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Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

November 11, 2024

Company name:	MIMAKI ENGINEERING CO., LTD.	Listing:	Tokyo
Securities Code:	6638	URL:	https://ir-eng.mimaki.com/
Representative:	Kazuaki Ikeda, President		
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Scheduled date to file semi-annual securities report: November 11, 2024
Scheduled date to commence dividend payments: December 9, 2024
Preparation of supplementary material on financial results: Yes
Holding of 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, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	40,942	15.5	4,698	101.5	4,321	114.5	3,250	130.1
September 30, 2023	35,437	4.3	2,331	23.7	2,014	17.9	1,412	9.0

Note: Comprehensive income Six months ended September 30, 2024 ¥2,443 million [(16.1)%] Six months ended September 30, 2023 ¥2,911 million [8.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	112.78	112.47
September 30, 2023	49.09	49.04

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	71,708	29,530	41.0
As of March 31, 2024	75,718	27,390	36.0

Reference: Equity As of September 30, 2024 ¥29,368 million As of March 31, 2024 ¥27,240 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, 2024	–	10.00	–	15.00	25.00
Year ending March 31, 2025	–	17.50			
Year ending March 31, 2025 (Forecast)			–	15.00	32.50

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

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(% 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	82,500	9.1	8,250	50.5	7,500	53.6	5,600	51.0	194.09

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

*** Notes**

(1) Significant changes in the scope of consolidation during the six months ended September 30, 2024: No

(2) Application of special accounting for preparing semi-annual consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
(ii) Changes in accounting policies due to other reasons: No
(iii) Changes in accounting estimates: No
(iv) Restatement: No

Note: For details, please refer to "2. Semi-annual consolidated financial statements and significant notes thereto (3) Notes on semi-annual consolidated financial statements (Notes on 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, 2024	32,040,000 shares	As of March 31, 2024	32,040,000 shares
(ii) Number of treasury shares at the end of the period	As of September 30, 2024	3,186,912 shares	As of March 31, 2024	3,244,167 shares
(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)	Six months ended September 30, 2024	28,825,141 shares	Six months ended September 30, 2023	28,780,333 shares

* Semi-annual financial results reports are exempt from 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 "1. Overview of operating results, etc. (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.

Table of contents of attached materials

Index

1. Overview of operating results, etc.

(1) Overview of operating results for the first six months of the fiscal year under review

During the current interim consolidated accounting period (hereinafter referred to as “the period under review”), the global economy was on a moderate recovery trend, but the core inflation rate remained high. The extent of economic recovery varied from region to region and country to country, and central banks and governments in each country continued to maintain prudent monetary policies. Geopolitical risks have remained a major concern, and the situation has been unpredictable. Japan’s economy has been on a moderate recovery track, and personal consumption has been sluggish due to the impact of high prices. However, firms’ willingness to make capital investments remained strong. Although the economy as a whole is stabilizing, the pace of growth remains moderate, and the recovery is expected to continue.

Under such circumstances, the Company and its consolidated subsidiaries (hereinafter the “Group”) have 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 our business in anticipation of rapid changes in the market environment and customer needs, and build a foundation to improve profitability. In the second quarter of the fiscal year under review, we introduced the CJV200 series of print & cut MFPs for the Sign Graphics (SG) market, which offers high image quality and ease of use for all. For the Industrial Products (IP) market, we introduced the new JFX200-1213 EX flatbed UV printer. This model features high productivity, high added value, and high image quality, as well as being “just the right size.” For the Textile Apparel (TA) market, the Company announced new products to meet customer needs and contribute to future sales growth. The Direct to Film (DTF) models, which continue to enjoy strong sales, have been joined by the new TxF300-1600, which offers approximately four times the productivity of the previous model. Another new model, the TS330-3200DS, a 3.2 m super-wide hybrid printer enables direct sublimation and sublimation transfer printing with a single unit. In addition, the Company has strengthened its sales function through measures including relocating the Nagoya Sales Office, its domestic sales base, in order to secure showroom space in line with the expansion of our product lineup.

Net sales for the period under review increased significantly, due in part to the positive impact of the yen’s depreciation on foreign exchange. As for net sales by product market, the sales of DTF models and a high-speed sublimation transfer model for the TA market were favorable. Sales to the SG market also increased, centering on models with UV ink, which draw on our strengths. In the IP market, in addition to the small flatbed (FB) model, the large FB model JFX600-2531 introduced this fiscal year contributed to increased sales. In the Factory Automation (FA) business, while there was some variation by product, sales remained on a par with the same period of the previous fiscal year. By region, sales increased substantially in North America and Latin America, and Japan, Asia and Oceania, while sales in Europe, the Middle East, and Africa remained strong. In terms of profit, the cost of sales ratio significantly improved despite an increase in ocean freight costs, as sales of products using high-cost materials were almost completed. SG&A expenses as a percentage of sales improved due to efficient execution of expenses, although personnel expenses, commissions paid, and R&D costs increased. Combined with the positive effect of exchange rates, this resulted in a significant year-on-year increase in operating profit. On a half-year basis, we cleared the target of “Mimaki V10,” which aims to achieve an operating profit margin of 10% in fiscal 2025, and set a record high for semi-annual profit.

As a result of the above, for the period under review, the Group posted net sales of 40,942 million yen (up 15.5% year on year), operating profit of 4,698 million yen (up 101.5% year on year), ordinary profit of 4,321 million yen (up 114.5% year on year), and profit attributable to owners of parent of 3,250 million yen (up 130.1% year on year).

In addition, the major exchange rates (average rates from April 2024 to September 2024) for the period under review were 1 US$ = 152.62 yen (141.00 yen in the same period of the previous fiscal year) and 1 EUR = 165.93 yen (153.38 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 18,310 million yen (up 14.8% year on year). In Japan, sales to the TA market remained strong from the previous period, resulting in a significant increase in sales, and sales to the SG and IP markets also grew steadily. Sales in the FA business remained on a par with the same period of the previous fiscal year. As a result, overall sales increased. In Asia and Oceania, strong sales continued from the previous period. Sales to the IP, TA, and SG markets increased significantly. By country, sales remained strong in China, owing to the strengthened sales activities. Sales in the Philippines, India, Thailand, and other countries grew significantly. As a result of the above, overall sales increased significantly.

(North America and Latin America)

Net sales were 12,204 million yen (up 20.9% year on year). In North America, sales to the TA market increased significantly, centering on DTF models. The SG market, where UV ink-equipped models performed well, and the IP market, where large and small FB models performed well, both saw increased sales. Combined with the positive impact of foreign exchange rates, this resulted in a significant increase in sales. In Latin America, sales increased favorably in countries such as Brazil and Mexico, resulting in a significant increase in sales.

(Europe, the Middle East, and Africa)

Net sales were 10,427 million yen (up 11.0% year on year). In Europe, sales to the TA market increased significantly, centering on DTF models and a high-speed sublimation transfer model. Sales to the SG market were also strong. In the IP market, sales decreased mainly in large FB products. By country, sales performed well in major countries such as Germany, the United Kingdom, France, and Poland. Combined with the positive impact of foreign exchange rates, this resulted in a significant 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	16,278,264	39.8	14.2
IP market	10,600,501	25.9	11.8
TA market	5,329,368	13.0	30.1
FA business	2,143,959	5.2	0.4
Other	6,590,759	16.1	20.5
Total	40,942,853	100.0	15.5

(SG market)

Net sales were 16,278 million yen (up 14.2% year on year). Sales of printer main units increased significantly, due to strong sales of flagship models and entry-level models equipped with UV ink, launched in the third quarter of the previous fiscal year. Sales of ink also grew favorably. Combined with the positive impact of foreign exchange rates, this resulted in a significant increase in sales.

(IP market)

Net sales were 10,600 million yen (up 11.8% year on year). Sales of printer main units increased due to strong sales of small FB models and the steady launch of large FB model introduced this fiscal year. Sales of ink were also strong. Combined with the positive impact of foreign exchange rates, this resulted in a significant increase in sales.

(TA market)

Net sales were 5,329 million yen (up 30.1% year on year). For printer main units, sales of DTF models increased substantially in all regions. Sales of a high-speed sublimation transfer model also got on track mainly in Europe and Latin America, contributing to the increase in sales. Sales of ink also increased significantly due to an increase in the number of printer main units in operation. Combined with the positive impact of foreign exchange rates, this resulted in a significant increase in sales.

(FA business)

Net sales were 2,143 million yen (up 0.4% year on year). Although sales of semiconductor production equipment and printed circuit board (PCB) inspection equipment declined, the overall sales remained on a par with the same period of the previous fiscal year, since sales of PCB mounting equipment and FA equipment increased for automotive-related industries.

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

	Net sales (Thousands of yen)	Component ratio (%)	Year-on-year changes (%)
Machines	16,009,773	39.1	14.2
Ink	15,662,450	38.3	16.4
Spare parts	3,410,222	8.3	16.8
Other	5,860,406	14.3	16.0
Total	40,942,853	100.0	15.5

(2) Overview of financial position for the first six months of the fiscal year under review

(Assets)

Total assets as of September 30, 2024 decreased 4,009 million yen from the end of the previous fiscal year to 71,708 million yen. Total current assets decreased 4,039 million yen from the end of the previous fiscal year to 54,727 million yen. This was mainly due to a decrease in cash and deposits. Total non-current assets increased 29 million yen from the end of the previous fiscal year to 16,981 million yen. This was mainly due to an increase in deferred tax assets.

(Liabilities)

Total liabilities as of September 30, 2024 decreased 6,149 million yen from the end of the previous fiscal year to 42,178 million yen. Total current liabilities decreased 5,426 million yen from the end of the previous fiscal year to 36,086 million yen. This was mainly due to a decrease in short-term borrowings. Total non-current liabilities decreased 723 million yen from the end of the previous fiscal year to 6,091 million yen. This was mainly due to a decrease in long-term borrowings.

(Net assets)

Total net assets as of September 30, 2024 increased 2,139 million yen from the end of the previous fiscal year to 29,530 million yen. This was mainly due to an increase in 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, 2025, on November 5, 2024, we have revised the forecast announced on August 1, 2024, reflecting recent trends in operating results, as follows.

	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
Previous forecast (A)	82,500	7,400	6,800	4,900	170.06
Revised forecast (B)	82,500	8,250	7,500	5,600	194.09
Change (B-A)	-	850	700	700	
Change (%)	-	11.5	10.3	14.3	
Reference: Results for the previous fiscal year (Year ended March 31, 2024)	75,631	5,480	4,882	3,707	128.80

*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)

The situation of the global market environment etc. is expected to be subject to many uncertain factors, including trends in monetary policies in each country, increased geopolitical risks, and the outcome of the US presidential election.

Having reviewed the outlook based on trends by product market and area, as well as sales activities and new product launches, the Company has not changed its sales forecast for the second half of the fiscal year from that of the previous forecast announced on August 1. For the second half of the fiscal year, although operating profit has been revised in line with the revised cost of sales, ordinary profit and net profit has remained unchanged from the previous forecast due to the expected increase in foreign exchange losses resulting from the revision of non-consolidated net sales. The consolidated financial results forecast for the full year has been revised to reflect the amounts of the actual results in the first six months of the fiscal year under review that exceeded the previous forecast.

(Assumptions for foreign exchange rates)

The major exchange rates assumed in the consolidated financial results forecast for the third quarter onwards are 1 US$: 138 yen, and 1 EUR: 150 yen, which are unchanged from the previous forecast.

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	17,365,018	14,030,079
Notes and accounts receivable - trade, and contract assets	12,482,948	11,353,038
Merchandise and finished goods	16,771,029	16,854,164
Work in process	2,381,737	2,650,876
Raw materials and supplies	5,809,213	5,935,859
Other	3,983,116	3,982,796
Allowance for doubtful accounts	(26,174)	(79,030)
Total current assets	58,766,889	54,727,785
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,296,873	4,310,034
Land	3,451,638	3,521,173
Other, net	4,786,688	4,414,154
Total property, plant and equipment	12,535,201	12,245,362
Intangible assets		
Goodwill	129,710	118,900
Other	910,524	900,413
Total intangible assets	1,040,234	1,019,314
Investments and other assets		
Investment securities	140,594	135,754
Deferred tax assets	2,155,105	2,331,274
Other	2,221,897	2,262,653
Allowance for doubtful accounts	(1,141,228)	(1,013,340)
Total investments and other assets	3,376,368	3,716,342
Total non-current assets	16,951,803	16,981,019
Total assets	75,718,693	71,708,804
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,241,469	4,027,423
Electronically recorded obligations - operating	5,620,574	4,648,177
Short-term borrowings	18,938,540	13,881,466
Current portion of long-term borrowings	2,766,708	2,236,409
Lease liabilities	531,185	454,344
Income taxes payable	862,791	1,198,101
Provision for bonuses	1,382,519	1,643,941
Provision for bonuses for directors (and other officers)	82,461	70,115
Provision for product warranties	1,774,147	1,609,659
Other	6,312,824	6,316,870
Total current liabilities	41,513,222	36,086,509
Non-current liabilities		
Long-term borrowings	4,887,271	4,396,100
Lease liabilities	1,376,165	1,139,200
Deferred tax liabilities	59,895	68,272
Retirement benefit liability	228,258	225,103
Asset retirement obligations	149,573	149,425
Provision for retirement benefits for directors (and other officers)	33,900	33,900
Other	79,492	79,492
Total non-current liabilities	6,814,556	6,091,494
Total liabilities	48,327,779	42,178,003

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders’ equity		
Share capital	4,357,456	4,357,456
Capital surplus	4,618,849	4,660,668
Retained earnings	17,596,764	20,470,413
Treasury shares	(1,939,505)	(1,905,287)
Total shareholders’ equity	24,633,564	27,583,251
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,259	36,306
Foreign currency translation adjustment	2,428,473	1,631,790
Remeasurements of defined benefit plans	138,410	117,403
Total accumulated other comprehensive income	2,607,143	1,785,500
Share acquisition rights	15,830	13,210
Non-controlling interests	134,375	148,839
Total net assets	27,390,914	29,530,801
Total liabilities and net assets	75,718,693	71,708,804

(2) Semi-annual consolidated statements of income and consolidated statements of comprehensive income

Semi-annual consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	35,437,256	40,942,853
Cost of sales	20,309,648	21,823,941
Gross profit	15,127,607	19,118,911
Selling, general and administrative expenses	12,795,779	14,420,473
Operating profit	2,331,828	4,698,438
Non-operating income		
Interest income	12,656	49,012
Dividend income	1,087	1,423
Insurance claim income	5,174	9,985
Purchase discounts	6,021	834
Foreign exchange gains	1,351	–
Subsidy income	34,688	11,874
Share of profit of entities accounted for using equity method	2,808	–
Interest on tax refund	461	106,760
Other	52,891	31,745
Total non-operating income	117,142	211,635
Non-operating expenses		
Interest expenses	178,961	234,757
Foreign exchange losses	–	164,807
Share of loss of entities accounted for using equity method	–	15,054
Inflation accounting adjustment	174,716	133,604
Other	80,346	40,685
Total non-operating expenses	434,025	588,909
Ordinary profit	2,014,945	4,321,164
Extraordinary income		
Gain on sale of non-current assets	1,570	8,322
Other	169	–
Total extraordinary income	1,739	8,322
Extraordinary losses		
Loss on sale of non-current assets	–	883
Total extraordinary losses	–	883
Profit before income taxes	2,016,684	4,328,603
Income taxes - current	736,802	1,212,235
Income taxes - deferred	(148,753)	(153,307)
Total income taxes	588,048	1,058,928
Profit	1,428,636	3,269,675
Profit attributable to non-controlling interests	15,706	18,695
Profit attributable to owners of parent	1,412,929	3,250,979

Semi-annual consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,428,636	3,269,675
Other comprehensive income		
Valuation difference on available-for-sale securities	10,715	(3,953)
Foreign currency translation adjustment	1,498,557	(810,928)
Remeasurements of defined benefit plans, net of tax	(12,723)	(21,007)
Share of other comprehensive income of entities accounted for using equity method	(13,990)	10,013
Total other comprehensive income	1,482,558	(825,875)
Comprehensive income	2,911,194	2,443,800
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,889,323	2,429,336
Comprehensive income attributable to non-controlling interests	21,871	14,463

(3) Notes on semi-annual consolidated financial statements

(Notes on changes in accounting policies)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as “Revised Accounting Standard 2022”), etc. has been applied since the beginning of the six months ended September 30, 2024.

Previously, income taxes such as corporation taxes, inhabitant taxes, and enterprise taxes (hereinafter referred to as “income taxes”) were calculated in accordance with laws and regulations and the amount was recognized in profit or loss. Upon the application of Revised Accounting Standard 2022, we decided to separately record income taxes on income in profit or loss, shareholders’ equity, and other comprehensive income depending on the transactions, etc. that are the source of the income. With regard to income taxes recorded in accumulated other comprehensive income, we decided to record a corresponding tax amount in profit or loss when the transactions, etc. that give rise to the imposition of said income taxes are recognized in profit or loss. If the taxable transactions, etc. are related to shareholders’ equity or other comprehensive income in addition to profit or loss, and it is difficult to calculate the amount of income tax imposed on shareholders’ equity or other comprehensive income, the relevant tax amount is recognized in profit or loss.

With regard to the amendment regarding the classification for recording income taxes (taxation on other comprehensive income), the Group follows the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard for 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022).

There is no impact on the semi-annual consolidated financial statements due to the change in accounting policy.

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

Not applicable.

(Note on going concern assumption)

Not applicable.

(Additional information)

[Accounting for hyperinflation]

During the fiscal year ended March 31, 2023, 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 six months 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 semi-annual consolidated statements of income.

The financial statements of the Turkish subsidiary are translated at the exchange rate as of September 30, 2024, and reflected in the semi-annual 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. 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 (68,054 thousand Brazilian reals with added interest for the delay) for which it received a notice of additional taxation in September 2018. Regarding a complaint we filed with the tax authorities in December 2018 regarding an additional tax notice received in November 2018 for 40,425 thousand Brazilian reals, the Company's assertion was acknowledged in February 2024, and the said proceedings have been finalized without payment of additional tax.

With regard to ongoing tax cases, 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.