

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

November 12, 2021

Company name: Suzumo Machinery Co., Ltd.
 Listing: Tokyo Stock Exchange
 Stock code: 6405
 URL: <http://www.suzumokikou.com/>
 Representative: Minako Suzuki, President
 Contact: Toru Shiga, Executive Officer and General Manager of Administration Division
 Phone: +81-3-3993-1371
 Scheduled date to file quarterly report: November 12, 2021
 Scheduled date for dividend payment: —
 Supplementary materials for quarterly financial statements: Yes
 Results briefing to be held: Yes

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

1. Consolidated financial results for the six months ended September 30, 2021 (April 1, 2021 to September 30, 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	%
Six months ended								
September 30, 2021	5,201	21.4	634	252.0	650	264.6	475	306.3
September 30, 2020	4,284	-8.0	180	-57.5	178	-58.0	117	-27.6

(Note) Comprehensive income: Six months ended September 30, 2021: 564 million yen (301.1%)
 Six months ended September 30, 2020: 140 million yen (16.5%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2021	73.75	—
September 30, 2020	18.10	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2021	15,343	12,651	82.4
March 31, 2021	14,694	12,198	82.9

(Reference) Shareholders' equity: As of September 30, 2021: 12,635 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	0.00	—	20.00	20.00
Fiscal year ending March 31, 2022	—	0.00			
Fiscal year ending March 31, 2022 (forecast)			—	20.00	20.00

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

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	10,000	5.4	930	1.2	930	1.0	630	-7.8	97.76

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

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): | |
| September 30, 2021: | 6,480,000 shares |
| March 31, 2021: | 6,480,000 shares |
| 2) Total number of treasury shares at the end of the period: | |
| September 30, 2021: | 27,213 shares |
| March 31, 2021: | 35,598 shares |
| 3) Average number of shares outstanding during the period: | |
| Six months ended September 30, 2021: | 6,447,942 shares |
| Six months ended September 30, 2020: | 6,465,408 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 six months of the fiscal year ending March 31, 2022 (April 1, 2021-September 30, 2021), the Japanese economy showed clear signs of polarization in corporate business sentiment. In the manufacturing industry, business sentiment improved thanks to an increase in exports fueled by the recovery of overseas economies, among other factors. In the non-manufacturing industries, however, services severely affected by COVID-19 such as those targeting individuals as well as lodging and restaurant services suffered significantly.

At present, vaccination against COVID-19 is making steady progress, giving momentum to the relaxation of activity restrictions, and consumer spending is expected to recover going forward in line with gradual recovery of the employment and income environment.

Under such circumstances, during the six months ended September 30, 2021, Suzumo Machinery's manufacturing operations were affected by the global shortages of semiconductor and material supplies, but demand for our products trended at a very high level, as the food service and retail industries advanced their laborsaving initiatives at an accelerated pace. In the domestic market, although demand associated with eating out remained weak due to prolonged administration of the Japanese government's state of emergency and priority preventative measures, takeout and delivery demand expanded. With the added contribution of laborsaving initiatives, replacement demand for our sushi machines at major conveyor belt sushi chains grew, as did demand for sushi machines suited for preparing takeout sushi. The Fuwarica rice-serving machine also captured demand from new customers for use in hotels, Japanese-style inns, and company cafeterias. Consequently, domestic sales increased year on year.

Overseas, the need for laborsaving heightened even further as labor shortages intensified amid progress in normalization of economic activities. By region, demand for our sushi machines grew substantially among food service operators and supermarkets in North America and Europe, driving significant increase in overseas sales year on year.

As a result, net sales in the six months ended September 30, 2021 stood at 5,201 million yen (+21.4% YoY), marking considerable growth from a year ago. Of the total, domestic sales were 3,391 million yen (+1.7% YoY) and overseas sales were 1,810 million yen (+90.5% YoY).

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

	Six months ended September 30, 2020		Six months ended September 30, 2021		Amount of change	Percentage change
	Millions of yen	% of net sales	Millions of yen	% of net sales	Millions of yen	%
Net sales	4,284	100.0	5,201	100.0	917	21.4
Domestic	3,333	77.8	3,391	65.2	57	1.7
Overseas	950	22.2	1,810	34.8	860	90.5
Gross profit	1,920	44.8	2,561	49.3	641	33.4
Operating profit	180	4.2	634	12.2	454	252.0
Ordinary profit	178	4.2	650	12.5	471	264.6
Profit attributable to owners of parent	117	2.7	475	9.1	358	306.3

On the profit front, all profit lines increased significantly year on year on the back of growth in net sales. Gross profit was up 33.4% to 2,561 million yen, operating profit increased 252.0% to 634 million yen, and ordinary profit rose 264.6% to 650 million yen. Profit attributable to owners of parent soared 306.3% year on year to 475 million yen due to the recording of 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 September 30, 2021 were up 648 million yen from March 31, 2021 to 15,343 million yen. This change was primarily due to increases of 670 million yen in cash and deposits and 40 million yen in investment securities, partially offset by decreases of 36 million yen in buildings and structures (net) and 248 million in notes and accounts receivable-trade.

(Liabilities)

Liabilities as of September 30, 2021 were up 195 million yen from March 31, 2021 to 2,691 million yen. This change was primarily due to a 33 million yen decrease in accounts payable-other (included in "Other" under current liabilities), and a 123 million yen increase in provision for bonuses.

(Net assets)

Net assets as of September 30, 2021 were up 453 million yen from March 31, 2021 to 12,651 million yen. This change was primarily due to the recording of 475 million yen in profit attributable to owners of parent and a 128 million yen decline in retained earnings due to dividend payment. An increase of 29 million yen in valuation difference on available-for-sale securities was another contributing factor.

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

The Company's financial results forecast is based on information currently available, and actual results could differ from the projections herein depending on various factors that may surface in the future. No change has been made to the forecast since its announcement on May 14, 2021.

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)	Six months ended September 30, 2021 (as of September 30, 2021)
Assets		
Current assets		
Cash and deposits	7,342,853	8,013,487
Notes and accounts receivable - trade	1,321,992	1,073,929
Electronically recorded monetary claims - operating	16,709	45,762
Inventories	1,801,579	2,003,810
Other	85,595	117,746
Total current assets	10,568,730	11,254,736
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,492,988	1,456,398
Land	1,125,607	1,125,607
Other, net	287,602	247,294
Total property, plant and equipment	2,906,199	2,829,300
Intangible assets	205,053	220,638
Investments and other assets		
Investment securities	411,383	451,444
Deferred tax assets	439,481	431,126
Other	172,558	165,085
Allowance for doubtful accounts	(8,680)	(8,680)
Total investments and other assets	1,014,743	1,038,976
Total non-current assets	4,125,996	4,088,916
Total assets	14,694,726	15,343,653

(Thousands of yen)

	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Six months ended September 30, 2021 (as of September 30, 2021)
Liabilities		
Current liabilities		
Accounts payable – trade	468,338	462,530
Income taxes payable	231,658	230,376
Provision for bonuses	175,749	299,424
Other	506,365	557,742
Total current liabilities	1,382,112	1,550,072
Non-current liabilities		
Deferred tax liabilities	965	652
Provision for retirement benefits for directors (and other officers)	8,765	9,435
Retirement benefit liability	1,035,616	1,062,062
Other	69,206	69,713
Total non-current liabilities	1,114,552	1,141,863
Total liabilities	2,496,665	2,691,936
Net assets		
Shareholders' equity		
Share capital	1,154,418	1,154,418
Capital surplus	982,960	986,618
Retained earnings	10,160,882	10,507,499
Treasury shares	(52,202)	(37,632)
Total shareholders' equity	12,246,058	12,610,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	99,568	128,756
Foreign currency translation adjustment	(38,752)	9,243
Remeasurements of defined benefit plans	(122,820)	(113,219)
Total accumulated other comprehensive income	(62,004)	24,780
Non-controlling interests	14,006	16,032
Total net assets	12,198,060	12,651,716
Total liabilities and net assets	14,694,726	15,343,653

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

Consolidated Statement of Income

(Thousands of yen)

	Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)
Net sales	4,284,002	5,201,787
Cost of sales	2,363,680	2,639,812
Gross profit	1,920,322	2,561,974
Selling, general and administrative expenses	1,739,952	1,927,105
Operating profit	180,369	634,869
Non-operating income		
Interest income	813	108
Dividend income	1,101	1,244
Foreign exchange gains	—	10,472
Share of profit of entities accounted for using equity method	—	1,442
Insurance claim income	1,674	1,323
Subsidy income	4,380	1,993
Other	915	1,562
Total non-operating income	8,885	18,146
Non-operating expenses		
Interest expenses	—	135
Loss on sale of notes receivable - trade	49	100
Sales discounts	1,299	—
Foreign exchange losses	3,585	—
Restricted stock-related expenses	2,795	2,473
Share of loss of entities accounted for using equity method	2,772	—
Other	382	0
Total non-operating expenses	10,884	2,708
Ordinary profit	178,370	650,307
Extraordinary income		
Gain on sale of investment securities	—	39,000
Total extraordinary income	—	39,000
Extraordinary losses		
Loss on retirement of non-current assets	—	21
Total extraordinary losses	—	21
Profit before income taxes	178,370	689,286
Income taxes	62,340	212,517
Profit	116,030	476,768
Profit (loss) attributable to non-controlling interests	(1,013)	1,263
Profit attributable to owners of parent	117,044	475,504

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)
Profit	116,030	476,768
Other comprehensive income		
Valuation difference on available-for-sale securities	25,337	29,188
Foreign currency translation adjustment	(10,989)	37,837
Remeasurements of defined benefit plans, net of tax	10,320	9,600
Share of other comprehensive income of entities accounted for using equity method	—	10,920
Total other comprehensive income	24,668	87,547
Comprehensive income	140,699	564,315
(Breakdown)		
Comprehensive income attributable to owners of parent	142,346	562,289
Comprehensive income attributable to non-controlling interests	(1,646)	2,025

(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 six 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.

(Subsequent material events)

(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 share acquisition

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 laborsaving 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 share acquisition

October 1, 2021

(4) Percentage of voting rights acquired

100%

(5) Acquisition price of the acquired company

We refrain from disclosing the acquisition price due to our obligation to maintain confidentiality as per the provisions of the share transfer agreement.