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September 12, 2023

Consolidated Financial Results for the Six Months Ended July 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange / Fukuoka Stock Exchange
 Securities code: 6966
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 Scheduled date to file quarterly securities report: September 12, 2023
 Scheduled date to commence dividend payments: October 12, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the six months ended July 31, 2023 (from February 1, 2023 to July 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	%
Six months ended								
July 31, 2023	93,614	9.5	8,428	(34.5)	10,739	(25.0)	7,707	(30.2)
July 31, 2022	85,461	33.1	12,864	115.7	14,324	135.8	11,037	144.7

Note: Comprehensive income For the six months ended July 31, 2023: ¥10,625 million [(33.3)%]
 For the six months ended July 31, 2022: ¥15,931 million [167.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
July 31, 2023	210.87	-
July 31, 2022	301.96	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
July 31, 2023	180,933	89,607	49.3
January 31, 2023	159,803	80,607	50.3

Reference: Equity
 As of July 31, 2023: ¥89,283 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	–	24.00			
Fiscal year ending January 31, 2024 (Forecast)			–	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	192,000	10.0	16,000	(29.2)	15,800	(30.3)	11,700	(33.5)	320.10

Note: Revisions to the forecast of financial results most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the six months ended July 31, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded company: 1 (MHT America Holdings, Inc.)

Note: For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes to quarterly consolidated financial statements, Changes in significant subsidiaries” on page 7.

- (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 July 31, 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 July 31, 2023	2,915,991 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)

Six months ended July 31, 2023	36,551,213 shares
Six months ended July 31, 2022	36,552,228 shares

Note: The Company introduced a Board Benefit Trust (BBT), and the number of treasury shares at the end of the period includes the shares of the Company held by the Board Benefit Trust (BBT) (55,700 shares as of July 31, 2023 and 55,700 shares as of January 31, 2023). Furthermore, treasury shares excluded for the calculation of the average number of shares outstanding during the period (cumulative from the beginning of the fiscal year) include the shares of the Company held by the Board Benefit Trust (BBT) (55,700 shares as of July 31, 2023 and 55,700 shares as of July 31, 2022).

- * 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

1. Regarding revisions to the consolidated earnings forecasts, please refer to the “Notice Concerning Revisions to Full-Year Consolidated Earnings Forecasts” (in Japanese only) announced today (September 12, 2023).
2. 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 six months ended July 31, 2023 remained uncertain due to the impact of prolonged geopolitical risks in Europe, global inflation, financial instability caused by policy rate hikes in a number of countries, a deterioration in the Chinese economy and other factors.

With regard to the Group's major customers, in the automotive industry, electric vehicle-related demand remained strong as production activities normalized with the easing of shortages in the supply of semiconductors for automobiles. On the other hand, in the semiconductor industry, although inventory adjustments for various semiconductors have been gradually headed toward being resolved, difficult market conditions continued due to sluggish final demand for products using semiconductors.

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 six months ended July 31, 2023 amounted to ¥93,614 million (up 9.5% year on year). In terms of profit, operating profit amounted to ¥8,428 million (down 34.5% year on year) mainly due to decreased net sales from the Electronic Parts Business. In addition, ordinary profit amounted to ¥10,739 million (down 25.0% year on year) and profit attributable to owners of parent amounted to ¥7,707 million (down 30.2% year on year) due to an increase in foreign exchange gains for foreign currency denominated financial assets.

The demand trends remain unpredictable for both the automotive and semiconductor industry, but the entire Group will work together to increase profit.

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 ¥5,993 million (up 0.6% year on year), while operating profit amounted to ¥637 million (down 5.5% year on year).

Electronic Parts

In the Electronic Parts Business, difficult market conditions continued despite inventory adjustments for various semiconductors gradually heading toward being resolved. As a result, net sales amounted to ¥28,021 million (down 22.5% year on year) and operating profit amounted to ¥2,844 million (down 60.4% year on year).

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 ¥63,062 million (up 33.6% year on year). Despite increases in various costs in response to upfront investment, operating profit amounted to ¥5,449 million (up 6.4% year on year) as a result of increased net sales.

Net sales for the above segment are presented including ¥3,462 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 July 31, 2023
Assets		
Current assets		
Cash and deposits	28,938	38,836
Notes and accounts receivable - trade, and contract assets	27,466	30,027
Electronically recorded monetary claims - operating	3,210	3,774
Securities	5,000	5,000
Merchandise and finished goods	8,105	7,882
Work in process	2,664	2,962
Raw materials and supplies	4,206	3,904
Other	5,564	4,956
Allowance for doubtful accounts	(17)	(18)
Total current assets	85,139	97,326
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,996	43,521
Accumulated depreciation	(25,588)	(26,450)
Buildings and structures, net	16,408	17,071
Machinery, equipment and vehicles	89,676	99,264
Accumulated depreciation	(57,140)	(60,608)
Machinery, equipment and vehicles, net	32,536	38,656
Tools, furniture and fixtures	24,464	25,560
Accumulated depreciation	(20,210)	(20,923)
Tools, furniture and fixtures, net	4,254	4,637
Land	6,688	6,751
Right of use assets	1,750	1,857
Accumulated depreciation	(1,123)	(1,225)
Right of use assets, net	626	632
Construction in progress	8,891	10,823
Total property, plant and equipment	69,405	78,572
Intangible assets	1,148	1,333
Investments and other assets		
Investment securities	1,130	1,362
Deferred tax assets	2,207	1,411
Retirement benefit asset	559	729
Other	212	198
Total investments and other assets	4,110	3,701
Total non-current assets	74,664	83,607
Total assets	159,803	180,933

(Millions of yen)

	As of January 31, 2023	As of July 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	16,272	21,156
Current portion of long-term borrowings	11,503	12,371
Income taxes payable	4,173	2,261
Provision for bonuses for directors (and other officers)	–	40
Lease liabilities	36	39
Other	5,349	8,237
Total current liabilities	37,334	44,107
Non-current liabilities		
Long-term borrowings	39,402	44,342
Provision for share awards for directors (and other officers)	85	91
Retirement benefit liability	154	153
Lease liabilities	104	93
Long-term advances received	–	395
Long-term accounts payable - other	1,010	700
Deferred tax liabilities	1,104	1,442
Total non-current liabilities	41,861	47,219
Total liabilities	79,196	91,326
Net assets		
Shareholders' equity		
Share capital	16,403	16,403
Capital surplus	15,251	15,251
Retained earnings	47,575	53,672
Treasury shares	(3,646)	(3,651)
Total shareholders' equity	75,584	81,675
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	323	485
Deferred gains or losses on hedges	(23)	(0)
Foreign currency translation adjustment	4,627	7,295
Remeasurements of defined benefit plans	(205)	(172)
Total accumulated other comprehensive income	4,722	7,607
Non-controlling interests	300	323
Total net assets	80,607	89,607
Total liabilities and net assets	159,803	180,933

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

(Millions of yen)

	Six months ended July 31, 2022	Six months ended July 31, 2023
Net sales	85,461	93,614
Cost of sales	65,951	78,101
Gross profit	19,509	15,512
Selling, general and administrative expenses	6,645	7,083
Operating profit	12,864	8,428
Non-operating income		
Interest income	37	193
Foreign exchange gains	1,523	2,215
Other	109	169
Total non-operating income	1,670	2,578
Non-operating expenses		
Interest expenses	65	81
Loss on sale and retirement of non-current assets	141	182
Other	3	3
Total non-operating expenses	210	267
Ordinary profit	14,324	10,739
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	*2 366	–
Total extraordinary losses	366	38
Profit before income taxes	15,356	10,792
Income taxes	4,308	3,052
Profit	11,048	7,740
Profit attributable to non-controlling interests	11	32
Profit attributable to owners of parent	11,037	7,707

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended July 31, 2022	Six months ended July 31, 2023
Profit	11,048	7,740
Other comprehensive income		
Valuation difference on available-for-sale securities	(33)	161
Deferred gains or losses on hedges	257	22
Foreign currency translation adjustment	4,631	2,668
Remeasurements of defined benefit plans, net of tax	27	32
Total other comprehensive income	4,883	2,885
Comprehensive income	15,931	10,625
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,920	10,592
Comprehensive income attributable to non-controlling interests	11	32

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Changes in significant subsidiaries

MHT America Holdings, Inc., which was a consolidated subsidiary, has been excluded from the scope of consolidation from the second quarter of the fiscal year ending January 31, 2024 due to the completion of liquidation.

Although it does not constitute a change in specified subsidiaries, Mitsui High-tec (USA), Inc., which was a consolidated subsidiary, has been excluded from the scope of consolidation from the second quarter of the fiscal year ending January 31, 2024 due to the completion of liquidation.

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

Six months ended July 31, 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	2,120	36,155	47,184	85,461	–	85,461
Net sales to external customers	2,120	36,155	47,184	85,461	–	85,461
Intersegment net sales or transfers	3,837	–	–	3,837	(3,837)	–
Total	5,958	36,155	47,184	89,298	(3,837)	85,461
Segment profit	674	7,189	5,119	12,983	(118)	12,864

Notes: 1. Adjustment to segment profit of negative ¥118 million is mainly internal income in intersegment transaction eliminations.

2. Segment profit is adjusted to operating profit in the quarterly consolidated statement of income.

Six months ended July 31, 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	2,531	28,021	63,062	93,614	–	93,614
Net sales to external customers	2,531	28,021	63,062	93,614	–	93,614
Intersegment net sales or transfers	3,462	0	–	3,462	(3,462)	–
Total	5,993	28,021	63,062	97,077	(3,462)	93,614
Segment profit	637	2,844	5,449	8,930	(502)	8,428

Notes: 1. Adjustment to segment profit of negative ¥502 million is mainly internal income in intersegment transaction eliminations.

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.