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MEMBERSHIP

October 2, 2023

Consolidated Financial Results for the Six Months Ended August 20, 2023 (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: October 4, 2023
 Scheduled date to commence dividend payments: November 1, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended August 20, 2023 (from February 21, 2023 to August 20, 2023)

(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	%
Six months ended August 20, 2023	9,964	13.1	211	–	514	–	236	(62.8)
August 20, 2022	8,813	(21.2)	(449)	–	(109)	–	635	(25.3)

Note: Comprehensive income For the six months ended August 20, 2023: ¥1,244 million [(43.9)%]
 For the six months ended August 20, 2022: ¥2,219 million [35.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 20, 2023	8.95	8.93
August 20, 2022	24.15	24.05

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
August 20, 2023	49,924	33,907	67.8	1,281.84
February 20, 2023	49,643	33,088	66.5	1,252.73

Reference: Equity As of August 20, 2023: ¥33,866 million
 As of February 20, 2023: ¥33,007 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, 2023	–	8.10	–	17.10	25.20
Fiscal year ending February 20, 2024	–	10.00			
Fiscal year ending February 20, 2024 (Forecast)			–	10.00	20.00

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

3. Consolidated earnings forecasts for the fiscal year ending February 20, 2024 (from February 21, 2023 to February 20, 2024)

(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, 2024	22,000	(17.0)	1,100	(39.0)	1,450	(34.7)	1,600	(40.0)	60.65

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* **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: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of August 20, 2023:	28,800,000 shares
As of February 20, 2023:	28,800,000 shares

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

As of August 20, 2023:	2,379,652 shares
As of February 20, 2023:	2,451,688 shares

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

Six months ended August 20, 2023:	26,378,851 shares
Six months ended August 20, 2022:	26,318,212 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.

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

(1) Explanation of Operating Results

The Group worked to promote progress in satisfying performance obligations for accepted machinery manufacturing projects aimed at increasing sales and strived to expand sales related to modifications and parts sales, etc. for existing customers. Net sales for the period under review were 9,964 million yen (up 13.1% YoY). This was mainly due to both the Company and ZUIKO (Shanghai) Corporation posting net sales that exceeded those in the same period of the previous fiscal year as the Company made progress in satisfying performance obligations for accepted projects and ZUIKO (Shanghai) Corporation saw improvement from delays in production activities due to lockdowns in the same period of the previous fiscal year.

Net sales by major product were as follows. Adult disposable diaper mfg. machinery: 5,156 million yen (up 77.5% YoY), sanitary napkin mfg. machinery: 1,694 million yen (up 266.8% YoY), baby disposable diaper mfg. machinery: 1,485 million yen (down 57.8% YoY), parts: 1,039 million yen (down 10.1% YoY), and other products: 587 million yen (down 23.2% YoY). Net sales for adult disposable diaper mfg. machinery continued to be favorable.

In terms of profits, as a result of improvement in the cost of sales ratio due to a decrease in the impact from additional modifications and other factors in the period under review, despite the increase in the cost of sales ratio due to factors such as additional modifications for highly challenging projects in the three months ended May 20, 2023, operating profit was 211 million yen (operating loss of 449 million yen in the same period of the previous fiscal year) and ordinary profit was 514 million yen (ordinary loss of 109 million yen in the same period of the previous fiscal year). Profit attributable to owners of parent was 236 million yen, down 62.8% compared to the same period of the previous fiscal year, mainly due to 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 the same period of the previous fiscal year.

(2) Explanation of Financial Position

(i) Overview of Assets, Liabilities, and Net Assets

Total assets at the end of the period under review (as of August 20, 2023) were 49,924 million yen, up 281 million yen from the end of the previous fiscal year. While cash and deposits decreased by 1,717 million yen, machinery, equipment and vehicles decreased by 208 million yen, construction in progress decreased by 131 million yen, and accounts receivable - trade decreased by 109 million yen, work in process increased by 1,062 million yen, electronically recorded monetary claims - operating increased by 878 million yen, raw materials and supplies increased by 541 million yen, investment securities increased by 168 million yen, and buildings and structures increased by 109 million yen.

Total liabilities decreased by 537 million yen from the end of the previous fiscal year to 16,017 million yen. While electronically recorded obligations - operating increased by 493 million yen, notes and accounts payable - trade decreased by 522 million yen, contract liabilities decreased by 325 million yen, income taxes payable decreased by 192 million yen, and long-term borrowings decreased by 125 million yen.

Total net assets increased by 819 million yen from the end of the previous fiscal year to 33,907 million yen. While retained earnings decreased by 214 million yen, foreign currency translation adjustment increased by 893 million yen, and valuation difference on available-for-sale securities increased by 115 million yen.

(ii) Overview of Cash Flows

Cash and cash equivalents (“cash”) in the period under review decreased by 349 million yen from the end of the previous fiscal year to 7,530 million yen. The status of each cash flow segment and contributing factors are as follows.

(Cash flows from operating activities)

Net cash used in operating activities for the period under review was 1,416 million yen (up 85.2% YoY). This was mainly due to an increase in inventories of 1,200 million yen, an increase in trade receivables of 671 million yen, a decrease in contract liabilities of 462 million yen, income taxes paid of 336 million yen, a decrease in trade payables of 260 million yen, and a decrease in accrued consumption taxes of 124 million yen, which offset the recording of profit before income taxes of 306 million yen, the recording of depreciation of 410 million yen, a decrease in consumption taxes refund receivable of 347 million yen, and the recording of impairment losses of 205 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities for the period under review was 1,425 million yen (up 81.2% YoY). This was mainly due to a decrease in time deposits of 1,641 million yen, which offset purchase of property, plant and equipment of 195 million yen.

(Cash flows from financing activities)

Net cash used in financing activities for the period under review was 620 million yen (up 43.0% YoY). This was mainly due to dividends paid of 450 million yen and repayments of long-term borrowings of 125 million yen.

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

With regard to revisions to the earnings forecasts, please refer to “Notice Concerning Revisions to Earnings Forecasts for the Fiscal Year Ending February 20, 2024” (in Japanese only) released today (October 2, 2023).

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of February 20, 2023	As of August 20, 2023
Assets		
Current assets		
Cash and deposits	14,030,961	12,313,200
Notes receivable - trade	3,366	–
Accounts receivable - trade	2,528,729	2,419,123
Contract assets	7,495,142	7,528,671
Electronically recorded monetary claims - operating	817,610	1,696,462
Merchandise and finished goods	134,534	123,731
Work in process	3,441,415	4,504,099
Raw materials and supplies	1,561,662	2,103,491
Other	1,167,431	883,455
Allowance for doubtful accounts	–	(4,560)
Total current assets	31,180,853	31,567,677
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,546,703	8,655,807
Machinery, equipment and vehicles, net	1,042,128	833,157
Land	5,859,349	5,871,776
Leased assets, net	10,354	12,656
Construction in progress	159,324	28,311
Other, net	478,562	461,655
Total property, plant and equipment	16,096,423	15,863,364
Intangible assets	717,294	684,935
Investments and other assets		
Investment securities	1,309,582	1,477,678
Retirement benefit asset	17,585	19,169
Distressed receivables	12,151	13,067
Other	321,400	311,839
Allowance for doubtful accounts	(12,151)	(13,067)
Total investments and other assets	1,648,568	1,808,687
Total non-current assets	18,462,285	18,356,988
Total assets	49,643,139	49,924,665

(Thousands of yen)

	As of February 20, 2023	As of August 20, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,025,841	1,503,151
Electronically recorded obligations - operating	2,746,077	3,240,003
Current portion of long-term borrowings	250,000	250,000
Lease liabilities	8,337	7,275
Income taxes payable	321,904	129,555
Contract liabilities	2,009,487	1,683,750
Provision for bonuses	318,510	238,031
Provision for bonuses for directors (and other officers)	32,400	14,000
Provision for product warranties	58,562	69,343
Other	862,211	1,130,801
Total current liabilities	8,633,333	8,265,913
Non-current liabilities		
Bonds payable	5,000,000	5,000,000
Long-term borrowings	2,500,000	2,375,000
Asset retirement obligations	27,142	27,142
Lease liabilities	9,611	10,251
Long-term accounts payable - other	384,611	338,863
Total non-current liabilities	7,921,364	7,751,256
Total liabilities	16,554,698	16,017,169
Net assets		
Shareholders' equity		
Share capital	1,888,510	1,888,510
Capital surplus	2,797,720	2,846,162
Retained earnings	27,396,530	27,182,181
Treasury shares	(578,009)	(561,014)
Total shareholders' equity	31,504,751	31,355,839
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	804,866	920,639
Revaluation reserve for land	(1,165,229)	(1,165,229)
Foreign currency translation adjustment	1,862,995	2,756,072
Remeasurements of defined benefit plans	(143)	(580)
Total accumulated other comprehensive income	1,502,488	2,510,900
Share acquisition rights	81,201	40,755
Total net assets	33,088,441	33,907,496
Total liabilities and net assets	49,643,139	49,924,665

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

(Thousands of yen)

	Six months ended August 20, 2022	Six months ended August 20, 2023
Net sales	8,813,502	9,964,629
Cost of sales	7,229,754	8,009,016
Gross profit	1,583,748	1,955,612
Selling, general and administrative expenses	2,033,268	1,743,846
Operating profit (loss)	(449,520)	211,765
Non-operating income		
Interest income	67,598	94,393
Dividend income	19,077	15,895
Foreign exchange gains	257,766	165,277
Other	24,827	57,054
Total non-operating income	369,269	332,621
Non-operating expenses		
Interest expenses	9,864	9,952
Interest on bonds	12,000	12,000
Depreciation	6,688	5,662
Other	778	2,332
Total non-operating expenses	29,331	29,947
Ordinary profit (loss)	(109,582)	514,439
Extraordinary income		
Gain on sale of non-current assets	1,924	379
Gain on sale of investment securities	213,168	–
Settlement income	765,200	–
Total extraordinary income	980,292	379
Extraordinary losses		
Loss on sale of non-current assets	3,462	–
Loss on retirement of non-current assets	3,625	1,114
Loss on cancellation of leases	–	1,428
Impairment losses	–	205,616
Total extraordinary losses	7,088	208,159
Profit before income taxes	863,621	306,659
Income taxes - current	315,233	91,153
Income taxes - deferred	(87,233)	(20,700)
Total income taxes	228,000	70,452
Profit	635,621	236,206
Profit attributable to owners of parent	635,621	236,206

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 20, 2022	Six months ended August 20, 2023
Profit	635,621	236,206
Other comprehensive income		
Valuation difference on available-for-sale securities	(51,318)	115,773
Foreign currency translation adjustment	1,635,192	893,076
Remeasurements of defined benefit plans, net of tax	(43)	(437)
Total other comprehensive income	1,583,829	1,008,412
Comprehensive income	2,219,451	1,244,618
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,219,451	1,244,618
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 20, 2022	Six months ended August 20, 2023
Cash flows from operating activities		
Profit before income taxes	863,621	306,659
Depreciation	426,076	410,748
Loss (gain) on sale of non-current assets	1,538	(379)
Loss on retirement of property, plant and equipment	3,625	1,114
Loss on cancellation of leases	–	1,428
Loss (gain) on sale of investment securities	(213,168)	–
Settlement income	(765,200)	–
Impairment losses	–	205,616
Increase (decrease) in long-term accounts payable - other	(2,161)	(6,291)
Decrease (increase) in retirement benefit asset	(2,886)	(2,215)
Increase (decrease) in provision for bonuses	(63,047)	(83,874)
Increase (decrease) in provision for bonuses for directors (and other officers)	(16,600)	(18,400)
Increase (decrease) in allowance for doubtful accounts	(19,515)	5,476
Interest and dividend income	(86,675)	(110,288)
Interest expenses	9,864	9,952
Interest expenses on bonds	12,000	12,000
Decrease (increase) in trade receivables	(797,213)	(671,909)
Decrease (increase) in inventories	(565,657)	(1,200,692)
Increase (decrease) in trade payables	(560,110)	(260,953)
Increase (decrease) in contract liabilities	684,677	(462,103)
Increase (decrease) in accrued consumption taxes	(1,750)	(124,483)
Decrease (increase) in consumption taxes refund receivable	610,307	347,878
Other, net	431,142	474,044
Subtotal	(51,132)	(1,166,674)
Interest and dividends received	86,675	110,288
Interest paid	(22,329)	(22,361)
Income taxes paid	(778,054)	(336,585)
Payments for cancellation of leases	–	(1,428)
Net cash provided by (used in) operating activities	(764,841)	(1,416,760)
Cash flows from investing activities		
Net decrease (increase) in time deposits	934,734	1,641,401
Purchase of property, plant and equipment	(511,517)	(195,933)
Proceeds from sale of property, plant and equipment	10,395	1,104
Purchase of intangible assets	(13,104)	(1,447)
Purchase of investment securities	(1,075)	(1,148)
Proceeds from sale of investment securities	306,146	–
Other, net	60,721	(18,935)
Net cash provided by (used in) investing activities	786,302	1,425,040
Cash flows from financing activities		
Dividends paid	(262,893)	(450,556)
Repayments of long-term borrowings	(125,000)	(125,000)
Repayments of long-term accounts payable - other	(41,672)	(40,079)
Repayments of lease liabilities	(4,716)	(5,358)
Proceeds from exercise of employee share options	40	51
Net cash provided by (used in) financing activities	(434,241)	(620,943)
Effect of exchange rate change on cash and cash equivalents	529,663	263,619
Net increase (decrease) in cash and cash equivalents	116,882	(349,043)
Cash and cash equivalents at beginning of period	9,401,980	7,879,957
Cash and cash equivalents at end of period	9,518,862	7,530,913

**(4) 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.

3. Other

Net Sales, Orders Received, and Backlogs by Product

(Thousands of yen)

By product		Six months ended August 20, 2022	Six months ended August 20, 2023	Change
Net sales	Sanitary napkin mfg. machinery	461,921	1,694,423	1,232,502
	Baby disposable diaper mfg. machinery	3,524,246	1,485,731	(2,038,515)
	Adult disposable diaper mfg. machinery	2,905,866	5,156,918	2,251,052
	Other machinery	527,232	480,855	(46,376)
	Parts	1,156,560	1,039,774	(116,785)
	Other	237,674	106,924	(130,749)
	Total	8,813,502	9,964,629	1,151,126
Orders	Sanitary napkin mfg. machinery	718,184	1,838,510	1,120,325
	Baby disposable diaper mfg. machinery	5,067,118	4,554,299	(512,818)
	Adult disposable diaper mfg. machinery	5,165,988	3,681,546	(1,484,442)
	Other machinery	675,054	630,866	(44,188)
	Parts	1,156,560	1,039,774	(116,785)
	Other	237,674	106,924	(130,749)
	Total	13,020,580	11,851,922	(1,168,658)
Backlogs	Sanitary napkin mfg. machinery	3,471,123	2,176,504	(1,294,619)
	Baby disposable diaper mfg. machinery	9,051,941	5,180,315	(3,871,625)
	Adult disposable diaper mfg. machinery	7,762,903	7,855,557	92,653
	Other machinery	1,364,062	1,325,641	(38,421)
	Parts	—	—	—
	Other	—	—	—
	Total	21,650,031	16,538,018	(5,112,012)