

The details of net sales by market are as follows.

	Net sales (Thousands of yen)	Component ratio (%)	Year-on-year changes (%)
SG market	21,613,953	39.4	1.4
IP market	14,695,646	26.8	(0.4)
TA market	6,663,870	12.2	30.6
FA business	3,352,461	6.1	0.8
Other	8,500,386	15.5	8.5
Total	54,826,318	100.0	4.7

(SG market)

Net sales were 21,613 million yen (up 1.4% year on year). Sales of flagship models of main units increased. Meanwhile, sales of existing models declined compared to the same period of the previous year, when the processing of back orders following the improvement of ocean freight lead times together with strong demand contributed to a high level of sales. Ink sales, however, remained strong and the positive impact of foreign exchange rates resulted in a slight increase in sales.

(IP market)

Net sales were 14,695 million yen (down 0.4% year on year). Sales overall were on par with the same period of the previous year. Higher ink sales and the positive impact of foreign exchange rates contributed to the result. However, some sales, especially of compact flatbed (FB) printers, declined compared to the same period of the previous year when sales of new products expanded.

(TA market)

Net sales were 6,663 million yen (up 30.6% year on year). Sales of new products introduced in the period under review were strong mainly in developed countries, and ink sales were also strong, resulting in a substantial increase in sales.

(FA business)

Net sales were 3,352 million yen (up 0.8% year on year). Sales of PCB inspection equipment and semiconductor production equipment, which were strong in the same period of the previous year due to increased demand, declined. Sales of FA equipment, PCB mounting equipment, and metal processing products increased and were on par with the same period of the previous year.

The details of net sales by product category are as follows.

	Net sales (Thousands of yen)	Component ratio (%)	Year-on-year changes (%)
Machines	21,576,791	39.4	1.0
Ink	20,860,581	38.0	7.9
Spare parts	4,497,600	8.2	4.2
Other	7,891,345	14.4	7.6
Total	54,826,318	100.0	4.7

(2) Explanation of financial position

(Assets)

Total assets as of December 31, 2023 increased 2,566 million yen from the end of the previous fiscal year to 72,356 million yen. Total current assets increased 2,078 million yen from the end of the previous fiscal year to 55,770 million yen. This was mainly due to an increase in cash and deposits. Total non-current assets increased 488 million yen from the end of the previous fiscal year to 16,585 million yen. This was mainly due to an increase in buildings and structures.

(Liabilities)

Total liabilities as of December 31, 2023 decreased 435 million yen from the end of the previous fiscal year to 47,298 million yen. Total current liabilities decreased 59 million yen from the end of the previous fiscal year to 40,085 million yen. This was mainly due to a decrease in notes and accounts payable - trade, while electronically recorded obligations - operating and others increased. Total non-current liabilities decreased 375 million yen from the end of the previous fiscal year to 7,213 million yen. This was mainly due to a decrease in long-term borrowings.

(Net assets)

Total net assets as of December 31, 2023 increased 3,001 million yen from the end of the previous fiscal year to 25,057 million yen. This was mainly due to an increase in retained earnings.

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

There is no change to the consolidated earnings forecast for the full year announced on November 14, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	10,485,252	15,035,875
Notes and accounts receivable - trade, and contract assets	11,052,972	10,137,120
Merchandise and finished goods	18,437,653	17,509,313
Work in process	2,281,747	2,611,739
Raw materials and supplies	7,296,450	6,564,091
Other	4,255,288	3,939,124
Allowance for doubtful accounts	(116,695)	(26,291)
Total current assets	53,692,668	55,770,973
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,823,702	4,310,389
Land	3,462,323	3,451,638
Other, net	4,725,520	4,579,879
Total property, plant and equipment	12,011,546	12,341,907
Intangible assets		
Goodwill	167,874	135,114
Other	743,611	892,589
Total intangible assets	911,485	1,027,703
Investments and other assets		
Investment securities	155,962	172,899
Deferred tax assets	1,856,277	1,878,094
Other	1,988,759	2,194,160
Allowance for doubtful accounts	(826,806)	(1,029,535)
Total investments and other assets	3,174,193	3,215,618
Total non-current assets	16,097,225	16,585,230
Total assets	69,789,894	72,356,204

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,264,456	3,264,748
Electronically recorded obligations - operating	4,839,398	5,473,393
Short-term borrowings	18,580,604	19,170,535
Current portion of long-term borrowings	2,944,827	2,956,388
Lease liabilities	416,684	423,615
Income taxes payable	797,708	468,682
Provision for bonuses	1,170,425	709,858
Provision for bonuses for directors (and other officers)	67,148	53,579
Provision for product warranties	1,513,463	1,475,913
Other	5,550,084	6,088,567
Total current liabilities	40,144,802	40,085,281
Non-current liabilities		
Long-term borrowings	5,476,071	5,080,856
Lease liabilities	1,433,528	1,440,129
Deferred tax liabilities	60,311	70,385
Retirement benefit liability	348,634	361,653
Asset retirement obligations	147,352	148,398
Provision for retirement benefits for directors (and other officers)	45,900	33,900
Provision for loss on sanctions	9,554	–
Other	67,702	77,931
Total non-current liabilities	7,589,056	7,213,254
Total liabilities	47,733,858	47,298,536
Net assets		
Shareholders’ equity		
Share capital	4,357,456	4,357,456
Capital surplus	4,617,296	4,617,444
Retained earnings	14,325,906	16,285,733
Treasury shares	(1,949,426)	(1,944,465)
Total shareholders’ equity	21,351,232	23,316,167
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,424	25,656
Foreign currency translation adjustment	508,542	1,516,672
Remeasurements of defined benefit plans	78,086	58,854
Total accumulated other comprehensive income	601,053	1,601,184
Share acquisition rights	33,423	32,771
Non-controlling interests	70,324	107,543
Total net assets	22,056,035	25,057,667
Total liabilities and net assets	69,789,894	72,356,204

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

Quarterly consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	52,346,646	54,826,318
Cost of sales	31,220,043	31,133,885
Gross profit	21,126,602	23,692,433
Selling, general and administrative expenses	17,999,706	19,745,947
Operating profit	3,126,895	3,946,485
Non-operating income		
Interest income	18,677	24,287
Dividend income	1,461	1,780
Insurance claim income	55,055	4,357
Purchase discounts	8,495	7,082
Foreign exchange gains	1,111	–
Subsidy income	40,410	47,422
Other	72,519	76,247
Total non-operating income	197,730	161,179
Non-operating expenses		
Interest expenses	185,613	277,145
Foreign exchange losses	–	79,093
Share of loss of entities accounted for using equity method	77,753	3,896
Inflation accounting adjustment	166,930	238,906
Other	114,370	90,917
Total non-operating expenses	544,667	689,958
Ordinary profit	2,779,959	3,417,705
Extraordinary income		
Gain on sale of non-current assets	60,617	24,477
Reversal of provision for loss on sanctions	–	9,554
Other	25	169
Total extraordinary income	60,643	34,200
Extraordinary losses		
Loss on sale of non-current assets	21	266
Provision for loss on sanctions	9,274	–
Total extraordinary losses	9,295	266
Profit before income taxes	2,831,307	3,451,640
Income taxes - current	909,869	983,873
Income taxes - deferred	(46,616)	(1,215)
Total income taxes	863,253	982,658
Profit	1,968,054	2,468,982
Profit attributable to non-controlling interests	10,152	31,184
Profit attributable to owners of parent	1,957,901	2,437,797

Quarterly consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	1,968,054	2,468,982
Other comprehensive income		
Valuation difference on available-for-sale securities	2,379	11,232
Foreign currency translation adjustment	513,398	1,020,496
Remeasurements of defined benefit plans, net of tax	3,602	(19,231)
Share of other comprehensive income of entities accounted for using equity method	4,949	(6,332)
Total other comprehensive income	524,329	1,006,164
Comprehensive income	2,492,383	3,475,147
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,481,526	3,437,928
Comprehensive income attributable to non-controlling interests	10,857	37,218

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

Not applicable.

Although it does not fall under the category of "changes in specified subsidiaries," MIMAKI VIETNAM CO., LTD. was newly established in the first quarter of the current fiscal year, so it is included in the consolidated scope.

(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, 2024.

(Accounting for hyperinflation)

During the previous fiscal year, because 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, from the second quarter ended September 30, 2022, 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 as of December 31, 2023, and reflected in the quarterly 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 (118,087 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 (64,626 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 2018 regarding the 40,425 thousand Brazilian reals (53,461 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.