

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2023 (JGAAP)

August 10, 2022

Company name: Suzumo Machinery Co., Ltd.
 Listing: Tokyo Stock Exchange
 Stock code: 6405
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 Scheduled date to file quarterly report: August 10, 2022
 Scheduled date for dividend payment: —
 Supplementary materials for quarterly financial statements: None
 Results briefing to be held: None

(Amounts of less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2022	3,141	14.5	257	-29.2	266	-28.9	153	-45.8
June 30, 2021	2,743	39.1	363	655.0	374	678.0	284	860.7

(Note) Comprehensive income: Three months ended June 30, 2022: 231 million yen (-29.9%)
 Three months ended June 30, 2021: 329 million yen (746.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	11.93	—
June 30, 2021	22.04	—

(Note) The Company split shares of common stock at a ratio of 2 for 1 on August 1, 2022.

Earnings per share are calculated based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	16,442	13,226	80.3
March 31, 2022	16,416	13,254	80.6

(Reference) Shareholders' equity: As of June 30, 2022: 13,207 million yen
 As of March 31, 2022: 13,236 million yen

2. Dividends

	Annual dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal year ended March 31, 2022	Yen —	Yen 0.00	Yen —	Yen 40.00	Yen 40.00
Fiscal year ending March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2023 (forecast)	—	15.00	—	16.00	31.00

(Note) Changes in dividend forecast from the most recent announcement: None

(Note) The Company split shares of common stock at a ratio of 2 for 1 on August 1, 2022.

For the fiscal year ended March 2022, the actual amount of dividends before the stock split is stated. For the fiscal year ending March 2023 (forecast), the amount of dividends after the stock split is stated.

3. Consolidated earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)
(Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	13,000	12.4	1,800	18.6	1,800	16.6	1,315	22.9	101.81

(Note) Changes in earnings forecast from the most recent announcement: None

(Note) The Company split shares of common stock at a ratio of 2 for 1 on August 1, 2022.

Earnings per share are calculated based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

Newly included: —

Excluded: —

(2) Application of special accounting treatment in preparing the quarterly financial statements: Yes

(Note) For details, please see the attached materials on page 11, "2. Quarterly Consolidated Financial Statements and Primary Notes; (3) Notes to Quarterly Consolidated Financial Statements (Application of special accounting treatment in preparing the quarterly financial statements)."

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies due to revision of accounting standards: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022: 12,960,000 shares

March 31, 2022: 12,960,000 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 58,198 shares

March 31, 2022: 56,900 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2022: 12,902,425 shares

Three months ended June 30, 2021: 12,888,110 shares

(Note) Company split shares of common stock at a ratio of 2 for 1 on August 1, 2022.

The number of issued shares (common stock) is calculated based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

* The quarterly financial statements are outside the scope of quarterly reviews by certified public accountants and auditing firms.

* Explanation of the proper use of financial results forecast and other notes

Forward-looking statements in this document, including outlook on future performance, are based on currently available information and certain assumptions that the Company regards as reasonable, and the Company does not in any way guarantee their achievement. Actual results may differ substantially from the projections herein depending on various factors. For the preconditions of and precautions in using the financial results forecast, please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Financial Earnings Forecast and Other Forward-Looking Information" on page 4 of the Attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

In the first three months of the fiscal year ending March 31, 2023 (April 1, 2022–June 30, 2022), increased raw material prices due to rising resource prices and stagnation in supply chains caused by the urban lockdown in China combined to suppress business confidence in Japan's manufacturing sector. Meanwhile, the non-manufacturing sector showed a recovery trend on the back of improvements in personal services and accommodation and food services, which had been impacted by COVID-19. On an all-industry basis, corporate earnings remained high, and capital investment continued to be proactive.

However, the economy presently faces numerous downside risks, including the outbreak of a new variant of COVID-19, Russia's invasion of Ukraine, China's zero-COVID policy, the depreciation of the yen, and increasing resource prices.

Under these conditions, during the three months ended June 30, 2022, demand for our products remained high as the food service and retail industries advanced their mechanization and laborsaving initiatives at an accelerated pace. On the other hand, the semiconductor and material supply shortage continued to affect our manufacturing activities, and we responded to the growing demand by securing new material and part vendors and changing product designs to enable the use of alternative parts.

In the domestic market, while the business environment surrounding the restaurant and retail industries remained challenging due to soaring raw material prices and utility costs, the full lifting of priority preventative measures against the spread of COVID-19 in March 2022 resulted in a recovery trend in demand for restaurant services, and the spread of takeout and delivery services and the continued movement toward laborsaving continued. By business category, while demand for products from supermarkets and others declined as stay-at-home demand normalized, demand for the Fuwarica rice serving machine from restaurants and cafeterias expanded, and demand for sushi robots from major conveyor belt sushi chains remained robust. In addition, domestic sales rose year on year since sales from Japan System Project Co., Ltd. (JSP), which joined our group in October 2021, contributed from the first quarter of the current fiscal year.

Overseas, demand for our products expanded as the intensified labor shortage and rising labor costs in the food service and retail industries accelerated the move to mechanization. By region, overseas sales were up year on year due to the growing demand for sushi robot products from food service operators and supermarkets, especially in North America.

As a result, net sales in the three months ended June 30, 2022 stood at 3,141 million yen (+14.5% YoY). Of the total, domestic sales were 2,041 million yen (+12.3% YoY) and overseas sales were 1,099 million yen (+18.8% YoY).

Summary of results in the first three months of the fiscal year ending March 31, 2023

	Three months ended June 30, 2021		Three months ended June 30, 2022		Amount of change	Percentage change
	Millions of yen	% of net sales	Millions of yen	% of net sales	Millions of yen	%
Net sales	2,743	100.0	3,141	100.0	397	14.5
Domestic	1,817	66.3	2,041	65.0	223	12.3
Overseas	925	33.7	1,099	35.0	174	18.8
Gross profit	1,330	48.5	1,497	47.7	166	12.5
Operating profit	363	13.3	257	8.2	-106	-29.2
Ordinary profit	374	13.7	266	8.5	-108	-28.9
Profit attributable to owners of parent	284	10.4	153	4.9	-130	-45.8

On the profit front, gross profit was up 12.5% to 1,497 million yen owing to the increase in net sales. Operating profit decreased 29.2% to 257 million yen as a result of the addition of JSP to the group, an increase in packing and transportation

costs driven by soaring logistics costs, and selling, general and administrative expenses remaining generally in line with plans, centered on costs for the establishment of various systems and human resource investments toward business growth. Ordinary profit was down 28.9% to 266 million yen, and profit attributable to owners of parent was down 45.8% to 153 million yen attributable to an extraordinary loss of 25 million yen on the extinguishment of tie-in shares resulting from the absorption-type merger of Suzumo Maintenance Co., Ltd.

(2) Explanation of Financial Condition

(Assets)

Total assets as of June 30, 2022 were up 26 million yen from March 31, 2022 to 16,442 million yen. This change was primarily due to increases of 247 million yen increase in inventories and 168 million yen in non-current assets, despite a 305 million yen decrease in cash and deposits.

(Liabilities)

Liabilities as of June 30, 2022 were up 53 million yen from March 31, 2022 to 3,215 million yen. This change was chiefly due to a 237 million yen increase in accrued expenses included in other current liabilities, despite a 195 million yen decrease in income taxes payable.

(Net assets)

Net assets as of June 30, 2022 were down 27 million yen from March 31, 2022 to 13,226 million yen. This change was mainly due to a 258 million yen decrease in retained earnings due to the payment of dividends, despite increases of 153 million yen in profit attributable to owners of parent and 70 million yen in foreign currency translation adjustment.

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

Earnings forecast is based on currently available information. Actual results may differ substantially from the projections herein depending on various factors. The forecast figures remain unchanged from those announced on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheet

	(Thousands of yen)	
	Fiscal year ended March 31, 2022 (as of March 31, 2022)	Three months ended June 30, 2022 (as of June 30, 2022)
Assets		
Current assets		
Cash and deposits	8,276,521	7,970,965
Notes and accounts receivable - trade	1,287,167	1,206,607
Electronically recorded monetary claims - operating	172,495	134,001
Inventories	2,199,405	2,447,014
Other	150,156	185,106
Total current assets	12,085,747	11,943,694
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,427,535	1,424,569
Land	1,125,607	1,167,767
Other, net	229,073	261,998
Total property, plant and equipment	2,782,217	2,854,335
Intangible assets		
Goodwill	41,864	39,661
Other	282,871	333,737
Total intangible assets	324,736	373,398
Investments and other assets		
Investment securities	403,207	404,483
Deferred tax assets	509,644	548,401
Other	319,180	327,088
Allowance for doubtful accounts	(8,680)	(8,680)
Total investments and other assets	1,223,352	1,271,293
Total non-current assets	4,330,306	4,499,027
Total assets	16,416,053	16,442,722

	(Thousands of yen)	
	Fiscal year ended March 31, 2022 (as of March 31, 2022)	Three months ended June 30, 2022 (as of June 30, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	489,936	510,606
Current portion of long-term borrowings	46,273	47,378
Income taxes payable	323,417	128,408
Provision for bonuses	182,648	169,517
Other	732,767	1,002,329
Total current liabilities	1,775,043	1,858,240
Non-current liabilities		
Long-term borrowings	193,180	181,403
Deferred tax liabilities	38	520
Provision for retirement benefits for directors (and other officers)	10,105	2,250
Retirement benefit liability	1,106,754	1,096,662
Other	76,865	76,697
Total non-current liabilities	1,386,943	1,357,533
Total liabilities	3,161,987	3,215,773
Net assets		
Shareholders' equity		
Share capital	1,154,418	1,154,418
Capital surplus	986,618	986,618
Retained earnings	11,102,138	10,998,028
Treasury shares	(37,774)	(37,877)
Total shareholders' equity	13,205,400	13,101,186
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	91,095	90,819
Foreign currency translation adjustment	47,881	118,542
Remeasurements of defined benefit plans	(108,177)	(103,269)
Total accumulated other comprehensive income	30,800	106,092
Non-controlling interests	17,864	19,668
Total net assets	13,254,066	13,226,948
Total liabilities and net assets	16,416,053	16,442,722

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	(Thousands of yen)	
	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Net sales	2,743,700	3,141,058
Cost of sales	1,412,855	1,643,667
Gross profit	1,330,844	1,497,391
Selling, general and administrative expenses	967,223	1,239,985
Operating profit	363,620	257,406
Non-operating income		
Interest income	53	66
Dividend income	778	731
Share of profit of entities accounted for using equity method	1,079	—
Foreign exchange gains	8,169	10,894
Other	2,992	910
Total non-operating income	13,073	12,602
Non-operating expenses		
Interest expenses	30	644
Restricted stock-related expenses	1,635	691
Share of loss of entities accounted for using equity method	—	1,903
Other	96	49
Total non-operating expenses	1,761	3,289
Ordinary profit	374,933	266,719
Extraordinary income		
Gain on sale of investment securities	39,000	160
Total extraordinary income	39,000	160
Extraordinary losses		
Loss on retirement of non-current assets	21	—
Retirement benefits for directors (and other officers)	—	5,400
Loss on extinguishment of tie-in shares	—	25,441
Total extraordinary losses	21	30,841
Profit before income taxes	413,912	236,038
Income taxes	129,859	81,576
Profit	284,052	154,461
Profit attributable to non-controlling interests	49	509
Profit attributable to owners of parent	284,003	153,951

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Profit	284,052	154,461
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,170)	(275)
Foreign currency translation adjustment	37,128	61,444
Remeasurements of defined benefit plans, net of tax	4,800	4,907
Share of other comprehensive income of entities accounted for using equity method	10,697	10,511
Total other comprehensive income	45,456	76,586
Comprehensive income	329,508	231,047
(Breakdown)		
Comprehensive income attributable to owners of parent	328,688	229,244
Comprehensive income attributable to non-controlling interests	820	1,803

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the event of significant changes in shareholders' equity)

There is no relevant information.

(Application of special accounting treatment in preparing the quarterly financial statements)

(Calculation of tax expenses)

In regard to tax expenses, we have adopted the calculation method of rationally estimating the effective tax rate on profit before income taxes for the consolidated fiscal year, after application of tax effect accounting; then multiplying the profit before income taxes for the period under review by the said tax rate. However, in the event the estimated effective tax rate cannot be applied, statutory effective tax rate is used.

(Subsequent Material Events)

(Stock split and partial amendment to the Articles of Incorporation following the stock split)

Based on a resolution passed by the Board of Directors on June 7, 2022, the Company has implemented a stock split and partially amended the Articles of Incorporation in conjunction with the stock split as of August 1, 2022.

1. Stock Split

(1) Purpose of the Stock Split

The purpose is to increase the liquidity of the Company's shares and further expand its investor base.

(2) Summary of the Stock Split

I. Method of the stock split

Each share of common stock held by shareholders of record as of the record date of Sunday, July 31, 2022 (practically Friday, July 29, 2022) was split into two shares.

II. Increase in shares due to the stock split

Total number of shares issued prior to the stock split:	6,480,000 shares
Increase in shares due to the stock split:	6,480,000 shares
Total number of shares issued following the stock split:	12,960,000 shares
Total number of authorized shares following the stock split:	32,000,000 shares

(3) Schedule of the stock split

Public notice of record date:	Thursday, July 14, 2022
Record date:	Sunday, July 31, 2022 (Note)
Effective date:	Monday, August 1, 2022

(Note) As the record date was a holiday for book-entry transfer institutions and account management institutions, the date was practically Friday, July 29, 2022.

2. Partial Amendment to the Articles of Incorporation in Connection with the Stock Split

(1) Reason for the amendment

In accordance with this stock split, pursuant to Article 184, Paragraph 2 of the Companies Act, the Company amended Article 5 (Total Number of Authorized Shares) of its Articles of Incorporation, effective August 1, 2022, by resolution of its Board of Directors.

(2) Details of the amendment

(Underlined parts have been changed)

Current Articles of Incorporation	Articles of Incorporation after Amendment
(Total Number of Authorized Shares) Article 5. The total number of shares authorized to be issued by the Company shall be <u>16,000,000</u> shares.	(Total Number of Authorized Shares) Article 5. The total number of shares authorized to be issued by the Company shall be <u>32,000,000</u> shares.

(3) Schedule of the amendment

Effective date: Monday, August 1, 2022