

MISUMI Group Inc. FY2023 1Q consolidated financial results

~The impact of sluggish demand in China and other Asian countries is significant due to the delayed economic recovery in China~

MISUMI Group Inc. announced its consolidated financial results for FY2023 1Q (April 1, 2023- June 30, 2023) today. Major performance indicators are as follows.

(Million yen)	FY2022 1Q	FY2023 1Q	YoY change
Net sales	93,101	89,866	-3.5%
Operating income	14,135	8,999	-36.3%
Net income	10,586	6,087	-42.5%
Earnings per share	37.23 yen	21.47 yen	

1. Highlights of FY2023 1Q consolidated financial results

- During the first quarter, global economic activities began to normalize as restrictions imposed due to the COVID-19 infections were eased. However, the impact of rising costs for things like energy and raw materials, along with exchange rate fluctuations, continued to prevent a full recovery in demand for capital investment in manufacturing industries. In China, which was heavily affected by the pandemic last year, economic recovery has been greatly delayed and sluggish demand continues. On the other hand, in other overseas regions and Japan, despite an uncertain economic situation, demand remained steadfast.
- In this economic environment, MISUMI Group is leveraging its unique Business MODEL, which encompasses manufacturing and distribution businesses. By advancing the business foundation that supports these businesses globally, we are contributing to industries related to automation demand, particularly the manufacturing industry, by responding to customers' needs for reliable and quick delivery. Utilizing the robust business foundation of IT, production, logistics, and our global network of locations, we have made efforts to capture customer demand accurately. Our new business policies, including developing new products and services aimed at sustainable growth, have progressed primarily according to plan. However, we have also been significantly affected by sluggish demand in China and Asia, similar to the impact felt in the machine tool industry due to the delayed economic recovery in China.

- Consequently, as a result of the slowdown in demand and some effects from the exchange rates, our consolidated net sales were ¥89,866 million, 3.5% decrease year-on-year (5.6% decrease on local currency basis). In terms of profit, due to the decrease in sales volume and operation, as well as the prepayment of costs associated with the introduction of a new core IT system, operating income was ¥8,999 million (36.3% decrease year-on-year), ordinary income was ¥9,837 million (32.6% decrease year-on-year). Net income attributable to the owners of parent totaled ¥6,087 million (42.5% decrease year-on-year).

2. The Die Components division saw a rise in sales, but both the FA and VONA divisions experienced a decrease in sales due to the effects of weak demand in China

- Segment sales for FY2023 1Q are shown in the table below.

	Net sales (million yen)		YoY change	
	FY2022 1Q	FY2023 1Q	Yen basis	Local Currency basis
FA business	30,226	29,093	-3.7%	-5.9%
Die components business	19,443	19,569	+0.6%	-2.9%
VONA business	43,431	41,204	-5.1%	-6.5%
Total	93,101	89,866	-3.5%	-5.6%

- The FA business secured growth in regions excluding China. However, in the economically sluggish Chinese market, the overall demand for facility investment remained subdued.
- The Die Components business experienced an improvement in the operational status of automotive-related customers, attributed to factors such as the alleviation of material supply constraints in regions other than China. Additionally, there was a partial impact from exchange rate effects.
- In the VONA business, sales in Europe and the US continued to grow due to the strengthening of product lines and other factors. However, China and Asia were significantly affected by lower factory utilization rates and other factors.

3. Due to the delayed economic recovery in China, sales in China and other Asian regions decreased compared to the previous year, while other areas generally remained robust

- Regional break down of sales for FY 2023 1Q were as follows.

	Net sales (million yen)		YoY change	
	FY2022 1Q	FY2023 1Q	Yen basis	Local currency basis
Japan	41,753	41,731	-0.1%	—
Overseas	51,347	48,135	-6.3%	-10.0%
China	18,393	14,873	-19.1%	-19.2%
Asia	14,690	13,775	-6.2%	-9.3%
United States	10,271	10,749	+4.7%	-2.2%
Europe	5,835	6,548	+12.2%	+3.1%
Other	2,156	2,187	+1.5%	-9.9%

- Due to the delayed economic recovery in China, both China and Asia experienced a decline in sales compared to the previous year, but other regions generally remained robust.

4. Downward revisions to the consolidated earnings forecast and year-end dividend forecast for FY2023

(1) First half of FY2023 (April 1, 2023-September 30, 2023) consolidated earnings forecast

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous Forecast (A)	188,000	25,200	25,400	18,700	65.72
Revised forecast (B)	181,000	20,000	20,800	14,000	49.73
Difference (B-A)	-7,000	-5,200	-4,600	-4,700	
Ratio of difference (%)	-3.7%	-20.6%	-18.1%	-25.1%	
FY2022 results	188,158	26,898	27,527	20,240	71.18

(2) FY2023 (April 1, 2023-March 31, 2024) consolidated earnings forecast

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous Forecast (A)	396,000	51,000	51,400	37,800	132.84
Revised forecast (B)	377,000	42,800	43,600	30,500	108.35
Difference (B-A)	-19,000	-8,200	-7,800	-7,300	
Ratio of difference (%)	-4.8%	-16.1%	-15.2%	-19.3%	
FY2022 results	373,151	46,615	47,838	34,282	120.53

- Regarding the consolidated results for the first quarter, we diligently gauged customer demand. We saw positive progress in our new business policies, including developing new products and services for sustainable growth, primarily as planned. However, the delayed economic recovery in China significantly impacted us, resulting in sluggish demand in China and Asia, similar to the machine tool industry. Looking ahead to future market conditions, we anticipate a delay in the recovery of demand due to growing concerns about an economic slowdown in major countries like China and the United States, compared to our projections on April 27, 2023. Considering our business performance and current demand trends, we have revised our consolidated earnings forecasts for the cumulative second quarter and full year, as mentioned earlier.

As always, we remain committed to promptly disclosing any material matters that may affect our business performance in response to changes in the business environment.

Note: Due to the current foreign exchange situation, we have revised the average exchange rates for the full year from 130.0 yen to 136.0 yen per U.S. dollar, 138.0 yen to 147.0 yen per euro, and the exchange rate of 1 yuan = 19.0 yen has been left unchanged, as previously announced on April 27.

(3) FY2023 (April 1, 2023-March 31, 2024) year-end dividend forecast

	Annual dividend		
	Interim	Year-end	Total
Previous forecast	16.43 yen	16.79 yen	33.22 yen
Revised forecast	12.44 yen	14.66 yen	27.10 yen
Results of previous fiscal year	17.80 yen	12.34 yen	30.14 yen

- To maintain our competitive advantage, achieve sustainable growth, and increase shareholder value in the future, we continue to innovate MISUMI's Business MODEL by proactively strengthening our business foundation in IT, production, logistics, and supply chain. This means striking a balance between medium- to long-term investments in growth and returns to shareholders.
- In terms of dividends, we will pay a dividend payout ratio of 25%, considering the expansion of our management base, the strengthening of our financial position, and improvement of capital efficiency. Given the revised consolidated earnings forecast for the fiscal year ending March 31, 2024, our dividend forecast has also been updated. For the second quarter end, we now anticipate a dividend of 12.44 yen per share, which is a decrease of 5.36 yen from the previous year. However, for the full year, we forecast a dividend of 14.66 yen per share, an increase of 2.32 yen from last year. As a result, our annual dividend forecast stands at 27.10 yen per share.

[Notes regarding forward-looking statements]

The outlook for the fiscal year ending March 31, 2024 and the forward-looking statements in this document have been prepared on the basis of information available at the time of preparation. This includes the domestic and foreign economic climate, changes in foreign exchange rates for various currencies, and other factors that may affect business performance, that have been determined to be reasonable by MISUMI Group Inc. as well as risks and uncertainties. In light of this, please refrain from making investment decisions solely on the basis of this outlook. Actual business performance may differ greatly from this outlook due to various factors that affect MISUMI Group Inc., including economic climate, market trends and exchange rates.

Please refer to our earnings results report for details on 1Q consolidated earnings results for the fiscal year ending March 31, 2024.

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