



Financial Statement for the Six Months Ended September 30, 2023

November 13, 2023

Name of listed company: Mipox Corporation Stock exchange: Tokyo Stock Exchange Inc., Standard Market
 Stock code: 5381 URL: http://www.mipox.co.jp/
 Name and Title of Representative: Jun Watanabe, President
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 Quarterly Report Filing Date (as planned): November 13, 2023
 Expected start date of dividend payment: —
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (year to date)

(% implies the rate of increase/decrease year-on-year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	4,326	(20.9)	(509)	-	(369)	-	(396)	-
Six months ended September 30, 2022	5,469	8.2	357	(57.4)	725	(8.3)	588	(9.7)

(Note) Comprehensive income: Six months ended September 30, 2023 (369) million yen [- %]
 Six months ended September 30, 2022 707 million yen [11.9%]

	Net income per share	Diluted Net Income Per Share
	Yen	Yen
Six months ended September 30, 2023	(27.82)	—
Six months ended September 30, 2022	41.36	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Six months ended September 30, 2023	15,693	7,485	47.7
March 31, 2023	16,195	7,997	49.4

(Reference) Equity capital: Six months ended September 30, 2023 7,485 million yen
 March 31, 2023 7,997 million yen

2. Status of Distribution

	Dividends per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2023	—	0.00	—	10.00	10.00
FY2024	—	0.00	—	—	—
FY2024 (forecast)	—	—	—	—	—

(Notes) Revisions of forecast for dividends published most recently: None
 Dividend for the fiscal year ending March 31, 2024 (forecast) has not been determined.

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023, to March 31, 2024)

(% implies the rate of increase/decrease year-on-year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	9,000	(10.3)	(700)	—	(500)	—	(600)	—	(42.14)

(Note) Revisions of financial forecast published most recently: Yes

Please refer to the 'Notice Regarding Fiscal Year Ending March 2024 Earnings Forecast,' which was disclosed today (November 13, 2023), for detailed information. This will be included in the financial results announcement.

* Others

- (1) Change in important subsidiaries during the period : None
 (Changes in certain specified subsidiaries resulting in revised scope of consolidation)
 Addition — company (Company name)
 Excluded — company (Company name)
- (2) Adoptions of simplified accounting methods and accounting methods particular to the presentation of quarterly financial statements : None
- (3) Changes in accounting principles, changes in accounting estimates and restatement
- (i) Changes in accounting principles associated with revisions to accounting standards and other regulations : None
- (ii) Changes in accounting principles due to other reasons : None
- (iii) Changes in accounting estimates : None
- (iv) Restatement : None

(4) Shares outstanding (common shares)

(i) Number of shares outstanding (including treasury shares)	As of September 30, 2023	14,451,920	As of March 31, 2023	14,451,920
(ii) Number of treasury shares	As of September 30, 2023	212,670	As of March 31, 2023	212,630
(iii) Average number of shares outstanding (cumulative, consolidated at the end of the 2nd quarter)	As of September 30, 2023	14,239,279	Six months ended September 30, 2022	14,239,307

(Note) The number of treasury shares as of March 31, 2023 and September 30, 2023 includes the Company's shares of 23,300 shares and 23,300 shares that are held by the trust account, respectively.

* Quarterly financial results are not subject to quarterly review procedures by certified public accountants or audit firms.

* Explanation on proper use of financial forecasts and other special notes

- The financial forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ significantly due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

For the six months ended September 30, 2023, geopolitical tensions continued and global economic instability increased. Inflation, chiefly in Europe and the United States, also continued and demand dropped primarily for electronics products. The Company's sluggish operating results continued as our high-tech products were significantly affected by the main target markets including semiconductors and data centers.

Under these circumstances, the Company has returned to the Group's core technologies of "coating, slitting, and polishing," which are its strengths and basis, proceeding to enhance the added value beyond the resolved issues of customers and expand inorganic business areas through M&A.

As a result, for the six months ended September 30, 2023, the Group posted net sales of 4,326 million yen (down 20.9% year-on-year), operating loss of 509 million yen (operating income of 357 million yen in the same period of the previous year), ordinary loss of 369 million yen (ordinary income of 725 million yen in the same period of the previous year), and loss attributable to owners of parent of 396 million yen (profit attributable to owners of parent of 588 million yen in the same period of the previous year).

Results by segment are as follows:

•Product Business

In the Product Business, net sales were 3,357 million yen (down 22.7% year-on-year).

Sales of the Company's high-tech products, mainly used in hard disks, optical fibers, and semiconductors, all declined due to the slowdown in data center investment and the prolonged sluggish semiconductor market. As a result, we posted a segment loss of 355 million yen (segment profit of 562 million yen in the same period of the previous year).

•Processing Service Business

The Processing Service Business posted net sales of 969 million yen (down 14.1% year-on-year).

Sales in coating/slitting services are in a recovery trend, mainly due to the acquisition of new customers compared with the first quarter. On the other hand, as in high-tech products, the bearish tone continues, primarily affected by the sluggish demand for PCs and smartphones. Sales in polishing services decreased due to the still currently weak undertakings despite increasing inquiries, such as for the processing of compound semiconductor substrates. As a result, we posted a segment loss of 153 million yen (segment loss of 205 million yen in the same period of the previous year).

(2) Explanation of Financial Position

(Assets)

Total assets as of September 30, 2023, amounted to 15,693 million yen, a decrease of 502 million yen from March 31, 2023. This was mainly due to increases of 184 million yen in accounts receivable - trade and 166 million yen in merchandise and finished goods, and decreases of 223 million yen in cash and deposits, 136 million yen in work in process, and 466 million yen in other current assets.

(Liabilities)

Liabilities as of September 30, 2023, stood at 8,207 million yen, an increase of 9 million yen from March 31, 2023. Major factors for the increase were 211 million yen in the current portion of long-term borrowings, and 437 million yen in long-term borrowings, and factors causing decreases included 605 million yen in short-term borrowings and 173 million yen in accounts payable - other.

(Net assets)

Net assets as of September 30, 2023, decreased 512 million yen from March 31, 2023, to 7,485 million yen. The main factors included the recording of 396 million yen of loss attributable to owners of parent, and a decrease of 142 million yen in retained earnings due to the payment of dividends.

As a result, the equity ratio as of September 30, 2023, was 47.7%.

(Status of cash flows)

The balance of cash and cash equivalents at the end of the period (hereinafter referred to as “cash”) for the six months ended September 30, 2023, was 2,228 million yen, a decrease of 224 million yen from March 31, 2023.

(Cash flows from operating activities)

Net cash provided by operating activities for the six months ended September 30, 2023 was 221 million yen (397 million yen used in the same period of the previous year). This was mainly due to 301 million yen in loss before income taxes, 306 million yen in depreciation, a decrease of 169 million yen due to an increase in trade receivables, and an increase of 412 million yen due to a decrease in accounts receivable - other.

(Cash flows from investing activities)

Net cash used in investing activities for the six months ended September 30, 2023 was 335 million yen (353 million yen used in the same period of the previous year). This was mainly due to 318 million yen in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities for the six months ended September 30, 2023 was 169 million yen (1,037 million yen provided in the same period of the previous year). This was mainly due to 607 million yen in net increase in short-term borrowings, 1,200 million yen in proceeds from long-term borrowings, 564 million yen in repayments of long-term borrowings, and 141 million yen in dividends paid.

(3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Information

The Company has revised the consolidated financial forecasts for the fiscal year ending March 31, 2024, announced on May 15, 2023, as follows.

The sluggish electronic device market, including PCs, tablet products, and smartphones, and the slowdown in conventional data center investment, except for generative AI, continuing since the second half of the fiscal year ended March 31, 2023, are lasting longer than was expected at the beginning of the period. Since the trend of such markets significantly affects the Company's high-tech products and processing service businesses, net sales and income at each level will likely fall short of the previously announced forecasts.

Net sales are expected to fall short by 1,500 million yen, approximately 14.3% of the previously announced forecast. In terms of income, the Company expects the operating loss to be 700 million yen due to the effects of the reduction of logistic costs and external warehouse expenses despite the recording of valuation loss of product inventory transferred from a Thai subsidiary. It also expects an ordinary loss of 500 million yen and a loss attributable to owners of parent of 600 million yen, mainly from the review of the recoverability of deferred tax assets despite the recording of foreign exchange gains, rental income, extraordinary income associated with the closure of the Kyoto Plant, and others.

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Net Income Per Share
Previous forecast (A)	Millions of yen 10,500	Millions of yen 500	Millions of yen 600	Millions of yen 500	Yen 35.11
Performance for the full year (B)	9,000	(700)	(500)	(600)	(42.14)
Difference (B – A)	(1,500)	(1,200)	(1,100)	(1,100)	-
Difference %	(14.3)	(240.0)	(183.3)	(220.0)	-
(Reference) Results for the previous fiscal year (fiscal year ended March 31, 2023)	10,029	212	426	45	3.18

This estimate is based on information available to us as of the date of publication. Actual results may differ from these forecasts due to various factors.

The Company made a similar announcement in “Notice Concerning Revisions to the Financial Forecast for the Fiscal Year Ending March 31, 2024” released today (November 13, 2023).

2. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	End of previous fiscal year (March 31, 2023)	End of second quarter of current fiscal year (September 30, 2023)
Assets		
Current assets		
Cash and deposits	2,613,396	2,389,691
Notes receivable - trade	281,098	251,026
Accounts receivable - trade	1,837,842	2,022,351
Electronically recorded monetary claims - operating	266,427	311,435
Merchandise and finished goods	786,882	953,141
Work in process	1,708,985	1,572,928
Raw materials and supplies	631,730	579,307
Other	908,918	442,390
Allowance for doubtful accounts	(2,895)	(80)
Total current assets	9,032,387	8,522,193
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,983,940	7,063,373
Machinery, equipment and vehicles	3,770,079	3,935,024
Tools, furniture and fixtures	435,865	484,399
Land	2,019,286	2,036,679
Leased assets	673,193	710,150
Construction in progress	115,500	58,084
Accumulated depreciation	(7,333,927)	△7,629,464
Total property, plant and equipment	6,663,939	6,658,245
Intangible assets		
Goodwill	92,483	80,485
Software	23,127	32,678
Telephone subscription right	377	377
Total intangible assets	115,988	113,541
Investments and other assets		
Investment securities	55,000	55,000
Shares of subsidiaries and associates	38,102	38,102
Retirement benefit asset	213,148	234,313
Deferred tax assets	1,801	1,612
Other	74,909	69,997
Total investments and other assets	382,960	399,026
Total non-current assets	7,162,888	7,170,814
Total assets	16,195,275	15,693,008

(Thousands of yen)

	End of previous fiscal year (March 31, 2023)	End of Second quarter of current fiscal year (September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	793,570	778,355
Short-term borrowings	1,869,000	1,263,760
Current portion of bonds payable	27,500	15,000
Current portion of long-term borrowings	1,033,679	1,245,223
Lease liabilities	69,008	73,377
Accounts payable - other	664,371	490,926
Income taxes payable	33,238	47,199
Advances received	36,564	62,620
Provision for bonuses	155,315	162,769
Provision for loss on liquidation of subsidiaries and associates	6,727	3,844
Other	376,628	446,107
Total current liabilities	5,065,604	4,589,186
Non-current liabilities		
Bonds payable	15,000	7,500
Long-term borrowings	2,852,326	3,290,012
Lease liabilities	148,387	135,392
Deferred tax liabilities	106,509	175,541
Other	9,696	9,705
Total non-current liabilities	3,131,920	3,618,151
Total liabilities	8,197,524	8,207,337
Net assets		
Shareholders' equity		
Share capital	3,379,569	3,379,569
Capital surplus	2,925,782	2,925,782
Retained earnings	1,536,725	997,937
Treasury shares	(104,230)	△104,254
Total shareholders' equity	7,737,847	7,199,035
Accumulated other comprehensive income		
Foreign currency translation adjustment	259,903	286,635
Total accumulated other comprehensive income	259,903	286,635
Total net assets	7,997,750	7,485,670
Total liabilities and net assets	16,195,275	15,693,008

(2) Consolidated Income Statements & Comprehensive Income

First six-month period

(Thousands of yen)

	First six-month period of previous fiscal year (April 1, 2022 to September 30, 2022)	First six-month period of current year (April 1, 2023 to September 30, 2023)
Net sales	5,469,563	4,326,22
Cost of sales	3,415,211	3,316,064
Gross profit	2,054,352	1,010,157
Selling, general and administrative expenses	1,696,675	1,519,871
Operating Income or operating loss account	357,676	(509,714)
Non-operating income		
Interest income	3,483	5,713
Dividend income	360	360
Rental income	82,614	91,282
Foreign exchange gains	350,903	111,822
Miscellaneous income	13,728	3,618
Total non-operating income	451,089	212,796
Non-operating expenses		
Interest expenses	31,949	35,065
Commission expenses	24,188	2,907
Rental expenses	25,791	34,347
Guarantee commission	316	102
Other	833	132
Total non-operating expenses	83,078	72,555
Ordinary Income	725,687	(369,473)
Extraordinary income		
Loss on sale of non-current assets	1,022	—
Gain on liquidation of related company	—	74,250
Total extraordinary income	1,022	74,250
Extraordinary losses		
Loss on retirement of non-current assets	4,602	5,937
Total extraordinary losses	4,602	5,937
Profit before income taxes	722,107	(301,160)
Income taxes - current	89,063	26,575
Income taxes - deferred	44,056	68,426
Total income taxes	133,120	95,002
Net income / loss	588,986	(396,162)
Profit attributable to		
Profit attributable to owners of parent	588,986	(396,162)
Profit attributable to non-controlling interests	—	—
Other comprehensive income		
Foreign currency translation adjustment	118,196	26,731
Total other comprehensive income	118,196	26,731
Comprehensive income	707,182	(369,430)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	707,182	(369,430)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	First six months period of previous fiscal year (April 1,2022 to September 30, 2022)	First six months period of current fiscal year (April 1,2023 to September 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	722,107	(301,160)
Depreciation	248,131	306,336
Amortization of goodwill	8,997	11,997
Increase (decrease) in allowance for doubtful accounts	(61)	(2,953)
Increase (decrease) in provision for bonuses	(60,536)	6,497
Increase (Decrease) in net defined benefit asset	25,435	(21,165)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(15,691)	(3,074)
Interest and dividend income	(3,843)	(6,073)
Rental income	(82,614)	(91,282)
Interest expenses	31,949	35,065
Commission fee	24,188	2,907
Loss (gain) on sale of non-current assets	(1,022)	—
Loss on retirement of non-current assets	4,602	5,937
Loss (gain) on liquidation of subsidiaries and associates	—	(74,250)
Decrease (increase) in notes and account receivable trade	(87,899)	(169,723)
Decrease (increase) in inventories	(150,953)	73,959
Decrease (increase) in accounts receivable - other	(191,502)	412,963
Increase (decrease) in notes and account payable trade	(76,196)	(38,303)
Increase (decrease) in accounts payable - other	51,037	(97,416)
Increase (decrease) in advances received	(191,490)	24,065
Other, net	(423,983)	18,152
Subtotal	(169,344)	92,481
Interest and dividends received	3,843	6,073
Proceeds from rental income	97,034	92,826
Interest expense paid	(29,881)	(35,293)
Commission fee paid	(24,188)	(2,907)
Income taxes refund (paid)	(275,029)	68,700
Net cash provided by (used in) operating activities	(397,565)	221,881
Cash flows from investing activities		
Purchase of property, plant and equipment	(304,363)	(318,821)
Proceeds from sale of property, plant and equipment	1,028	—
Payments for retirement of property, plant and equipment	—	(3,300)
Purchase of intangible assets	(820)	(16,405)
Purchase of shares of subsidiaries and associates	(38,102)	—
Other, net	(11,739)	2,705
Net Cash provided by (used in) investing activities	(353,995)	(335,821)
Cash flows from financing activities		
Net increase in short-term borrowings	300,000	(607,360)
Proceeds from long-term borrowings	1,717,582	1,200,000
Repayments of long-term borrowings	(614,399)	(564,234)
Redemption of bonds	(80,000)	(20,000)
Purchase of treasury shares	(11)	(23)
Repayments of lease liabilities	(74,167)	(36,232)
Dividends paid	(211,447)	(141,194)
Net cash provided by (used in) financing activities	1,037,557	(169,045)
Effect of exchange rate change on cash and cash equivalents	170,761	58,192
Net increase (decrease) in cash and cash equivalents	456,757	(224,792)
Cash and cash equivalents at beginning of period	2,234,708	2,452,960
Cash and cash equivalents at end of period	2,691,465	2,228,167

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on Changes in the Scope of Consolidation or the Scope of Application of the Equity Method)

MIPOX Precision Polishing Product (Shanghai) Co., Ltd., which was a consolidated subsidiary of the Company, was liquidated in April 2023 and excluded from the scope of consolidation from the first quarter in FY2023.

(Segment Information, etc.)

[Segment Information]

I First six-month period of previous fiscal year (April 1, 2022 to September 30, 2022)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Thousands of yen)

	Reportable segment			Amount reported on consolidated income statements & comprehensive income
	Product Business	OEM Business	Full year	
Net Sales				
Japan	1,727,296	1,107,339	2,834,636	2,834,636
Asia	1,944,494	5,499	1,949,993	1,949,993
North America	558,929	11,725	570,654	570,654
Europe	103,783	3,541	107,325	107,325
Other regions	6,953	—	6,953	6,953
Revenue from contracts with customers	4,341,457	1,128,106	5,469,563	5,469,563
Sales to external customers	4,341,457	1,128,106	5,469,563	5,469,563
Intersegment sales or transfers	—	—	—	—
Total	4,341,457	1,128,106	5,469,563	5,469,563
Segment profit	562,861	(205,185)	357,676	357,676

(Note) The total amount of segment profit is consistent with operating income in consolidated income statements and comprehensive income.

II First six-month period of current fiscal year (April 1, 2023 to September 30, 2023)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Thousands of yen)

	Reportable segment			Amount reported on consolidated income statements & comprehensive income
	Product Business	OEM Business	Full year	
Net Sales				
Japan	1,839,663	964,308	2,803,972	2,803,972
Asia	1,093,556	395	1,093,952	1,093,952
North America	385,289	3,842	389,132	389,132
Europe	37,506	602	38,109	38,109
Other regions	1,055	—	1,055	1,055
Revenue from contracts with customers	3,357,072	969,149	4,326,222	4,326,222
Sales to external customers	3,357,072	969,149	4,326,222	4,326,222
Intersegment sales or transfers	—	—	—	—
Total	3,357,072	969,149	4,326,222	4,326,222
Segment profit or loss	(355,762)	(153,951)	(509,714)	(509,714)

(Note) The total amount of segment profit or loss is consistent with operating income in consolidated income statements and comprehensive income.