

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2024 (JGAAP)

August 10, 2023

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, 2023
 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, 2023 (April 1, 2023 to June 30, 2023)

(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, 2023	3,262	3.9	175	-31.9	180	-32.3	128	-16.3
June 30, 2022	3,141	14.5	257	-29.2	266	-28.9	153	-45.8

(Note) Comprehensive income: Three months ended June 30, 2023: 143 million yen (-37.7%)

Three months ended June 30, 2022: 231 million yen (-29.9%)

	Earnings per share	Diluted earnings per share
Three months ended June 30, 2023	Yen 9.97	Yen —
June 30, 2022	11.93	—

(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
As of	Millions of yen	Millions of yen	%
June 30, 2023	17,070	13,653	79.8
March 31, 2023	17,033	13,716	80.4

(Reference) Shareholders' equity: As of June 30, 2023: 13,627 million yen

As of March 31, 2023: 13,691 million yen

2. Dividends

	Annual dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal year ended March 31, 2023	Yen —	Yen 15.00	Yen —	Yen 16.00	Yen 31.00
Fiscal year ending March 31, 2024	—	—	—	—	—
Fiscal year ending March 31, 2024 (forecast)	—	15.00	—	16.00	31.00

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

3. Consolidated earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)
(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
Six months ending September 30, 2023	6,960	9.6	330	-24.4	335	-28.6	220	-42.0	17.02
Full-year	15,000	11.5	1,500	24.6	1,505	32.1	1,020	23.5	78.88

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

Notes:

(1) Changes in significant subsidiaries during the period under review: None

(changes in specified subsidiaries resulting in a change in the scope of consolidation)

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 9, "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, 2023: 12,960,000 shares

March 31, 2023: 12,960,000 shares

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

June 30, 2023: 34,574 shares

March 31, 2023: 34,014 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2023: 12,925,846 shares

Three months ended June 30, 2022: 12,902,425 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, 2024 (April 1, 2023–June 30, 2023), the Japanese economy recovered moderately, reflecting a recovery in business sentiment in the manufacturing sector and an improvement in business sentiment in consumer-related industries in the non-manufacturing sector, particularly in the accommodation and food services sector. In particular, consumer spending remained on a recovery trend due to the expansion of service consumption, including eating out and travel, as a result of the resurgence of various events and the revitalization of the movement of people.

As for the economic outlook, a moderate recovery is expected to continue, led by consumer spending, capital investment, and inbound demand.

Under these circumstances, during the first three months of the fiscal year ending March 31, 2024, the movements toward mechanization and labor saving continued in the restaurant and retail industries, and product demand remained firm. The impact on production activities due to the semiconductor and material supply shortage, which had continued since the year before last, has largely disappeared in the first quarter of the fiscal year ending March 31, 2024.

In Japan, the business environment remained difficult for the restaurant and retail industries due to soaring raw material and energy prices, but product demand remained strong due to the shift of COVID-19 to Class 5 in May 2023, recovery of inbound demand, and the continued labor-saving moves amid an ongoing labor shortage. By business category, domestic sales rose year on year, driven by demand for replacing sushi robots from major conveyor-belt sushi chains, as well as increased product demand for Fuwarica rice serving machines from restaurants and cafeterias, hotels, inns, and school meal service businesses.

Overseas, although mechanization and labor saving continued due to the intensified labor shortage and rising labor costs in the restaurant and retail industries, demand for our products decreased on a decline in business operators' appetite for capital investment against the backdrop of inflation and the tightening of financial conditions centered on the United States and Europe, and geopolitical risks related to the situation in Ukraine. By region, in East and Southeast Asia, food service demand continued to recover, and demand for products increased as Japanese companies expanded overseas. In Europe, however, overseas sales were lower year on year due to a decline in demand for products owing to factors such as the cancellation or postponement of capital investment plans as businesses continue to be affected by soaring energy prices and worsening supply concerns caused by the situation in the Ukraine.

As a result, net sales for the first quarter of the fiscal year ending March 31, 2024 totaled 3,262 million yen (+3.9% YoY). Of the total, domestic sales were 2,352 million yen (+15.4% YoY), and overseas sales came to 909 million yen (-17.5% YoY).

Summary of results in the first three months of the fiscal year ending March 31, 2024

	Three months ended June 30, 2022		Three months ended June 30, 2023		Amount of change	Percentage change
	Millions of yen	% of net sales	Millions of yen	% of net sales	Millions of yen	%
Net sales	3,141	100.0	3,262	100.0	121	3.9
Domestic	2,039	64.9	2,352	72.1	313	15.4
Overseas	1,102	35.1	909	27.9	-192	-17.5
Gross profit	1,497	47.7	1,527	46.8	29	2.0
Operating profit	257	8.2	175	5.4	-82	-31.9
Ordinary profit	266	8.5	180	5.5	-86	-32.3
Profit attributable to owners of parent	153	4.9	128	3.9	-25	-16.3

Gross profit rose to 1,527 million yen (+2.0% YoY) due to an increase in sales. Operating profit decreased to 175 million yen (-31.9% YoY) due to an increase in SG&A expenses, chiefly due to an increase in labor costs associated with the establishment of a foundation for business growth in the previous fiscal year; an increase in rent due to the relocation of the head office; an increase in travel expenses, mainly for overseas business trips due to the relaxation of COVID-related restrictions; and investment in product development, despite a decrease in packing and transportation expenses due to a decrease in overseas sales and stabilization of the rise in logistics costs. Ordinary profit was 180 million yen (-32.3% YoY). Profit attributable to owners of parent decreased to 128 million yen (-16.3% YoY) although the decrease was lessened by the impact of 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 in the same quarter of the previous fiscal year.

(2) Explanation of Financial Condition

(Assets)

Total assets as of June 30, 2023 were up 37 million yen from March 31, 2023 to 17,070 million yen. This change was primarily due to increases of 196 million yen in inventories and 194 million yen in non-current assets, despite a 287 million yen decrease in cash and deposits.

(Liabilities)

Liabilities as of June 30, 2023 were up 100 million yen from March 31, 2023 to 3,417 million yen. This change was chiefly due to a 279 million yen increase in accrued expenses included in other current liabilities, despite an 82 million yen decrease in income taxes payable.

(Net assets)

Net assets as of June 30, 2023 were down 62 million yen from March 31, 2023 to 13,653 million yen. This change was mainly due to a 206 million yen decrease in retained earnings due to the payment of dividends, despite increases of 128 million yen in profit attributable to owners of parent and 8 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 12, 2023.

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

	(Thousands of yen)	
	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Three months ended June 30, 2023 (as of June 30, 2023)
Assets		
Current assets		
Cash and deposits	4,865,751	4,578,022
Notes and accounts receivable - trade	1,577,115	1,428,832
Electronically recorded monetary claims - operating	168,167	218,525
Inventories	2,762,466	2,959,305
Other	312,173	344,458
Total current assets	9,685,674	9,529,145
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,578,410	1,558,251
Land	3,664,888	3,664,888
Other, net	725,669	795,893
Total property, plant and equipment	5,968,967	6,019,033
Intangible assets		
Goodwill	33,051	30,847
Other	419,417	557,091
Total intangible assets	452,468	587,938
Investments and other assets		
Investment securities	36,801	39,966
Deferred tax assets	607,053	620,692
Other	289,726	281,397
Allowance for doubtful accounts	(7,680)	(7,680)
Total investments and other assets	925,901	934,377
Total non-current assets	7,347,338	7,541,350
Total assets	17,033,012	17,070,495

	(Thousands of yen)	
	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Three months ended June 30, 2023 (as of June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	504,671	575,773
Current portion of long-term borrowings	60,545	59,109
Income taxes payable	168,848	86,214
Provision for bonuses	204,918	188,257
Other	863,698	990,117
Total current liabilities	1,802,682	1,899,471
Non-current liabilities		
Long-term borrowings	209,969	195,629
Provision for retirement benefits for directors (and other officers)	2,880	3,090
Retirement benefit liability	1,140,102	1,157,192
Other	161,198	161,897
Total non-current liabilities	1,514,150	1,517,808
Total liabilities	3,316,833	3,417,280
Net assets		
Shareholders' equity		
Share capital	1,154,418	1,154,418
Capital surplus	998,054	998,054
Retained earnings	11,476,082	11,398,091
Treasury shares	(20,707)	(20,707)
Total shareholders' equity	13,607,847	13,529,857
Accumulated other comprehensive income		
Foreign currency translation adjustment	181,693	190,650
Remeasurements of defined benefit plans	(98,495)	(93,314)
Total accumulated other comprehensive income	83,197	97,335
Non-controlling interests	25,134	26,022
Total net assets	13,716,179	13,653,215
Total liabilities and net assets	17,033,012	17,070,495

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

Consolidated Statement of Income

	(Thousands of yen)	
	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
Net sales	3,141,058	3,262,082
Cost of sales	1,643,667	1,734,884
Gross profit	1,497,391	1,527,197
Selling, general and administrative expenses	1,239,985	1,351,844
Operating profit	257,406	175,352
Non-operating income		
Interest income	66	326
Dividend income	731	—
Share of profit of entities accounted for using equity method	—	2,939
Foreign exchange gains	10,894	1,611
Other	910	1,354
Total non-operating income	12,602	6,231
Non-operating expenses		
Interest expenses	644	670
Restricted stock-related expenses	691	140
Share of loss of entities accounted for using equity method	1,903	—
Other	49	138
Total non-operating expenses	3,289	948
Ordinary profit	266,719	180,635
Extraordinary income		
Gain on sale of investment securities	160	—
Total extraordinary income	160	—
Extraordinary losses		
Loss on retirement of non-current assets	—	6
Retirement benefits for directors (and other officers)	5,400	—
Loss on extinguishment of tie-in shares	25,441	—
Total extraordinary losses	30,841	6
Profit before income taxes	236,038	180,629
Income taxes	81,576	51,384
Profit	154,461	129,244
Profit attributable to non-controlling interests	509	418
Profit attributable to owners of parent	153,951	128,825

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
Profit	154,461	129,244
Other comprehensive income		
Valuation difference on available-for-sale securities	(275)	—
Foreign currency translation adjustment	61,444	9,199
Remeasurements of defined benefit plans, net of tax	4,907	5,181
Share of other comprehensive income of entities accounted for using equity method	10,511	226
Total other comprehensive income	76,586	14,607
Comprehensive income	231,047	143,851
(Breakdown)		
Comprehensive income attributable to owners of parent	229,244	142,963
Comprehensive income attributable to non-controlling interests	1,803	888

(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.