

MIMAKI ENGINEERING CO., LTD.

6638

Tokyo Stock Exchange Prime Market

16-Jan.-2025

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Summary

Maintained favorable results and also achieved the medium-term operating profit margin target of 10% in 1H

1. One-stop manufacturing and sales of industrial inkjet printers, consumables, and other products

MIMAKI ENGINEERING CO., LTD. <6638> (hereafter, also “the Company”) is a development-oriented, integrated manufacturing and sales company whose main products are industrial inkjet printers, cutting plotters, and inks and other printer consumables. The Company engages in three main markets: Sign Graphics (SG: manufacture of billboards and signs), Industrial Products (IP: decoration of industrial products and small consumer items), and Textile and Apparel (TA: printing and coloring of fabrics and ready-to-wear clothing). The Company has a globalized business, with an overseas sales share of around 70%. The replacement cycle in each market is 4–5 years, which means the Company has an earnings structure whereby it can increase net sales every year by releasing new products in rotation. In the industrial printing market, although the share of digital printing is growing in the SG market, it is only 5–10% in other markets, which offers considerable scope for growth.

2. Strengths encompass in-house development of technologies including those associated with inks and other chemical products, as well as printhead control technologies

The Company’s strength lies in its complex proprietary technological base in industrial printers. It develops its own ink products with the aspiration of creating inks that “print on anything other than water and air.” These highly-functional ink capable of printing on diverse materials serve as a substantial strength when selling inkjet printers in a broad range of markets. In addition, they provide stable revenue as a consumables business. The Company’s strength is not limited to the inks. The Company also has strengths with respect to control technologies for printheads that discharge various types of inks. It accordingly procures optimal printheads selected from among a wide range of options available on the market to meet specific needs, rather than manufacturing printheads in-house. Moreover, the printers enable make-to-order production through a digital on-demand printing method. They also provide one-stop solutions for high-mix low-volume product needs. The Company’s Factory Automation (FA) technologies help factories to improve as smart factories. Global yet localized sales capabilities underpin the Company as well.

3. Mimaki V10 operating profit margin target of 10% achieved amid favorable results in 1H FY3/25

In 1H FY3/25, results were exceptionally robust with net sales of ¥40,942mn (up 15.5% YoY) and operating profit of ¥4,698mn (up 101.5%). The Company attained record-high results for a half-year period amid a scenario where it significantly outperformed expectations particularly in the Sign Graphics (SG) and Industrial Products (IP) markets. It also upwardly revised its performance forecasts twice during 1H due to positive effects of exchange rates and a situation where sales of products containing high-cost materials had neared completion. Moreover, the Company achieved its FY3/26 operating profit margin target of 10% set forth under its medium- to long-term growth strategy Mimaki V10 earlier than planned. In its results outlook for FY3/25, the Company projects net sales of ¥82,500mn (up 9.1% YoY) and operating profit of ¥8,250mn (up 50.5%). Whereas the Company upwardly revised its outlook to reflect its robust performance in 1H, its financial results forecasts seem conservative given factors that include momentum of 1H, exchange rate trends, and favorable reception of its new products.

Summary

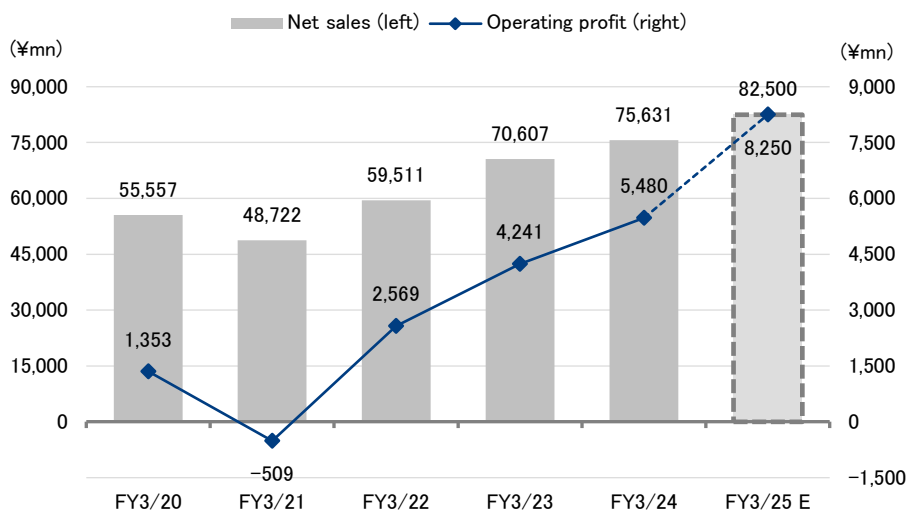
4. Likelihood of also achieving the Mimaki V10 target on a full-year basis has fueled expectations regarding the next Medium-term Management Plan

The Company established the notion of “Ever Evolving” as the Group’s management policy for FY3/25 toward achieving the targets of Mimaki V10, and has accordingly redoubled its efforts with respect to management aware of capital costs and the stock price to such ends. As a result, the Company’s efforts to improve earnings by achieving the targets of Mimaki V10 culminated in it attaining an operating profit margin at the 10% level in 1H. Meanwhile, its efforts to strengthen the financial foundation by bringing inventory and borrowings to appropriate levels have given rise to improvement of its cash conversion cycle. The Company has also attained measurable outcomes in areas that include making strategic investments for future growth, introducing an executive remuneration plan that contributes to higher corporate value, paying a stable and continuing dividend based on the Company’s shareholder return policy, and reducing capital costs by promoting dialogue with investors. Meanwhile, the Company appears to have set its sights on examining options with respect to its next Medium-term Management Plan in seeking new innovation given the likelihood of it also achieving the Mimaki V10 target on a full-year basis. The next Medium-term Management Plan also warrants optimism.

Key Points

- The Company engages in one-stop manufacturing and sales of industrial inkjet printers, functional inks, and other such products
- The Company’s strengths include its ink development technologies and printhead control technologies, as well as its global yet localized sales capabilities
- The Company is poised to achieve the 10% operating profit margin target of its Medium- to long-term growth strategy one year ahead of schedule against a backdrop of favorable financial results. The Company’s next Medium-term Management Plan warrants optimism

Results trends



Source: Prepared by FISCO from the Company’s financial results

■ Company overview

Ultimate goal in development is to create products that “print on anything other than water and air”

1. Company overview

MIMAKI ENGINEERING is a major company for industrial inkjet printers. It develops, manufactures, sells, and services, on a one-stop basis, various inkjet printers, cutting plotters, 3D printers, and the ink and software used in such products that meet customer needs. As a development-oriented enterprise, its ultimate goal in development is to create products that “print on anything other than water and air.” With the vision of always providing “something new, something different,” it constantly launches cutting-edge, unique products with high added value to the markets. Its three main markets are Sign Graphics (SG), which supports manufacturers of billboards and signs, Industrial Products (IP), used for the decoration of industrial products and small consumer items, and Textile and Apparel (TA), used for printing and coloring of fabrics and ready-to-wear clothing. The Company has a globalized business, with an overseas sales share of around 70%, driven by strong local sales capabilities.

Shift from electronic parts to pen plotters constituted a turning point

2. History

MIMAKI ENGINEERING was founded in August 1975 in Nagano Prefecture to assemble crystal oscillators for clocks and watches. It developed its own A2-size flatbed pen plotter* in 1983 and launched under the Hokusai trademark pen plotters acclaimed for numerically controlled drawing of beautiful circular arcs in 1985. Moving into manufacture and sales of large plotters with the brand, the Company made the shift from manufacturing electronic parts to the development and manufacture of products harnessing pen plotter technologies. It released a cutting plotter using the eccentric cutting method in 1987 and an inkjet printer using water-based pigment inks in 1996—both world firsts. The Company continued to develop products with high added value, established a nationwide sales network, and expanded overseas. Accordingly, it continued to grow at a steady pace, but growth stalled during the COVID-19 pandemic. The Company has since staged a V-shaped recovery from the pandemic by implementing its medium- to long-term strategy, Mimaki V10, and has entered a new growth phase.

* Pen plotters are used in the drawing and design of structures and machinery using X/Y data. Plotters with tools other than a pen attached are called penless plotters, and those with a knife attached to cut film and other materials are called cutting plotters.

MIMAKI ENGINEERING CO., LTD.
6638 Tokyo Stock Exchange Prime Market

16-Jan.-2025
<https://ir-eng.mimaki.com/>

Company overview

History

| Date | History |
|----------------|---|
| August 1975 | MIMAKI ENGINEERING founded in Kitamimakimura, Kitasaku District (now Tomi City), Nagano Prefecture as a private limited company |
| October 1976 | Began assembly of precision parts of crystal oscillators for watches and clocks |
| March 1979 | Opened Tokyo Sales Office |
| May 1981 | Reorganized into a stock company MIMAKI ENGINEERING CO., LTD. |
| December 1983 | Started development of the A2 flatbed pen plotter (RY-1003) for OEMs |
| February 1985 | Started sales of the A2 flat pen plotter under the Hokusai trademark |
| March 1986 | Started operation of the Kazawa Factory |
| June 1986 | Opened the Osaka Sales Office (subsequently opened sales offices throughout Japan) |
| March 1987 | Started sales of the world's first cutting plotter using the eccentric cutting method |
| April 1989 | Withdrew from precision parts business |
| July 1995 | Founded MIMAKI ENGINEERING (TAIWAN) Co., Ltd. in Shengang District, Taichung City, Taiwan (thereafter began establishment of subsidiaries around the world) |
| October 1996 | Started sales of the world's first inkjet printer using water-based pigment ink |
| October 1998 | Started sales of the world's first piezoelectric textile inkjet printer |
| September 2002 | Started sales of the world's first high-resolution, low-priced eco-solvent inkjet printer |
| October 2003 | Opened the Nagano Development Center in Nagano City, Nagano Prefecture |
| March 2004 | Started sales of the world's first inkjet printer with UV-curable white ink |
| April 2004 | Founded MIMAKI PRECISION Co., Ltd., splitting off part processing business |
| June 2004 | Made WIZTEC Co., Ltd. a subsidiary |
| September 2004 | Acquired Bokuya Factory in Tomi City, Nagano Prefecture |
| April 2005 | Opened the Technical Call Center providing comprehensive support for users in Japan |
| April 2006 | Made GRAPHIC CREATION Co., Ltd. a subsidiary |
| March 2007 | Listed on JASDAQ Securities Exchange |
| February 2010 | Started sales of world's first low-cost, desktop UV LED curable inkjet printer |
| March 2015 | Listing change to Tokyo Stock Exchange First Section |
| May 2015 | Opened the Hachioji Development Center in Hachioji City, Tokyo |
| July 2015 | Started sales of world's first sublimation inkjet printer with high-gap printhead Absorption-type merger with WIZTEC Co., Ltd. |
| July 2016 | Opened the JP Demonstration Center in Shinagawa-ku, Tokyo and TA Lab Center at headquarters at Tomi City, Nagano Prefecture |
| August 2016 | Opened IP Lab Center at headquarters at Tomi City, Nagano Prefecture |
| November 2017 | Started sales of the world's first UV LED 3D inkjet printer capable of full-color modeling using more than 10 million colors |
| October 2018 | Made ALPHA DESIGN CO., LTD. a subsidiary |
| November 2018 | Made LUCK'A Inc. a subsidiary |
| May 2019 | Started sales of large flatbed UV LED curable inkjet printer |
| March 2020 | Started sales of roll-fed UV-curable inkjet printer |
| November 2020 | Started sales of compact full color UV inkjet 3D printer |
| December 2020 | Started sales of roll-to-roll inkjet printer |
| February 2021 | Started sales of sublimation transfer inkjet printer |
| September 2021 | Started sales of UV LED curable inkjet printer/high-performance model |
| February 2022 | Started sales of flagship eco-solvent inkjet printer |
| March 2022 | Made Microtech corp. a subsidiary |
| April 2022 | Listing change to the Tokyo Stock Exchange Prime Market |
| April 2023 | Started sales of new type of large flatbed UV LED curable inkjet printer Started sales of the first direct-to-film (DTF) printer TxF150-75, along with the dedicated DTF heat transfer ink PHT50 |

Source: Prepared by FISCO from the Company's website and other data

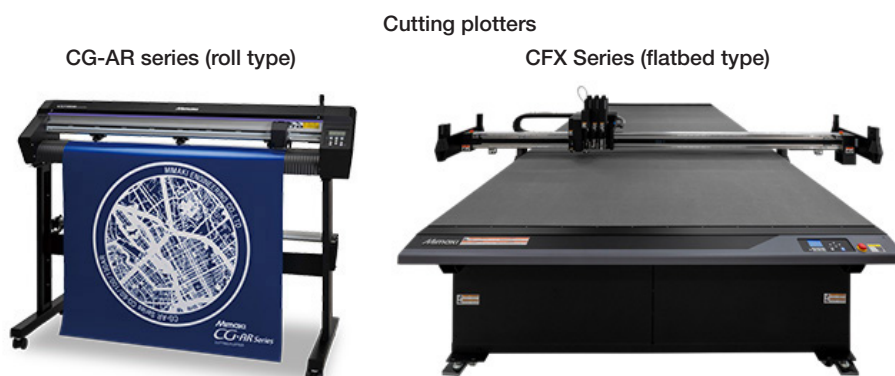
Industrial inkjet printers becoming increasingly digitized

3. Features of main products

(1) Cutting plotters

Cutting plotters are machines that can cut film and other materials in any shape designed on a computer using a knife attached to a plotter. They are used for making stickers, posters, and signs. Cutting plotters are an evolution in sign production from the traditional method of characters hand-drawn by artisans, reducing the process to cutting and sticking, and played a big role in the digitization of sign-making. Not only do they replace skilled artisans, but they also make outdoor signs far more durable. Film does not fade for several years, unlike paint, which starts to fade after a year.

The cutting plotter that the Company started selling in 1987 was the first in the world to adopt the eccentric cutting method. It was well received, because it could cut complex Chinese characters quickly without moving the cutter up and down, helping to raise the profile of the Company's products on the sign-making floor. Even today, when graphical signs using inkjet printers have become mainstream, the Company's cutting plotters continue to operate as essential equipment in factories around the world for processes such as cutting rubber sheets for heat transfer used in printing T-shirts. There are two categories of cutting plotters—roll type and flatbed type. The roll type cuts rolled sheets, while the flatbed type places the material on a bed to cut. The flatbed type can cut materials that are too thick or rigid to roll up.



Source: Company's website

(2) Industrial inkjet printers

Industrial inkjet printers function in the same way as home-use printers, printing by discharging dots of ink onto a material, but are used for different purposes. Home-use printers print text and photos onto paper, whereas industrial printers print on a diverse range of materials from plastic and glass to wood and fabrics. There is also a difference in size—home-use printers mainly print on small, A4-size paper, but industrial printers can print on large boards up to approximately 7.3m² and three-dimensional fixtures. Accordingly, industrial printers are more expensive with a big price range (approximately ¥1mn to ¥10mn) depending on print speed and size, type of ink used, etc., while home-use printers cost several ten thousand yen. Home-use printers use water-based ink, but industrial printers use a wide variety of inks depending on the material. Many of those functional inks prove their qualities such as chemical resistance, water resistance, durability, lightfastness, and abrasion resistance as they do not fade in outdoor conditions, run in water, or rub off when scrubbed.

Company overview

Analog printing is time-consuming and entails inventory risk and platemaking costs. Industrial printing is now mainly digital on-demand printing (print only what you need, when you need it) as a result of digitization, because industrial inkjet printers do not require printing plates. Digital on-demand printing is a popular solution to diversifying needs in many industries. Unlike traditional analog printing that assumes large-volume production, sales, and consumption, it can respond to high-mix low-volume make-to-order production with short lead times at low cost. Further, whereas conventional analog printing requires wastewater treatment for cleaning of printing plates, industrial inkjet printers are seen as a promising ecological production method that fulfills contemporary needs given that they require an extremely low amount of ink and produce minimal effluent for printing because they discharge ink only on the design portion. Industrial inkjet printers also come in two categories—roll type and flatbed type.

Industrial inkjet printers



Source: Company's website

Business summary

IP and TA markets encountering substantial growth following the lead of the SG market

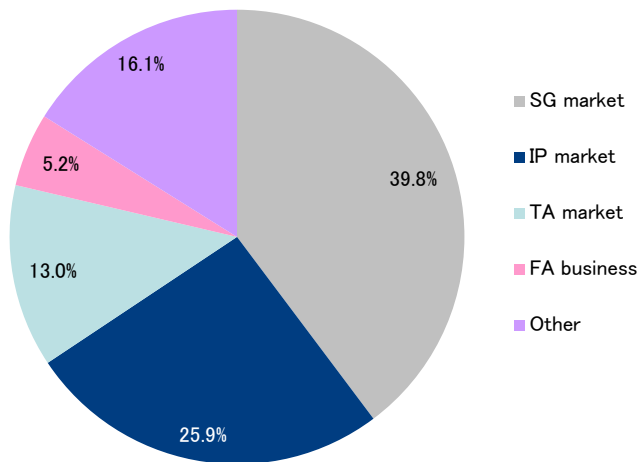
1. Business description

The Company's businesses are segmented by product and market (industries in which the products are sold). There are three main markets: Sign Graphics (SG), which supports the manufacture of billboards and signs; Industrial Products (IP), used for the decoration of industrial products and small consumer items; and Textile and Apparel (TA), used for printing and coloring of fabrics and ready-to-wear clothing. Products that benefit from the Company's technologies are all around us, because many final products are familiar consumer items such as printed matter, signs, smartphone cases, electric appliances, and clothing. The Company is quick to identify needs in each market and supply new products with a specific target. The replacement cycle in the SG, IP, and TA markets is approximately 4–5 years, which means the Company has an earnings structure whereby it can increase net sales every year by releasing new products in rotation in each market on a yearly basis.

Business summary

In the industrial printing market, although digital printing has a large weighting in some areas such as display graphics, many other large markets still mainly employ analog printing, such as textiles, furniture, interiors, and package labels. Thus, digital printing's average share of all industrial printing is a mere 5–10%, which suggests that industrial inkjet printers have huge growth potential. This market also offers substantial scope for more expansive methods of using industrial printing through introduction of FA systems. Competitors are U.S. manufacturers and domestic manufacturers of printer peripherals. Although some Chinese manufacturers also appear to be producing industrial inkjet printers, the Company has excluded them in market share estimates because of the shortage of industry data, the small scale of most Chinese competitors, and inferior ink quality. In such markets, however, high-added-value digital on-demand printing has become more prevalent in production settings that previously had mainly employed low-added-value analog printing, against a backdrop of growing needs for high-mix low-volume production in the industrial sector. As such, the Company has also encountered substantial growth in the IP and TA markets, which have come to serve as its second and third earnings pillars following the lead of the SG market.

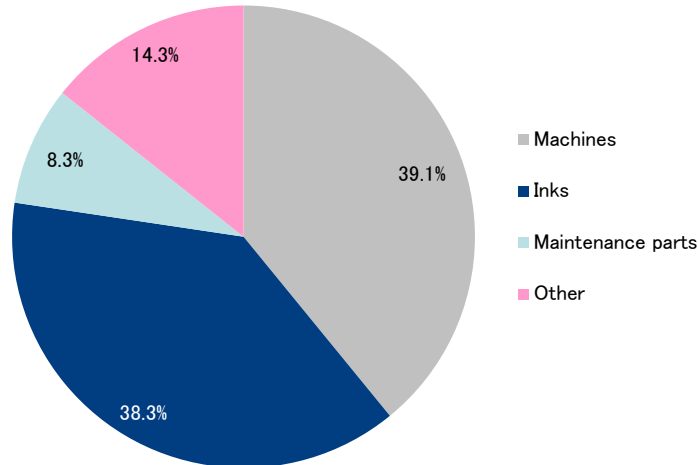
1H FY3/25 net sales breakdown by market



Source: Prepared by FISCO from the Company's financial results

Business summary

1H FY3/25 net sales breakdown by product



Source: Prepared by FISCO from the Company's financial results

(1) Sign Graphics (SG) market

In the SG market, materials such as PVC sheets, banner sheets, and window films are used for printing on billboards, window graphics, car wrapping, and soft signage. MIMAKI ENGINEERING has the world's second-largest share of the large inkjet printer (up to 160cm) market at 27.2% in 2022. In areas where digitization is relatively advanced, the three top companies, including MIMAKI ENGINEERING, have roughly 80% market share.

(2) Industrial Products (IP) market

In the IP market, the Company's products harness the properties of UV-curable inks, which can print on various materials including plastics, acrylics, glass, metal, and wood for use on industrial products like automobile instrument panels and remote controls for home appliances, and smaller items such as smartphone cases, toys, and novelty items. In 2010, a time when the average price of these printers exceeded ¥10mn, the Company released a new product with a much lower price of ¥3.3mn, which helped to increase its market share. As a result, the Company had top world market share in desktop UV flatbed printers at 63.9% in 2022. Although its competitors also use UV-curable inks because of their strength in enabling progress of digitization without needing to choose materials, MIMAKI ENGINEERING's commercialization of its UV-curable inks differentiates itself with expertise to respond to market needs (including knowledge of the chemical field) fostered over 20 years.

(3) Textile and Apparel (TA) market

Products for the TA market are used to print on textiles (fabrics before sewing) such as polyester, rayon, cotton, and silk as well as ready-to-wear clothing. Final products include fashion apparel, sportswear, sneaker uppers, interiors, and fabrics. According to the Company, it developed the world's fastest sublimation transfer inkjet printer in 2012, which was adopted by major fashion brands worldwide. This spurred sales growth, and today, the Company has the second-largest world market share (19.4% in 2022) in sublimation transfer inkjet printers. They contribute to space saving and cleanliness in working environments at low cost.

Business summary

(4) Other businesses

As well as industrial inkjet printers and cutting plotters, the Company engages in the 3D printer and FA businesses. It manufactures 3D printers with full-color modeling of over 10 million colors and very large-size modeling of up to 1.8m tall for product designs, figures, and three-dimensional signs. The FA business is based on vector and mechatronics technologies, automating production processes for printing (loading in, printing, coating, and loading out) with an on-demand type digital coating machine.

(5) Expanding opportunities in the IP and TA markets

Although volume production had been the mainstay of production floors in the IP and TA markets, the shift to manufacturing multiple product items and shorter product cycles has led to a growing need for high-mix low-volume production. Digital on-demand printing using the Company's products does not require printing plates, and prints only what you need, when you need it. This enables high-mix low-volume production with short lead times at low cost. Digital on-demand printing also helps to differentiate products and make them more profitable by adding value such as character, creativity, and seasonal features. In addition, they ensure a space-saving and clean working environment, which means production is possible near major cities closer to where consumers live, thereby reducing the time and cost of distribution. Such changes in the working environment serve as a tailwind for the Company's products, which wield advantages when it comes to productivity and environmental performance.

Proactive global expansion through establishment of sales subsidiary

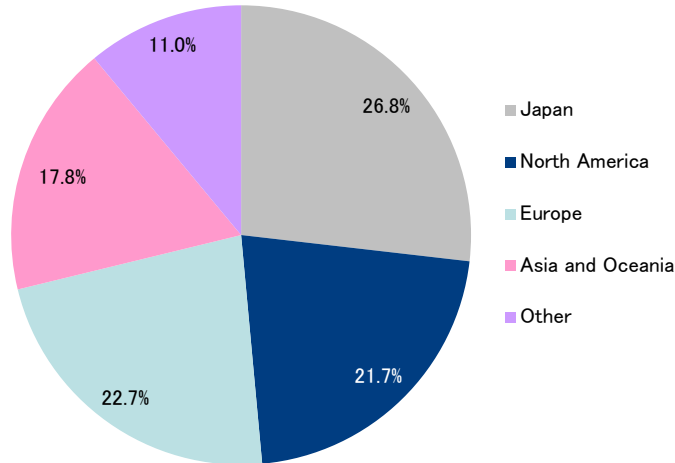
2. Global expansion

MIMAKI ENGINEERING is proactively opening subsidiaries in emerging economies like China and Brazil as well as developed economies in Europe and North America. Today, the Company provides products and services in the SG, IP, and TA markets in about 150 countries worldwide. It has also taken the lead in establishing sales and maintenance networks rooted in each local area, which allows it to obtain concentrated customer information in real time so that it can reflect various needs quickly in product development. The Company holds its own private mini-exhibitions* around the world, which are hands-on promotional events where participants can see, touch, and experience its products. It actively uses these events as opportunities to make specific proposals. As a result of these measures, overseas sales have increased to over 70% of the Company's overall net sales and continue to grow at a rapid pace.

* Mini-exhibitions are private, small-scale exhibitions held by the Company alone. They stand in contrast to large-scale exhibitions where many companies gather.

Business summary

1H FY3/25 net sales breakdown by area



Source: Prepared by FISCO from the Company's results briefing materials

Strengths also include highly-functional ink development capabilities and printhead control technologies

3. Strengths

The Company's flow of business operations enlists a cyclical approach whereby the Company (1) manufactures and sells various printers that align with customer needs; (2) carries out in-house development of various functional inks tailored to printers and materials; (3) selects printheads optimal for the functional inks; (4) achieves high image quality and productivity using its technologies to control printheads and inks, and; (5) grows with its customers by releasing printers that are ideally suited to the market. This illustrates the Company's commitment to refining both its development structure and sales structure, which accordingly involves building a complex technological base such that encompasses not only its technologies crucial for producing cutting plotters and industrial inkjet printers, but also includes its chemical technologies for developing a wide variety of inks tailored to different materials as well as printhead control technologies for stable discharge of specialty functional inks for excellent printing output.

With inks being one of the Company's greatest strengths aside from its printers, the Company develops its own inks tailored to specific applications of its customers with the goal of creating inks that "print on anything other than water and air." Its extensive range of original inks include solvent ink and water-based pigment ink for the SG market, UV-curable inks (hard inks, soft and flexible inks) for the IP market, and water-based sublimation, acid-dye, reactive-dye, textile pigment, disperse-dye, and heat transfer (direct-to-film only) inks for the TA market. The most promising of these products are UV-curable and water-based sublimation inks. UV-curable inks immediately harden and set when exposed to ultraviolet rays and accordingly make it possible to achieve much shorter lead times given that they harden immediately after discharge. The Company's extensive lineup of UV-curable inks can be used for diverse applications and media, from the decoration of small items to building and industrial design. They can furthermore print on non-absorbent surfaces such as resins, glass, and metal. Some of the Company's UV-curable inks have obtained GREENGUARD Gold certification from UL, a U.S. third-party safety science organization.

Business summary

Water-based sublimation ink has revolutionized the quality of printing on polyester materials, because it instantly sublimates and attaches to the medium under high temperature. The Company offers a wide range of black colors with subtle tones as well. It also offers low-cost, direct sublimation printing with reduced environmental impact by combining sublimation transfer printing, which excels in vivid and beautiful coloring and image quality, with machine technologies. Some of its water-based sublimation inks have obtained ECO PASSPORT certification from OEKO-TEX®, an international community of research and test institutes headquartered in Switzerland. As such, the Company's range of highly-functional inks that can print on diverse materials makes a point of difference by adding value to the main printer unit when selling inkjet printers in various markets such as SG, IP, and TA. Ink sales are generated only in markets where printers are sold, but as a consumable business, ink provides stable revenue. Inks account for just under 40% of the Company's net sales, which is on par with that of printer and other machines, with the same gross profit margin as for printers (we think the operating profit margin is slightly higher considering operating expenses for promotion, etc.). The Company seeks a stable, long-term business instead of selling low-priced printers and then earning a large profit quickly from sales of consumables with a high profit margin as is the case with home-use printers.

The Company does not manufacture its own printheads, which are components that discharge ink. If the Company manufactured a single model of printer, the required ink lineup would also be limited, and therefore developing a printhead in-house would be efficient. To address various customer needs, however, the Company needs to enable various printers to stably discharge specialty functional inks with certain chemical and electrical properties for beautiful output. To that end, procuring printheads from the market that are best suited to each specific ink and printer makes more sense for the Company. Additionally, this strategy enables the Company to develop new products through a market-in approach. Given that, the technology for selective control of various types of printheads procured from suppliers serves as a critical factor of business. The Company's development of such proprietary printhead control technologies and accumulation of expertise in that regard constitutes an element of its technological base, thereby serving as one of the Company's strengths.

The Company continues to grow by applying the know-how gained in the SG market to the IP and TA markets. Furthermore, the Company is leveraging expertise it has gained in these markets. One example is the know-how of UV printing, that boasts various advantages such as being capable of printing white, which represents coloring challenges, deploying UV inks which can be eco-friendly, printing on most materials, as well as the fact that it is adapted to high-mix low-volume production. The Company has applied this expertise to its 3D printer business. Printers have entered a new stage after full-color modeling of 10 million colors became possible and color 3D data has become easier to obtain. Especially in genres that harness augmented reality (AR) and virtual reality (VR), this field is expected to grow fast amid the proliferation of 3D software and peripheral equipment. In addition, the Company's printers are capable of make-to-order production through a digital on-demand printing method. They also provide one-stop solutions for high-mix low-volume production. The Company's Factory Automation (FA) technologies facilitate smart transformation of printing processes and factories. By leveraging this strength, the Company plans to promote digital on-demand printing solutions to the SG, IP, and TA markets.

Business summary

With strength in such a complex technological base, the Company has acquired top positions in global niche markets. It has been selling products at an early stage in relatively small markets with strong growth potential, which are not easy for large companies to move into. This is attributable to the Company's strengths with respect to its development structure where over 30% of employees are engaged in development roles, and with respect to its global yet localized sales structure that includes hosting mini-exhibitions, amid a scenario where it has made progress in reducing development costs through the use of platforms, shortening lead times from development to release, and regionally aligning business activities worldwide. Whereas its major competitors invest substantial amounts in development to create a large market, the Company's approach is to invest 7–8% of net sales in a number of smaller markets to diversify risk and increase the probability of success. This approach appears to lie in the background of its various strengths.

Results trends

Record-high profits on a half-year basis and Mimaki V10 target achieved earlier than planned

1. 1H FY3/25 results

In 1H FY3/25, net sales were ¥40,942mn (up 15.5% YoY), operating profit was ¥4,698mn (up 101.5%), ordinary profit was ¥4,321mn (up 114.5%), and profit attributable to owners of parent was ¥3,250mn (up 130.1%). Given these favorable results, the Company upwardly revised its forecasts twice during 1H having achieved record-high results on a half-year basis. Moreover, the Company achieved its FY3/26 operating profit margin target of 10% set forth under its medium- to long-term growth strategy Mimaki V10 earlier than planned. The major exchange rates (average for April–September 2024) were ¥152.62 per U.S. dollar (¥141.00 in April–September 2023) and ¥165.93 per euro (¥153.38).

1H FY3/25 results

| | 1H FY3/24 | | 1H FY3/25 | | Change % |
|---|-----------|--------------------|-----------|--------------------|----------|
| | Results | Ratio to net sales | Results | Ratio to net sales | |
| Net sales | 35,437 | 100.0% | 40,942 | 100.0% | 15.5% |
| Gross profit | 15,127 | 42.7% | 19,118 | 46.7% | 26.4% |
| SG&A expenses | 12,795 | 36.1% | 14,420 | 35.2% | 12.7% |
| Operating profit | 2,331 | 6.6% | 4,698 | 11.5% | 101.5% |
| Ordinary profit | 2,014 | 5.7% | 4,321 | 10.6% | 114.5% |
| Profit attributable to owners of parent | 1,412 | 4.0% | 3,250 | 7.9% | 130.1% |

Source: Prepared by FISCO from the Company's financial results

Results trends

Whereas the global economy held to a trajectory of moderate recovery, respective central banks and governments continued to maintain prudent monetary policy amid a situation where core inflation rates remained high and the extent of economic recovery varied among regions and countries. Meanwhile, geopolitical risk poses significant cause for concern thereby giving rise to highly unpredictable circumstances. Although the Japanese economy has been on a trajectory of moderate recovery with such momentum likely to persist amid strong corporate appetite for capital investment and stability across the economy as a whole, it has been subject to a gradual pace of growth amid sluggish consumer spending due to effects of high prices. Against this backdrop, the Company continued efforts based on priority initiatives set forth under Mimaki V10, thereby bringing new products to the market and expanding sales, running its business while anticipating sudden changes in the market environment and customer needs, and building a foundation to improve profitability.

With respect to net sales, the Company generated brisk sales of products that included direct-to-film (DTF) models and a high-speed sublimation transfer model for the TA market; models equipped with UV ink, a Company strength, for the SG market, and; a large flatbed model in addition to small flatbed models for the IP market. Meanwhile, the Company secured sales on par with those of 1H FY3/24 in the FA business, though it encountered some variation by product. By region, sales increased substantially in North America and Latin America, and in Japan, Asia, and Oceania, while sales in Europe, the Middle East, and Africa remained strong. These sales results combined with positive effects of yen depreciation resulted in double-digit growth in net sales overall. As for profits, the cost of sales ratio improved significantly despite higher ocean freight costs due to factors that include a situation where sales of products containing high-cost materials neared completion along with a decrease in maintenance costs brought about by improvement in ink quality as well as ink cartridges and cases through analysis of big data associated with production processes. SG&A expenses as a percentage of net sales improved despite increases in outlays that include personnel expenses, commissions paid, and R&D expenses, due to effects of increased net sales and initiatives to adjust costs. Meanwhile, this in conjunction with positive exchange rate effects resulted in a YoY increase of more than two-fold in operating profit. The operating profit margin reached 11.5% on a half-year basis, surpassing the 10% target set forth under Mimaki V10.

Whereas the forecasts have been upwardly revised twice so far during FY3/25 relative to the initial forecasts, the Company's results for 1H FY3/25 were accordingly higher than its forecasts by ¥42mn for net sales, ¥798mn for operating profit, ¥721mn for ordinary profit, and ¥700mn for profit attributable to owners of parent. These upward revisions were attributable to various factors. One such factor was positive effects of yen depreciation. On the sales side, another such factor was the Company's rapid and successive roll outs of products aligned with needs in the TA and SG markets, given progress achieved in developing inks for a diverse range of printed matter and advancements made with technology for selective use of printheads. On the profit side, another such factor was a situation where the Company has completed sales of products containing high-cost materials.

Results trends

The Company has been actively enhancing its lineup of new products against a backdrop of advancements made with technology for selective use of printheads. In September 2024, the Company announced release of multiple new products for different markets and plans to successively roll out such products in 2H (the new products are poised to begin contributing significantly to sales results in FY3/26). The profitability of the new products has increased to the extent that they are on par with the Company's overall profitability as a result of price adjustments that have been made over the last one to two years. Specifically, for the SG market the Company has unveiled its CJV200 series of print & cut MFPs offering high image quality and ease of use for all. This has involved revamping the 100 series and deploying single printhead usually used in 300 series for significant improvement in cost ratios, while also increasing speed and quality as well as furthermore halving time required for installation. As such, it has been very well received by sales outlets. For the IP market, the Company has introduced its new JFX200-1213 EX flatbed UV printer, described as "just the right size" while enabling high productivity, high added value, and high image quality. The product has been well received at exhibitions given that its compact design and versatility, making it suitable for various media such as reinforced cardboard and promotional goods. For the TA market, the Company has rolled out its TxF300-1600 direct-to-film (DTF) model offering productivity that is approximately four-fold that of previous models. The Company has also unveiled its TS330-3200DS super-wide hybrid printer, which at a width of 3.2 meters enables direct sublimation and sublimation transfer printing using a single printer unit. The TxF300-1600 features a wider footprint and increased speed, thereby making it possible to print two T-shirts simultaneously for greater productivity. It is also capable of handling a wider range of applications such as sofas, carpets, and other such wide interior fabrics. The TS330-3200DS is capable of printing on soft signage and interior fabrics. As such, it is geared to the European and U.S. market and also makes it easy to create entire spaces for exhibition booths and other such small venues.

Results by market and by area generally strong

2. Trends in net sales by market and area

By market, the Company generated growth in sales to the SG market due to favorable results with main printer units as well as inks. Although sales of the Company's existing solvent ink models decreased, both flagship and entry-level models equipped with UV ink introduced to the market in 3Q FY3/24 performed well. This combined with positive exchange rate effects resulted in net sales to the SG market of ¥16,278mn (up 14.2% YoY). In the IP market, the Company's performance with main printer units entailed its successful launch of a large flatbed (FB) model that sells at a high unit price during the current fiscal year, in addition to strong results of its small FB models. This combined with increased sales and positive exchange rate effects resulted in net sales to the IP market of ¥10,600mn (up 11.8%). In the TA market, the Company achieved significant gains in sales with respect to both main printer units and inks accompanying an increase in the number of main printer units in operation. Accordingly, sales of direct-to-film (DTF) models increased substantially in all areas and high-speed sublimation transfer models have been performing well amid successful launch of sales focused on Europe and Latin America. This combined with positive exchange rate effects resulted in net sales to the TA market of ¥5,329mn (up 30.1%). Whereas DTF models had been subject to shipment adjustments in the major North American channel during 2Q, sales have since returned to previous levels of high growth given the temporary nature of those adjustments. In the FA business, net sales were on par with those of 1H FY3/24 at ¥2,143mn (up 0.4%) despite lower sales of semiconductor production equipment and printed circuit board (PCB) inspection equipment, amid an increase in sales of PCB mounting equipment and FA equipment for the automotive sector. In the Other segment, net sales were ¥6,590mn (up 20.5%) amid growth in sales of maintenance parts and purchased products such as DTF powders given a favorable environment with respect to the number of main printer units in operation.

Results trends

1H FY3/25 net sales breakdown by segment

(¥mn)

| | 1H FY3/24 | | 1H FY3/25 | | Change % |
|------------------|-----------|--------------------|-----------|--------------------|----------|
| | Results | Ratio to net sales | Results | Ratio to net sales | |
| By market | | | | | |
| SG market | 14,251 | 40.2% | 16,278 | 39.8% | 14.2% |
| IP market | 9,484 | 26.8% | 10,600 | 25.9% | 11.8% |
| TA market | 4,097 | 11.6% | 5,329 | 13.0% | 30.1% |
| FA business | 2,135 | 6.0% | 2,143 | 5.2% | 0.4% |
| Other | 5,469 | 15.4% | 6,590 | 16.1% | 20.5% |
| By area | | | | | |
| Japan | 10,068 | 28.4% | 10,983 | 26.8% | 9.1% |
| North America | 7,106 | 20.1% | 8,888 | 21.7% | 25.1% |
| Europe | 8,471 | 23.9% | 9,275 | 22.7% | 9.5% |
| Asia and Oceania | 5,870 | 16.6% | 7,279 | 17.8% | 24.0% |
| Other | 3,920 | 11.1% | 4,515 | 11.0% | 15.2% |

Source: Prepared by FISCO from the Company's financial results and results briefing materials

By area, factors attributable to net sales results in Japan consisted of robust momentum in sales to the TA market persisting since FY3/24, a substantial increase in sales to the IP market associated with the roll out of a new large flatbed (FB) model product in addition to sales of its existing small FB models, firm momentum in sales to the SG market, and favorable results of FA equipment and PCB mounting equipment in the FA business. As a result, net sales were ¥10,983mn (up 9.1% YoY) in Japan. In North America, net sales were ¥8,888mn (up 25.1%; up 16.0% on a local currency basis), attributable to substantial growth in sales mainly of DTF models to the TA market despite there having been temporary shipment adjustments, sales of models equipped with UV ink to the SG market, favorable momentum in sales of large and small FB models to the IP market, and positive effects of exchange rates. In Europe, whereas sales to the TA market gained substantially, particularly those of DTF models and high-speed sublimation transfer models, and sales of models equipped with UV ink to the SG market encountered favorable momentum, sales mainly of large FB products to the IP market decreased due to factors that include time lags with respect to introducing such products. By country, sales were strong in Germany, United Kingdom, France, Poland and other major countries. This combined with positive exchange rate effects resulted in net sales in Europe of ¥9,275mn (up 9.5%; up 1.2% on a local currency basis). In Asia and Oceania, results were affected by favorable momentum persisting since FY3/24 in sales to each of the markets, along with substantial growth in sales by country, which included China where results of enhanced sales activities have become apparent, and also in countries such as the Philippines, India, and Thailand. As a result, net sales were ¥7,279mn (up 24.0% YoY) in Asia and Oceania. In the Other segment, net sales were ¥4,515mn (up 15.2%) amid strong performance in sales to each of the markets in Latin America, particularly Brazil and Mexico.

Outlook for 2H seems conservative particularly given momentum in 1H

3. FY3/25 results outlook

For the FY3/25 consolidated results, the Company forecasts net sales of ¥82,500mn (up 9.1% YoY), operating profit of ¥8,250mn (up 50.5%), ordinary profit of ¥7,500mn (up 53.6%), and profit attributable to owners of parent of ¥5,600mn (up 51.0%). The Company upwardly revised its initial forecasts with increases of ¥1,700mn for net sales, ¥1,750mn for operating profit, ¥1,700mn for ordinary profit, and ¥1,600mn for profit attributable to owners of parent. The main exchange rate assumptions for 2H are ¥138 per U.S. dollar and ¥150 per euro, unchanged from the beginning of the fiscal year.

Results trends

FY3/25 outlook

(¥mn)

| | FY3/24 | | FY3/25 | | |
|---|---------|--------------------|-----------|--------------------|----------|
| | Results | Ratio to net sales | Forecasts | Ratio to net sales | Change % |
| Net sales | 75,631 | 100.0% | 82,500 | 100.0% | 9.1% |
| Gross profit | 32,633 | 43.1% | 37,351 | 45.3% | 14.5% |
| SG&A expenses | 27,152 | 35.9% | 29,101 | 35.3% | 7.2% |
| Operating profit | 5,480 | 7.2% | 8,250 | 10.0% | 50.5% |
| Ordinary profit | 4,882 | 6.5% | 7,500 | 9.1% | 53.6% |
| Profit attributable to owners of parent | 3,707 | 4.9% | 5,600 | 6.8% | 51.0% |

Source: Prepared by FISCO from the Company's financial results and results briefing materials

2H FY3/25 outlook

(¥mn)

| | 2H FY3/24 | | 2H FY3/25 | | | Initial 2H | |
|---|-----------|--------------------|-----------|--------------------|----------|------------|---------------------------|
| | Results | Ratio to net sales | Forecasts | Ratio to net sales | Change % | Forecasts | Amount of upward revision |
| Net sales | 40,193 | 100.0% | 41,557 | 100.0% | 3.4% | 41,600 | 43 |
| Gross profit | 17,505 | 43.6% | 18,231 | 43.9% | 4.1% | - | - |
| SG&A expenses | 14,356 | 35.7% | 14,680 | 35.3% | 2.3% | - | - |
| Operating profit | 3,148 | 7.8% | 3,551 | 8.5% | 12.8% | 3,500 | -51 |
| Ordinary profit | 2,867 | 7.1% | 3,178 | 7.6% | 10.8% | 3,200 | 22 |
| Profit attributable to owners of parent | 2,294 | 5.7% | 2,349 | 5.7% | 2.4% | 2,350 | 1 |

Source: Prepared by FISCO from the Company's financial results and results briefing materials

The global economy remains unclear and impossible to predict. In North America and Europe, inflation is subsiding and interest rates are expected to be lowered as a result. At the same time, the growth rate of China's economy is slowing. In addition, geopolitical risk is increasing as observed in Ukraine and the Middle East, where the situations are worsening further, along with the political impact of the U.S. presidential elections. In this environment, the Company has established the notion of "Ever Evolving" as the Group's management policy for FY3/25 toward achieving the targets of Mimaki V10 in terms of attaining an operating profit margin of 10% by FY2025 while generating growth in net sales. To such ends, the Company accordingly aims to make this year one marked by prompting its evolution toward the new next generation Mimaki while addressing its past challenges.

Results trends

As a result, the Company has upwardly revised its forecasts twice so far during FY3/25, given that it has made progress toward its targets surpassing expectations with respect to 1H financial results. Nevertheless, the Company has not significantly changed its 2H financial results forecasts relative to its initial forecasts. Meanwhile, although the global market environment has not changed significantly since release of the initial forecasts, many factors of uncertainty persist such that include developments with respect to monetary policy of various countries, mounting geopolitical risk, and ramifications of the U.S. presidential election. Enlisting assumptions regarding these uncertainties, the Company accordingly revised its 2H net sales forecast taking into account factors such as market-specific and area-specific trends as well as the Company's outlook for sales activities and new product launches. Although the Company made some adjustments, it ultimately left the 2H forecast largely unchanged relative to the initial forecast. As with its net sales forecast, the Company also left its forecast for 2H profits largely unchanged having taken into account factors that include an increase in foreign exchange losses accompanying revision of non-consolidated net sales. The Company also factored in rising ocean freight costs while also revising its outlook for cost of sales based on the prospect of it completing sales of products containing high-cost materials. The Company also left its exchange rate assumptions unchanged. It can accordingly be concluded that the amount of increase in the current full-year forecast is solely attributable to the upward revision made for 1H. The outlook for 2H gives the impression that the estimated decrease in the operating profit margin from 11.5% in 1H to 8.5% in 2H is overly conservative, especially in terms of net sales and profits, given factors that include momentum of 1H, positive exchange rate effects, and favorable reception of new products released in September.

FY3/25 breakdown of consolidated net sales outlook by segment

| | FY3/24 | | FY3/25 | | |
|------------------|---------|--------------------|-----------|--------------------|----------|
| | Results | Ratio to net sales | Forecasts | Ratio to net sales | Change % |
| (¥mn) | | | | | |
| By market | | | | | |
| SG market | 29,581 | 39.1% | 32,221 | 39.1% | 8.9% |
| IP market | 20,036 | 26.5% | 22,144 | 26.8% | 10.5% |
| TA market | 9,471 | 12.5% | 11,263 | 13.7% | 18.9% |
| FA business | 4,533 | 6.0% | 5,181 | 6.3% | 14.3% |
| Other | 12,009 | 15.9% | 11,688 | 14.2% | -2.7% |
| By area | | | | | |
| Japan | 21,074 | 27.9% | 23,038 | 27.9% | 9.3% |
| North America | 15,566 | 20.6% | 17,362 | 21.0% | 11.5% |
| Europe | 17,916 | 23.7% | 18,925 | 22.9% | 5.6% |
| Asia and Oceania | 12,860 | 17.0% | 14,443 | 17.5% | 12.3% |
| Other | 8,214 | 10.9% | 8,729 | 10.6% | 6.3% |

Source: Prepared by FISCO from the Company's results briefing materials

MIMAKI ENGINEERING CO., LTD.

6638 Tokyo Stock Exchange Prime Market

16-Jan.-2025

<https://ir-eng.mimaki.com/>

Results trends

The net sales outlook by segment for the full year is as follows. By market, the Company projects net sales in the SG market of ¥32,221mn (up 8.9% YoY), which is ¥1,720mn higher than the initial forecast given a scenario of European sales returning to normal and a situation where new products released in the previous and current fiscal years have contributed more to results than expected. In the IP market, the Company projects net sales of ¥22,144mn (up 10.5%), which is ¥337mn higher than the initial forecast given successful launch of a large flatbed (FB) model that went on sale at a high unit price in 1H FY3/25, which is in addition to normalization of European sales and favorable results of small flatbed models. In the TA market, the Company projects net sales of ¥11,263mn (up 18.9%), which is ¥1,508mn lower than the initial forecast due to factors that include effects of shipment adjustments in certain channels in North America, despite favorable performance in sales of various products. In the FA business, the Company projects net sales of ¥5,181mn (up 14.3%), which is ¥164mn lower than the initial forecast despite recovery in sales to the automotive industry. Given momentum of 1H and exchange rate trends, the projections seem conservative overall, particularly with respect to sales in the TA market where it is likely that shipment adjustments will no longer serve as a factor in 2H.

By area, whereas the Company anticipates ongoing sales growth in Japan and in Asia and Oceania, along with increased net sales in all areas, this seems conservative particularly upon factoring in positive effects of exchange rates. In Japan, the Company projects net sales of ¥23,038mn (up 9.3% YoY), which is ¥429mn higher than the initial forecast against a backdrop of ongoing favorable results. In North America, the Company projects net sales of ¥17,362mn (up 11.5%; up 11.2% on a local currency basis), which is ¥1,145mn higher than the initial forecast as a result of continued economic expansion at a steady pace in addition to positive effects of exchange rates. In Europe, the Company projects net sales of ¥18,925mn (up 5.6%; up 5.2% on a local currency basis), which is ¥40mn lower than the initial forecast as a result of slow recovery from economic stagnation, despite there having been positive effects of exchange rates. In Asia and Oceania, the Company projects net sales of ¥14,443mn (up 12.3%), which is ¥429mn higher than the initial forecast due to favorable results in China as well as in India, the Philippines, and Australia.

■ Medium- to long-term growth strategy

Poised to achieve Mimaki V10 targets one year earlier than planned

1. Medium- to long-term growth strategy Mimaki V10

In December 2020, the Company formulated its medium- to long-term growth strategy Mimaki V10 with the basic statement of “by providing solutions unique to Mimaki through the combined systems that integrate pre-processing, printing (print x cut x coat), and post-processing, we will drive the shift to digital on-demand printing for industry.” In serving as an adaptable “development-oriented enterprise” that always provides “something new, something different” in the market, the Company aims to achieve growth by enabling its individual employees to deploy their personal characteristics and abilities to the fullest extent and swiftly providing products that deliver high levels of customer satisfaction. For profitability, the Company is becoming more cost-efficient by improving ink quality, reducing fixed costs, and progressing reforms of its production and sales structures. For growth potential, the Company has been working to build up an S-shaped curve in existing markets with new products, expand the FA and 3D printer businesses, and provide digital on-demand printing solutions. For a firmer financial foundation, the Company has been implementing measures such as those that involve tightening inventory control. FY3/26 targets are an operating profit margin of 10%, ordinary profit margin of 8%, and CAGR of net sales of 10%.

Medium- to long-term growth strategy

With respect to FY3/25, the Company has set its sights on consistently generating substantial earnings by steadily developing its organization and projects. This has involved designating the notion of “Ever Evolving” as the Group’s management policy in seeking to accelerate efforts toward achieving its Mimaki V10 objectives and positioning FY3/25 as a year for achieving evolution toward the next generation Mimaki. Partially to such ends, the Company is working to improve ROE and ROI, which involves further promoting management aware of capital costs and the stock price by enlisting each division in pursuit of earnings improvement with a focus on growth. As a result, the Company achieved its FY3/26 operating profit margin target of 10% one year ahead of plan in 1H FY3/25, and it is poised to achieve the target for the full year as well. Therefore, the Company appears to have set its sights on examining options in regard to its next Medium-term Management Plan in seeking new innovation. An optimistic view is warranted with respect to the next Medium-term Management Plan, which the Company is very likely to make public as early as the date on which it releases its FY3/25 financial results.

Steady progress in achieving an operating profit margin of 10% and strengthening the financial foundation

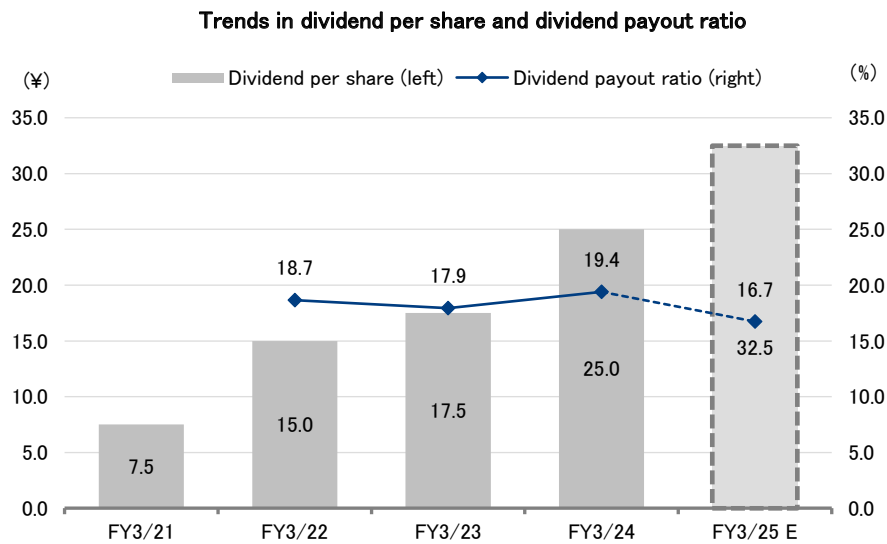
2. Management aware of capital costs and the stock price

Under its aim of ensuring management aware of capital costs and the stock price, the Company is promoting the six initiatives as follows: 1) Improve earnings by achieving the targets of Mimaki V10; 2) Make strategic investments for future growth; 3) Strengthen the financial foundation by bringing inventory and borrowings to appropriate levels; 4) Introduce an executive remuneration plan that contributes to higher corporate value; 5) Pay a stable and continuing dividend based on the Company’s shareholder return policy; and 6) Reduce capital costs by promoting dialogue with investors. The company has made progress in regard to these six initiatives as follows. As for the aim of 1) improving earnings by achieving the targets of Mimaki V10, the Company is likely to achieve an operating profit margin of 10% for FY3/25, which is one year ahead of plan, as mentioned previously in this report. As for the aim of 2) making strategic investments for future growth, a new office building has been planned to enable the Company to gain more expansive development space. It was previously slated for completion in FY3/26, but has been postponed. However, The Company is persisting with strategic R&D investment amounting to 6–7% of net sales in seeking to achieve future growth. The Company has also been fortifying its capital investment in Japan to strengthen its development, technology, and production functions. The Company has also been fortifying its human capital investment essential for sustainable growth. As for the aim of 3) strengthening the financial foundation by bringing inventory and borrowings to appropriate levels, the Company has been improving its cash flow and augmenting its financial position by clearing out slow-moving inventory and immovable stock to bring them to optimal levels, expediting recovery of accounts receivable, and reducing borrowings. The Company has been achieving steady improvement with respect to its cash flows, which has involved reducing its inventory and borrowings by 6.1% and 28.0%, respectively, as of September 30, 2024 (1H FY3/25-end) relative to the amounts on September 30, 2023, and improving its cash conversion cycle by 0.3 months to 4.2 months. As for the aim of 4) introducing an executive remuneration plan that contributes to higher corporate value, the Company has further promoted the notion of shared value between its executives and shareholders by introducing a restricted stock remuneration plan for its directors (excluding members of the Audit and Supervisory Committee) and executive officers. As for the aim of 5) paying a stable and continuing dividend based on the Company’s shareholder return policy, the Company plans to increase its dividend per share for FY3/25 due to upward revision of its forecasts, pursuant to its shareholder return policy. As for the aim of 6) reducing capital costs by promoting dialogue with investors, in 1H FY3/25 the Company held small meetings domestically and online meetings internationally for institutional investors, provided showroom tours, and held small meetings with the President and CFO. The Company plans to arrange similar IR events in 2H.

Returns to shareholders

A ¥2.5 dividend increase is planned following the upward revision of financial results forecasts

The Company has positioned shareholder returns as an important management policy. Its basic policy on shareholder returns is to pay stable and continuing dividends on its profits in proportion to earnings growth. Accordingly, the Company plans to pay dividends of ¥32.5 per share for FY3/25 (interim dividend of ¥17.5, period-end dividend of ¥15.0), which is an increase of ¥2.5 relative to the initial forecast to reflect the upward revision to its financial results forecasts.



Note: No dividend payout ratio is calculated for FY3/21 because of negative EPS.
Source: Prepared by FISCO from the Company's financial results



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