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MEMBERSHIP

December 26, 2022

Consolidated Financial Results for the Nine Months Ended November 20, 2022 (Under Japanese GAAP)

Company name: ZUIKO Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 6279
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 Scheduled date to file quarterly securities report: December 28, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended November 20, 2022 (from February 21, 2022 to November 20, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	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								
November 20, 2022	15,717	2.0	489	(59.8)	910	(36.9)	1,463	50.5
November 20, 2021	15,408	7.4	1,216	36.8	1,443	58.5	971	36.8

Note: Comprehensive income For the nine months ended November 20, 2022: ¥3,102 million [66.0%]
 For the nine months ended November 20, 2021: ¥1,869 million [303.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
November 20, 2022	55.58	55.32
November 20, 2021	36.98	36.77

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
November 20, 2022	52,682	32,887	62.3	1,245.10
February 20, 2022	50,213	30,055	59.6	1,138.92

Reference: Equity As of November 20, 2022: ¥32,804 million
 As of February 20, 2022: ¥29,941 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 20, 2022	–	6.20	–	10.00	16.20
Fiscal year ending February 20, 2023	–	8.10	–		
Fiscal year ending February 20, 2023 (Forecast)				8.10	16.20

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending February 20, 2023 (from February 21, 2022 to February 20, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 20, 2023	26,400	12.0	2,126	(0.9)	2,237	(7.6)	1,575	(9.3)	59.91

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 of the Attached Material.

(4) Number of issued shares (common shares)

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

As of November 20, 2022:	28,800,000 shares
As of February 20, 2022:	28,800,000 shares

(ii) Number of treasury shares at the end of the period

As of November 20, 2022:	2,452,888 shares
As of February 20, 2022:	2,510,688 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 20, 2022	26,327,845 shares
Nine months ended November 20, 2021	26,282,712 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to achieve the stated performance. Actual business and other results may differ substantially due to various factors.

For matters related to the above earnings forecasts, please refer to “1. Qualitative Information on the Quarterly Financial Results for the Period under Review (3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information” on page 3 of the Attached Material.

Attached Material

- 1. Qualitative Information on the Quarterly Financial Results for the Period under Review 2
 - (1) Explanation of Operating Results 2
 - (2) Explanation of Financial Position 2
 - (3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information 3
- 2. Quarterly Consolidated Financial Statements and Key Notes..... 4
 - (1) Quarterly consolidated balance sheet..... 4
 - (2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income 6
 - Quarterly consolidated statement of income (cumulative) 6
 - Quarterly consolidated statement of comprehensive income (cumulative) 7
 - (3) Notes to Quarterly Consolidated Financial Statements 8
 - (Notes on Going Concern Assumption)..... 8
 - (Notes on Significant Changes in the Amount of Shareholders' Equity)..... 8
 - (Changes in Accounting Policies)..... 8
 - (Additional Information)..... 9

1. Qualitative Information on the Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the period under review (February 21, 2022 to November 20, 2022), the business environment was marked by various continuing events that have a significant impact on international and financial conditions, including the transition to a new phase of living with COVID-19, the situation in Ukraine, the tight financial environment overseas, inflationary pressure, the Japanese yen reaching the weakest level in exchange markets in 32 years, and foreign exchange intervention by the Bank of Japan. As a result, the economic outlook remained uncertain.

Under these business conditions, the Group achieved the following consolidated operating results due to capturing domestic demand and aggressively expanding in the main markets of North America, Europe and Asia, as well as due to the rising demand for adult disposable diapers.

Net sales for the period under review were 15,717 million yen (up 2.0% YoY).

Net sales by major product were as follows. Adult disposable diaper mfg. machinery: 6,753 million yen (up 258.3% YoY), baby disposable diaper mfg. machinery: 5,303 million yen (down 40.9% YoY), parts: 1,628 million yen (up 34.6% YoY), sanitary napkin mfg. machinery: 1,041 million yen (down 47.7% YoY), and other machinery: 642 million yen (down 36.2% YoY).

In terms of profits, compared to the same period of the previous fiscal year, operating profit decreased to 489 million yen (down 59.8% YoY) due to an increase in cost of sales mainly due to a spike in prices of raw materials and the devaluation of the Japanese yen, an increase in research and development expenses to 581 million yen (up 77.0% YoY), legal costs associated with a civil suit at ZUIKO (Shanghai) Corporation, and other factors that weighed down on profits.

In addition, profit attributable to owners of parent increased to 1,463 million yen (up 50.5% YoY), owing partly to foreign exchange gains due to the devaluation of the Japanese yen, the recording of gain on sale of investment securities, and the recording of extraordinary income associated with the receipt of a settlement in a civil suit at ZUIKO (Shanghai) Corporation.

In terms of the environment for orders, in addition to a recovery trend in capital investment, there was rising demand for adult disposable diapers, and orders received during the period under review were 19,712 million yen and backlogs at the end of the third quarter of the current fiscal year were 21,438 million yen.

The Group is engaged in the manufacture of general industrial machinery and equipment, including sanitary napkin mfg. machinery and disposable diaper mfg. machinery, as well as other businesses. However, segment information is omitted because other businesses account for only a small percentage of all segments and are not significant in terms of disclosure information.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year (as of November 20, 2022) were 52,682 million yen, up 2,469 million yen from the end of the previous fiscal year. While electronically recorded monetary claims - operating decreased by 1,480 million yen, cash and deposits decreased by 287 million yen, construction in progress decreased by 241 million yen, and investment securities decreased by 160 million yen, notes and accounts receivable - trade, and contract assets increased by 3,797 million yen, buildings and structures increased by 581 million yen, and work in process increased by 529 million yen.

As stated in 2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies) "Application of Accounting Standard for Revenue Recognition, Etc.," the Company has reclassified "notes and accounts receivable - trade," presented under "current assets" on the consolidated balance sheet for the previous fiscal year, as "notes and accounts receivable - trade, and contract assets" from the first quarter of the current fiscal year, due to the application of the Accounting Standard for Revenue Recognition, etc.

Total liabilities decreased by 362 million yen from the end of the previous fiscal year to 19,795 million yen. While notes and accounts payable - trade increased by 730 million yen and electronically recorded obligations - operating increased by 324 million yen, income taxes payable decreased by 579 million yen and long-term borrowings decreased by 250 million yen.

As stated in 2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies) "Application of Accounting Standard for

Revenue Recognition, Etc.,” the Company has reclassified “advances received,” presented under “current liabilities” on the consolidated balance sheet for the previous fiscal year, as “contract liabilities” from the first quarter of the current fiscal year, due to the application of the Accounting Standard for Revenue Recognition, etc.

Total net assets increased by 2,831 million yen from the end of the previous fiscal year to 32,887 million yen. Foreign currency translation adjustment increased by 1,693 million yen and retained earnings increased by 1,178 million yen.

(3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information

With regard to consolidated financial forecasts, although performance has been affected by delays to production activities in Japan caused by prolonged semiconductor shortages and the impact on production activities at consolidated subsidiary ZUIKO (Shanghai) Corporation from lockdowns associated with an increase in new COVID-19 cases in Shanghai, China, in production plans for the second half of the fiscal year, the Company expects to be able to recover from the impact on production activities in the first half of the fiscal year. Accordingly, the Company has made no change to the forecast of consolidated financial results announced on April 5, 2022. Should it become necessary to revise these forecasts based on changes in business conditions, the Company will promptly disclose these revisions.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of February 20, 2022	As of November 20, 2022
Assets		
Current assets		
Cash and deposits	13,852,559	13,565,079
Notes and accounts receivable - trade	4,839,678	–
Notes and accounts receivable - trade, and contract assets	–	8,637,066
Electronically recorded monetary claims - operating	2,624,365	1,144,160
Merchandise and finished goods	95,081	121,601
Work in process	6,736,832	7,266,044
Raw materials and supplies	1,609,164	1,539,921
Other	1,459,767	1,273,998
Allowance for doubtful accounts	(76,647)	(12,152)
Total current assets	31,140,802	33,535,719
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,206,748	8,788,532
Machinery, equipment and vehicles, net	1,018,108	974,096
Land	6,057,847	6,073,524
Leased assets, net	13,709	11,191
Construction in progress	398,080	156,886
Other, net	551,912	516,253
Total property, plant and equipment	16,246,407	16,520,485
Intangible assets	816,571	779,778
Investments and other assets		
Investment securities	1,569,229	1,408,901
Retirement benefit asset	11,497	19,287
Other	428,711	418,081
Total investments and other assets	2,009,438	1,846,270
Total non-current assets	19,072,416	19,146,534
Total assets	50,213,219	52,682,254

(Thousands of yen)

	As of February 20, 2022	As of November 20, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,738,117	2,468,819
Current portion of long-term borrowings	250,000	250,000
Electronically recorded obligations - operating	2,672,542	2,996,836
Lease obligations	4,185	10,038
Income taxes payable	756,735	177,272
Advances received	4,630,786	–
Contract liabilities	–	4,699,363
Provision for bonuses	296,090	322,964
Provision for bonuses for directors (and other officers)	32,800	24,300
Provision for product warranties	65,515	68,953
Asset retirement obligations	31,731	–
Other	1,410,356	830,317
Total current liabilities	11,888,861	11,848,866
Non-current liabilities		
Bonds payable	5,000,000	5,000,000
Long-term borrowings	2,750,000	2,500,000
Asset retirement obligations	28,161	27,142
Lease obligations	12,406	11,202
Long-term accounts payable - other	471,255	406,772
Other	6,882	1,080
Total non-current liabilities	8,268,705	7,946,197
Total liabilities	20,157,566	19,795,063
Net assets		
Shareholders' equity		
Share capital	1,888,510	1,888,510
Capital surplus	2,765,633	2,796,882
Retained earnings	25,015,764	26,194,644
Treasury shares	(591,929)	(578,292)
Total shareholders' equity	29,077,978	30,301,744
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	914,729	861,427
Revaluation reserve for land	(1,165,229)	(1,165,229)
Foreign currency translation adjustment	1,111,990	2,805,071
Remeasurements of defined benefit plans	1,921	1,855
Total accumulated other comprehensive income	863,410	2,503,124
Share acquisition rights	114,263	82,321
Total net assets	30,055,652	32,887,190
Total liabilities and net assets	50,213,219	52,682,254

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Thousands of yen)

	Nine months ended November 20, 2021	Nine months ended November 20, 2022
Net sales	15,408,436	15,717,485
Cost of sales	11,924,056	12,323,467
Gross profit	3,484,380	3,394,017
Selling, general and administrative expenses	2,267,790	2,904,675
Operating profit	1,216,589	489,342
Non-operating income		
Interest income	94,229	92,613
Dividend income	31,969	24,314
Foreign exchange gains	58,723	321,488
Insurance claim income	30,776	–
Other	35,403	32,174
Total non-operating income	251,101	470,590
Non-operating expenses		
Interest expenses	4,687	14,689
Interest on bonds	18,049	18,049
Depreciation	–	10,032
Other	1,329	6,356
Total non-operating expenses	24,066	49,128
Ordinary profit	1,443,625	910,804
Extraordinary income		
Gain on sale of non-current assets	2,900	1,924
Gain on sale of investment securities	–	213,168
Settlement received	–	788,130
Total extraordinary income	2,900	1,003,222
Extraordinary losses		
Loss on sale of non-current assets	–	3,498
Loss on retirement of non-current assets	7,818	3,662
Total extraordinary losses	7,818	7,160
Profit before income taxes	1,438,707	1,906,865
Income taxes - current	599,286	562,647
Income taxes - deferred	(132,501)	(118,961)
Total income taxes	466,784	443,685
Profit	971,922	1,463,180
Profit attributable to owners of parent	971,922	1,463,180

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended November 20, 2021	Nine months ended November 20, 2022
Profit	971,922	1,463,180
Other comprehensive income		
Valuation difference on available-for-sale securities	105,243	(53,301)
Foreign currency translation adjustment	792,801	1,693,080
Remeasurements of defined benefit plans, net of tax	(862)	(65)
Total other comprehensive income	897,181	1,639,713
Comprehensive income	1,869,104	3,102,893
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,869,104	3,102,893
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

No applicable matter.

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

No applicable matter.

(Changes in Accounting Policies)

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

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard") and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received in exchange for said goods or services.

The Company previously applied the percentage-of-completion method to recognize revenue from the manufacture, etc. of machinery and equipment for which the outcome was deemed certain, and the completed contract method or shipment basis to recognize other revenue. The Company now recognizes revenue associated with performance obligations that are satisfied over time by estimating the degree of progress in satisfying these performance obligations, and recognizing revenue over time in accordance with the degree of progress. For contracts where the Company's performance obligations are satisfied at a single point in time, the Company now recognizes revenue when the performance obligations are satisfied. The Company calculates the proportion of costs actually incurred to total construction costs (the input method) to estimate the degree of progress in satisfying performance obligations.

In cases where it is not possible to reasonably estimate the degree of progression satisfying performance obligations, but where the Company expects to recover the costs incurred in satisfying the relevant performance obligations, the Company applies the cost recovery method for revenue recognition until it becomes possible to reasonably estimate the degree of progress in satisfying performance obligations. However, the Company applies alternative treatment for construction contracts, etc. where the period from the commencement of transactions to the time when all performance obligations are expected to be satisfied is extremely short. In these cases, the Company recognizes revenue when all the relevant performance obligations are satisfied, instead of over time.

The Company has applied the Revenue Recognition Accounting Standard, etc. in accordance with the transitional treatment provided for in the proviso to paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the cumulative effect of the retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy is applied from the said beginning balance.

As a result, for the period under review, net sales and cost of sales were 1,188,876 thousand yen and 894,011 thousand yen, respectively, higher than without the application of the new accounting policy. Operating profit, ordinary profit, and profit before income taxes were each 294,865 thousand yen higher than without the application of the new accounting policy. The balance of retained earnings at the beginning of the period was 192,004 thousand yen higher than without the application of the new accounting policy.

Due to the application of the Revenue Recognition Accounting Standard, etc., "notes and accounts receivable-trade" presented under "current assets" on the consolidated balance sheet as of the end of the previous fiscal year have been included in "notes and accounts receivable - trade, and contract assets" from the first quarter of the current fiscal year. "Advances received" presented under "current liabilities" on the consolidated balance sheet as of the end of the previous fiscal year have been included in "contract liabilities" from the first quarter of the current fiscal year.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new presentation method. Furthermore, the information on disaggregation of revenue from contracts with customers during the first nine months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020).

(Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has had no effect on the quarterly consolidated financial statements.

(Additional Information)

(Accounting estimate for the impact of COVID-19)

No material change has been made to the assumptions used in the accounting estimate for the impact of COVID-19 presented under (Additional Information) in the Annual Securities Report for the previous fiscal year.