

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2022 (JGAAP)

February 10, 2022

Company name: Suzumo Machinery Co., Ltd.
 Listing: Tokyo Stock Exchange
 Stock code: 6405
 URL: <http://www.suzumokikou.com/>
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 Scheduled date to file quarterly report: February 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 nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

(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	%
Nine months ended								
December 31, 2021	8,747	26.1	1,358	114.3	1,372	117.1	963	128.9
December 31, 2020	6,935	0.4	634	-11.0	631	-1.9	420	81.1

(Note) Comprehensive income: Nine months ended December 31, 2021: 1,028 million yen (139.4%)

Nine months ended December 31, 2020: 429 million yen (107.7%)

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	149.37	—
December 31, 2020	65.09	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2021	16,090	13,115	81.4
March 31, 2021	14,694	12,198	82.9

(Reference) Shareholders' equity: As of December 31, 2021: 13,099 million yen

As of March 31, 2021: 12,184 million yen

2. Dividends

	Annual dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal year ended March 31, 2021	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2021	—	0.00	—	20.00	20.00
Fiscal year ending March 31, 2022 (forecast)	—	0.00	—	40.00	40.00

(Note) Changes in dividend forecast from the most recent announcement: Yes

3. Consolidated earnings forecast for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full-year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	11,770	24.1	1,700	84.9	1,710	85.7	1,150	68.3	178.30

(Note) Changes in earnings forecast from the most recent announcement: Yes

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 8, “2. Quarterly Consolidated Financial Statements and Primary Notes; (3) Notes to the 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: | Yes |
| 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): | |
| December 31, 2021: | 6,480,000 shares |
| March 31, 2021: | 6,480,000 shares |
| 2) Total number of treasury shares at the end of the period: | |
| December 31, 2021: | 27,767 shares |
| March 31, 2021: | 35,598 shares |
| 3) Average number of shares outstanding during the period: | |
| Nine months ended December 31, 2021: | 6,449,245 shares |
| Nine months ended December 31, 2020: | 6,465,222 shares |

* 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 3 of the Attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

In the first nine months of the fiscal year ending March 31, 2022 (April 1, 2021–December 31, 2021), the Japanese economy showed an improvement in corporate business sentiment, due to strong overseas demand and easing of supply constraints in the manufacturing industry and a pickup in service consumption because of easing of activity restrictions in the non-manufacturing industries. However, a full-fledge recovery in corporate capital investment and consumption still hinges on the status of the spread of COVID-19. As such, the risk of an economic downturn due to the spread of new variant strains of the virus and shortages in the supply of semiconductors and components is currently a source of concern.

Under such circumstances, during the nine months ended December 31, 2021, demand for our products remained at robust levels as the trend towards automation and laborsaving in the food service and retail industries accelerated. On the other hand, shortages in the supply of semiconductors and components continued to affect production activities, and we responded to growing demand by cultivating new suppliers of components.

In the domestic market, the restaurant industry experienced a moderate recovery as a result of the lifting of the state-of-emergency declaration and quasi-emergency measures. Take-out and delivery services continued to expand, while the trend toward laborsaving advanced. By customer category, major conveyor belt sushi chains introduced sushi machines in conjunction with the opening of new restaurants, and demand for sushi machines suited for preparing take-out sushi increased. In addition, demand for the Fuwarica rice-serving machine expanded from new customer segments, such as hotels, inns, and company cafeterias, against a backdrop of growing hygiene awareness and concern about food loss among businesses and end consumers. As a result, domestic sales increased year on year.

In the overseas market, the trend towards automation (replacement of manpower with machines) further accelerated as the shortage of labor in the food service and retail industries became more severe, despite concerns about the impact of the spread of new variant strains of COVID-19 on economic activities. By region, demand for sushi machines continued to grow substantially among food service operators and supermarkets in North America and Europe, driving a significant increase in overseas sales year on year.

As a result, net sales in the nine months ended December 31, 2021 stood at 8,747 million yen (+26.1% YoY), marking considerable growth from a year ago. Of the total, domestic sales were 5,685 million yen (+5.3% YoY) and overseas sales were 3,062 million yen (+99.6% YoY).

Summary of results in the first nine months of the fiscal year ending March 31, 2022

	Nine months ended December 31, 2020		Nine months ended December 31, 2021		Amount of change	Percentage change
	Millions of yen	% of net sales	Millions of yen	% of net sales	Millions of yen	%
Net sales	6,935	100.0	8,747	100.0	1,812	26.1
Domestic	5,401	77.9	5,685	65.0	284	5.3
Overseas	1,534	22.1	3,062	35.0	1,528	99.6
Gross profit	3,184	45.9	4,294	49.1	1,110	34.9
Operating profit	634	9.1	1,358	15.5	724	114.3
Ordinary profit	631	9.1	1,372	15.7	740	117.1
Profit attributable to owners of parent	420	6.1	963	11.0	542	128.9

On the profit front, all profit lines rose sharply year on year driven by growth in net sales. Gross profit was up 34.9% to 4,294 million yen, operating profit increased 114.3% to 1,358 million yen, and ordinary profit rose 117.1% to 1,372 million yen. Profit attributable to owners of parent surged 128.9% to 963 million yen due to recording a 39 million yen

gain on sale of investment securities (extraordinary income) in the first quarter, in addition to the overall sales growth.

(2) Explanation of Financial Condition

(Assets)

Total assets as of December 31, 2021 were up 1,396 million yen from March 31, 2021 to 16,090 million yen. This change was primarily due to increases of 698 million yen in cash and deposits, 312 million yen in inventories, and 289 million yen in notes and accounts receivable-trade.

(Liabilities)

Liabilities as of December 31, 2021 were up 478 million yen from March 31, 2021 to 2,975 million yen. This change was chiefly due to increases of 205 million yen in long-term borrowings, 114 million yen in accounts payable-trade, and 86 million yen in income taxes payable.

(Net assets)

Net assets as of December 31, 2021 were up 917 million yen from March 31, 2021 to 13,115 million yen. This change was mainly due to the recording of 963 million yen in profit attributable to owners of parent and a 59 million yen increase in foreign currency translation adjustment, despite a 128 million yen decrease in retained earnings due to the payment of dividends.

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

The Company's financial results forecast has been revised from the forecast announced on May 14, 2021. For further details, please refer to "Notice of Revisions to Earnings and Year-end Dividend Forecasts" released today (February 10, 2022).

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

	(Thousands of yen)	
	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Nine months ended December 31, 2021 (as of December 31, 2021)
Assets		
Current assets		
Cash and deposits	7,342,853	8,041,216
Notes and accounts receivable - trade	1,321,992	1,611,948
Electronically recorded monetary claims - operating	16,709	79,346
Inventories	1,801,579	2,114,122
Other	85,595	127,690
Total current assets	10,568,730	11,974,324
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,492,988	1,441,905
Land	1,125,607	1,125,607
Other, net	287,602	231,946
Total property, plant and equipment	2,906,199	2,799,460
Intangible assets		
Other	205,053	289,078
Total intangible assets	205,053	289,078
Investments and other assets		
Investment securities	411,383	396,483
Deferred tax assets	439,481	460,963
Other	172,558	179,123
Allowance for doubtful accounts	(8,680)	(8,680)
Total investments and other assets	1,014,743	1,027,890
Total non-current assets	4,125,996	4,116,428
Total assets	14,694,726	16,090,753

	(Thousands of yen)	
	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Nine months ended December 31, 2021 (as of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable – trade	468,338	582,525
Income taxes payable	231,658	317,889
Provision for bonuses	175,749	97,233
Other	506,365	595,617
Total current liabilities	1,382,112	1,593,265
Non-current liabilities		
Long-term borrowings	—	205,603
Deferred tax liabilities	965	1,404
Provision for retirement benefits for directors (and other officers)	8,765	9,770
Retirement benefit liability	1,035,616	1,083,726
Other	69,206	81,536
Total non-current liabilities	1,114,552	1,382,040
Total liabilities	2,496,665	2,975,305
Net assets		
Shareholders' equity		
Share capital	1,154,418	1,154,418
Capital surplus	982,960	986,618
Retained earnings	10,160,882	10,995,305
Treasury shares	(52,202)	(37,774)
Total shareholders' equity	12,246,058	13,098,567
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	99,568	88,693
Foreign currency translation adjustment	(38,752)	20,352
Remeasurements of defined benefit plans	(122,820)	(108,419)
Total accumulated other comprehensive income	(62,004)	626
Non-controlling interests	14,006	16,253
Total net assets	12,198,060	13,115,447
Total liabilities and net assets	14,694,726	16,090,753

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

Consolidated Statement of Income

	(Thousands of yen)	
	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)
Net sales	6,935,247	8,747,611
Cost of sales	3,750,847	4,452,863
Gross profit	3,184,399	4,294,747
Selling, general and administrative expenses	2,550,322	2,935,773
Operating profit	634,077	1,358,973
Non-operating income		
Interest income	1,173	164
Dividend income	1,655	1,967
Insurance claim income	1,674	1,323
Foreign exchange gains	—	10,093
Subsidy income	6,184	1,995
Other	1,502	2,672
Total non-operating income	12,190	18,215
Non-operating expenses		
Interest expenses	—	312
Loss on sale of notes receivable - trade	130	159
Sales discounts	2,019	—
Foreign exchange losses	4,185	—
Loss on cancellation of insurance policies	—	1,371
Restricted stock-related expenses	3,069	3,016
Share of loss of entities accounted for using equity method	4,548	148
Other	408	—
Total non-operating expenses	14,361	5,009
Ordinary profit	631,906	1,372,180
Extraordinary income		
Gain on sale of investment securities	—	39,000
Total extraordinary income	—	39,000
Extraordinary losses		
Loss on retirement of non-current assets	0	154
Total extraordinary losses	0	154
Profit before income taxes	631,906	1,411,026
Income taxes	212,155	446,235
Profit	419,751	964,791
Profit (loss) attributable to non-controlling interests	(1,037)	1,479
Profit attributable to owners of parent	420,788	963,311

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)
Profit	419,751	964,791
Other comprehensive income		
Valuation difference on available-for-sale securities	18,806	(10,875)
Foreign currency translation adjustment	(18,586)	47,062
Remeasurements of defined benefit plans, net of tax	15,480	14,401
Share of other comprehensive income of entities accounted for using equity method	(5,934)	12,808
Total other comprehensive income	9,765	63,397
Comprehensive income	429,516	1,028,188
(Breakdown)		
Comprehensive income attributable to owners of parent	431,190	1,025,941
Comprehensive income attributable to non-controlling interests	(1,673)	2,247

(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.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

We have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020), etc. since the beginning of the first quarter of the current consolidated fiscal year. Based on this standard, revenue is recognized at the time the control of promised goods or services is transferred to the customer, and at the amount expected to be received in exchange for such goods or services.

The application of the Accounting Standard for Revenue Recognition, etc. does not affect our earnings results or segment information.

The application of the said standard, etc. is in line with the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. It has no impact on the balance of retained earnings at the beginning of the consolidated fiscal year.

Further, in accordance with the transitional treatment stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 31, 2020), information on the breakdown of revenue generated from contracts with customers in the first nine months of the previous consolidated fiscal year is not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

We have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019), etc. since the beginning of the first quarter of the current consolidated fiscal year. Further, in accordance with the transitional treatment outlined in Paragraph 19 of the said standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), we have decided to continue to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. in the future. The change has no impact on our quarterly consolidated financial statements.

(Business combinations)

(Acquisition of a company through share purchase)

The Board of Directors of Suzumo Machinery resolved at its meeting held on September 10, 2021 to acquire all shares in Japan System Project Co., Ltd. (hereinafter "JSP") and make the entity a consolidated subsidiary of the Company. On the same day, we concluded a share transfer agreement with JSP. The share transfer process based on this agreement has been completed on October 1, 2021.

Summary of share acquisition

(1) Name and business of the acquired company

Name: Japan System Project Co., Ltd.

Business: Development and sales of systems for the restaurant service operators

(2) Purpose of the business combination

On November 19, 2019, Suzumo Machinery unveiled a five-year medium-term management plan entitled "Growth 2025," which positions the "development of new growth-driver areas and businesses" as one of the priority measures.

With the acquisition of JSP shares, we will leverage JSP's communication network technology and its end-consumer-oriented products and services, and aim to develop new products and services that realize labor-saving and efficiency not only in the kitchens of restaurants, but also in their dining areas. Suzumo Machinery thus far pursued preparation efficiency and deliciousness through stand-alone machines. Going forward, we will seek to offer total solutions to restaurants by linking multiple hardware and integrating software. By doing so, we hope to provide new added value to business operators and end consumers.

(3) Date of business combination

October 1, 2021 (date of share acquisition)

December 31, 2021 (deemed acquisition date)

(4) Legal form of business combination

Acquisition of shares

(5) Name of the company after the business combination

There is no change in the company name.

(6) Percentage of voting rights acquired

100%

(7) Main reason for determining the acquired company

The Company acquired shares in compensation for cash.

Period of the acquired company's business results included in the quarterly consolidated financial statements

Since the deemed acquisition date is December 31, 2021, only the balance sheet has been consolidated and the business results of the acquired company are not included in the quarterly consolidated statement of income for the first nine months ended December 31, 2021.

Breakdown of acquisition cost for the acquired company and each type of payment

This information is not disclosed due to the Company's obligation to maintain confidentiality pursuant to the provisions of the share transfer agreement.

Amount of goodwill that arose, reasons for incidence, and amortization method and period

(1) Amount of goodwill that arose

44,068 thousand yen

(2) Reasons for incidence

Goodwill reflects the excess earnings power expected going forward from the business's future development.

(3) Amortization method and period

The Company plans to amortize goodwill using the straight-line method over the period in which the benefits of investment accrue. The amortization period is currently being calculated.