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June 14, 2023

Consolidated Financial Results for the Three Months Ended April 30, 2023 (Under Japanese GAAP)

Company name: Mitsui High-tec, Inc.
 Listing: Tokyo Stock Exchange / Fukuoka Stock Exchange
 Securities code: 6966
 URL: <https://www.mitsui-high-tec.com/> (in Japanese only)
 Representative: Yasunari Mitsui, President and Representative Director
 Inquiries: Kozo Mitsui, Executive Managing Director, and Senior General Manager of Corporate Planning & Strategy Unit and General Administration Unit
 Telephone: +81-93-614-1111
 Scheduled date to file quarterly securities report: June 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the three months ended April 30, 2023 (from February 1, 2023 to April 30, 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	%
Three months ended April 30, 2023	45,265	5.8	3,823	(42.1)	4,537	(44.4)	3,213	(53.0)
April 30, 2022	42,786	37.8	6,603	152.5	8,161	198.0	6,842	231.3

Note: Comprehensive income For the three months ended April 30, 2023: ¥4,192 million [(52.8)%]
 For the three months ended April 30, 2022: ¥8,874 million [163.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
April 30, 2023	87.91	–
April 30, 2022	187.21	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
April 30, 2023	168,925	83,178	49.1
January 31, 2023	159,803	80,607	50.3

Reference: Equity
 As of April 30, 2023: ¥82,870 million
 As of January 31, 2023: ¥80,307 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
Fiscal year ended January 31, 2023	–	21.00	–	44.00	65.00
Fiscal year ending January 31, 2024	–				
Fiscal year ending January 31, 2024 (Forecast)		24.00	–	48.00	72.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending January 31, 2024 (from February 1, 2023 to January 31, 2024)

(Percentages indicate year-on-year changes.)

	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
Fiscal year ending January 31, 2024	205,000	17.4	22,600	0.1	22,400	(1.2)	16,600	(5.6)	454.16

Note: Revisions to the forecast of financial results most recently announced: None

The Group has omitted the consolidated earnings forecasts for the six months ending July 31, 2023.

*** Notes**

- (1) Changes in significant subsidiaries during the three months ended April 30, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of April 30, 2023	39,466,865 shares
As of January 31, 2023	39,466,865 shares

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

As of April 30, 2023	2,915,581 shares
As of January 31, 2023	2,915,355 shares

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

Three months ended April 30, 2023	36,551,422 shares
Three months ended April 30, 2022	36,552,399 shares

Note: In the second quarter of the fiscal year ended January 31, 2023, the Company introduced a performance-linked and share-based remuneration plan called "Board Benefit Trust (BBT)." The Company's shares owned by the trust are included both in the number of treasury shares at the end of the period and in the number of treasury shares excluded when calculating the average number of shares outstanding during the period.

* 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 above earnings forecasts are based on information currently available to the Company. These statements are not intended to be a guarantee that the forecasts will be achieved. Actual earnings results may differ from the forecasts due to various factors.

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1. Qualitative information on quarterly financial results

(1) Explanation of business results

The economic environment surrounding the Group during the three months ended April 30, 2023 remained uncertain due to the impact of prolonged geopolitical risks in Europe, high global inflation, financial instability caused by policy rate hikes in a number of countries and other factors.

With regard to the Group's major customers, in the automotive industry, electric vehicle-related demand remained strong as production activities gradually normalized with the easing of shortages in the supply of semiconductors for automobiles. In the semiconductor industry, market conditions deteriorated due to a general decline in demand for various semiconductors, including those for information terminals.

Under this business environment, with ultra-precise processing technology as its core, the Group sought to expand orders received for products and parts that contribute to resource and energy saving while strengthening its global supply system to respond to customer needs. Additionally, the entire Group worked to enhance productivity and to reduce costs.

As a result, net sales for the three months ended April 30, 2023 amounted to ¥45,265 million (up 5.8% year on year). In terms of profit, operating profit amounted to ¥3,823 million (down 42.1% year on year), ordinary profit amounted to ¥4,537 million (down 44.4% year on year) and profit attributable to owners of parent amounted to ¥3,213 million (down 53.0% year on year) mainly due to decreased net sales from the Electronic Parts Business.

In May 2023, the Board of Directors passed a resolution to establish a subsidiary for the purpose of manufacturing and selling motor cores in Guanajuato, Mexico, in anticipation of further expansion of the electric vehicle market in the North American market.

The entire Group will continue to work together to increase earnings going forward.

Operating results by segment are as follows.

Tooling and Machine Tools

The Tooling and Machine Tools Business responded to firm demand for the Electrical Parts Business. As a result, net sales amounted to ¥2,954 million (up 1.0% year on year) and operating profit amounted to ¥305 million (up 3.4% year on year).

Electronic Parts

In the Electronic Parts Business, net sales amounted to ¥13,356 million (down 26.3% year on year) and operating profit amounted to ¥1,152 million (down 67.9% year on year) due to a decline in orders received as a result of ongoing inventory adjustments by semiconductor companies.

Electrical Parts

The Electrical Parts Business responded to firm demand for motor cores for drive and power generation applications for electric vehicles. As a result, net sales amounted to ¥30,653 million (up 30.3% year on year). Despite increases in various costs in response to upfront investment, operating profit amounted to ¥2,697 million (up 3.1% year on year) as a result of increased net sales.

Net sales for the above segment are presented including ¥1,698 million in intersegment net sales or transfers.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of January 31, 2023	As of April 30, 2023
Assets		
Current assets		
Cash and deposits	28,938	35,046
Notes and accounts receivable - trade, and contract assets	27,466	27,477
Electronically recorded monetary claims - operating	3,210	4,000
Securities	5,000	5,000
Merchandise and finished goods	8,105	7,704
Work in process	2,664	2,913
Raw materials and supplies	4,206	4,162
Other	5,564	4,385
Allowance for doubtful accounts	(17)	(17)
Total current assets	85,139	90,671
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,996	42,502
Accumulated depreciation	(25,588)	(25,945)
Buildings and structures, net	16,408	16,557
Machinery, equipment and vehicles	89,676	91,852
Accumulated depreciation	(57,140)	(58,648)
Machinery, equipment and vehicles, net	32,536	33,203
Tools, furniture and fixtures	24,464	25,027
Accumulated depreciation	(20,210)	(20,544)
Tools, furniture and fixtures, net	4,254	4,482
Land	6,688	6,703
Right of use assets	1,750	1,786
Accumulated depreciation	(1,123)	(1,162)
Right of use assets, net	626	624
Construction in progress	8,891	11,663
Total property, plant and equipment	69,405	73,235
Intangible assets	1,148	1,291
Investments and other assets		
Investment securities	1,130	1,072
Deferred tax assets	2,207	1,814
Retirement benefit asset	559	640
Other	212	200
Total investments and other assets	4,110	3,727
Total non-current assets	74,664	78,254
Total assets	159,803	168,925

(Millions of yen)

	As of January 31, 2023	As of April 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	16,272	16,250
Current portion of long-term borrowings	11,503	12,378
Income taxes payable	4,173	1,193
Provision for bonuses for directors (and other officers)	–	15
Lease liabilities	36	36
Other	5,349	7,652
Total current liabilities	37,334	37,528
Non-current liabilities		
Long-term borrowings	39,402	45,665
Provision for share awards for directors (and other officers)	85	79
Retirement benefit liability	154	145
Lease liabilities	104	97
Long-term advances received	–	384
Long-term accounts payable - other	1,010	710
Deferred tax liabilities	1,104	1,133
Total non-current liabilities	41,861	48,218
Total liabilities	79,196	85,747
Net assets		
Shareholders' equity		
Share capital	16,403	16,403
Capital surplus	15,251	15,251
Retained earnings	47,575	49,177
Treasury shares	(3,646)	(3,647)
Total shareholders' equity	75,584	77,185
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	323	283
Deferred gains or losses on hedges	(23)	(9)
Foreign currency translation adjustment	4,627	5,600
Remeasurements of defined benefit plans	(205)	(188)
Total accumulated other comprehensive income	4,722	5,685
Non-controlling interests	300	307
Total net assets	80,607	83,178
Total liabilities and net assets	159,803	168,925

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended April 30, 2022	Three months ended April 30, 2023
Net sales	42,786	45,265
Cost of sales	32,843	37,910
Gross profit	9,942	7,354
Selling, general and administrative expenses	3,339	3,530
Operating profit	6,603	3,823
Non-operating income		
Interest income	15	74
Foreign exchange gains	1,581	614
Other	53	75
Total non-operating income	1,649	764
Non-operating expenses		
Interest expenses	32	39
Loss on sale and retirement of non-current assets	52	8
Other	6	2
Total non-operating expenses	91	50
Ordinary profit	8,161	4,537
Extraordinary income		
Subsidy income	62	92
Gain on sale of non-current assets	*1 1,336	–
Total extraordinary income	1,399	92
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	–	38
Non-recurring loss	*2 31	–
Total extraordinary losses	31	38
Profit before income taxes	9,529	4,591
Income taxes	2,682	1,360
Profit	6,847	3,230
Profit attributable to non-controlling interests	4	16
Profit attributable to owners of parent	6,842	3,213

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended April 30, 2022	Three months ended April 30, 2023
Profit	6,847	3,230
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	(40)
Deferred gains or losses on hedges	(289)	13
Foreign currency translation adjustment	2,310	973
Remeasurements of defined benefit plans, net of tax	13	16
Total other comprehensive income	2,027	962
Comprehensive income	8,874	4,192
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,870	4,176
Comprehensive income attributable to non-controlling interests	4	16

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year ending January 31, 2024, and in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement have been applied prospectively. This has no effect on quarterly consolidated financial statements.

Notes to quarterly consolidated statement of income

***1 Gain on sale of non-current assets**

The gain on sale of non-current assets produced through the transfer of core industrial park site owned by the Company in Ozu-machi, Kumamoto Prefecture has been recorded as extraordinary income.

***2 Non-recurring loss**

At the Group’s overseas consolidated subsidiary Mitsui High-tec (Shanghai) Co., Ltd., the fixed expenses for the period in which the Chinese government requested that operations be suspended to prevent the spread of COVID-19 have been recorded as extraordinary losses.

Segment information

Three months ended April 30, 2022

Information on the amounts of net sales and profit or loss by reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Tooling and Machine Tools	Electronic Parts	Electrical Parts	Total	Adjustments (Note) 1	Amount recorded in the quarterly consolidated statement of income (Note) 2
Net sales						
Revenue from contracts with customers	1,138	18,117	23,530	42,786	–	42,786
Net sales to external customers	1,138	18,117	23,530	42,786	–	42,786
Intersegment net sales or transfers	1,787	–	–	1,787	(1,787)	–
Total	2,925	18,117	23,530	44,573	(1,787)	42,786
Segment profit	295	3,587	2,616	6,499	103	6,603

Notes: 1. Adjustment to segment profit of ¥103 million is mainly internal income in intersegment transaction eliminations.
2. Segment profit is adjusted to operating profit in the quarterly consolidated statement of income.

Three months ended April 30, 2023

Information on the amounts of net sales and profit or loss by reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Tooling and Machine Tools	Electronic Parts	Electrical Parts	Total	Adjustments (Note) 1	Amount recorded in the quarterly consolidated statement of income (Note) 2
Net sales						
Revenue from contracts with customers	1,256	13,355	30,653	45,265	–	45,265
Net sales to external customers	1,256	13,355	30,653	45,265	–	45,265
Intersegment net sales or transfers	1,698	0	–	1,698	(1,698)	–
Total	2,954	13,356	30,653	46,963	(1,698)	45,265
Segment profit	305	1,152	2,697	4,156	(332)	3,823

Notes: 1. Adjustment to segment profit of negative ¥332 million mainly consists of general and administrative expenses not attributable to the reportable segments.
2. Segment profit is adjusted to operating profit in the quarterly consolidated statement of income.

Notes when there are significant changes in amounts of shareholders' equity

Not applicable.

Significant events after the period

Not applicable.