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MEMBERSHIP

December 27, 2023

Consolidated Financial Results for the Nine Months Ended November 20, 2023 (Under Japanese GAAP)

Company name: ZUIKO Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 6279
 URL: <https://www.zuiko.co.jp/>
 Representative: Toyoshi Umebayashi, President
 Inquiries: Hajime Ninomiya, General Manager of Corporate Strategy Department
 Telephone: +81-72-648-2215
 Scheduled date to file quarterly securities report: December 28, 2023
 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, 2023 (from February 21, 2023 to November 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	%
Nine months ended								
November 20, 2023	16,900	7.5	1,088	122.5	1,464	60.8	1,020	(30.3)
November 20, 2022	15,717	2.0	489	(59.8)	910	(36.9)	1,463	50.5

Note: Comprehensive income For the nine months ended November 20, 2023: ¥2,280 million [(26.5)%]
 For the nine months ended November 20, 2022: ¥3,102 million [66.0%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 20, 2023	38.66	38.55
November 20, 2022	55.58	55.32

(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
November 20, 2023	50,864	34,678	68.1	1,311.05
February 20, 2023	49,643	33,088	66.5	1,252.73

Reference: Equity As of November 20, 2023: ¥34,638 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: 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: 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 November 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 November 20, 2023:	2,379,907 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)

Nine months ended November 20, 2023:	26,392,638 shares
Nine months ended November 20, 2022:	26,327,845 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 2 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	2
2. Quarterly Consolidated Financial Statements and Key Notes	3
(1) Quarterly consolidated balance sheet.....	3
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	5
Quarterly consolidated statement of income (cumulative)	5
Quarterly consolidated statement of comprehensive income (cumulative)	6
(3) Notes to Quarterly Consolidated Financial Statements	7
(Notes on Going Concern Assumption).....	7
(Notes on Significant Changes in the Amount of Shareholders' Equity).....	7

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 16,900 million yen (up 7.5% YoY). The increase in net sales was mainly due to progress in satisfying performance obligations for accepted projects of the Company.

Net sales by major product were as follows. Adult disposable diaper mfg. machinery: 8,591 million yen (up 27.2% YoY), baby disposable diaper mfg. machinery: 3,110 million yen (down 41.3% YoY), sanitary napkin mfg. machinery: 2,778 million yen (up 166.8% YoY), parts: 1,569 million yen (down 3.6% YoY), and other products: 849 million yen (down 14.2% 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 from the second quarter of the current fiscal year, despite the increase in the cost of sales ratio due to factors such as additional modifications for highly challenging projects in the first quarter of the current fiscal year, operating profit was 1,088 million yen (up 122.5% YoY) and ordinary profit was 1,464 million yen (up 60.8% YoY). Profit attributable to owners of parent was 1,020 million yen, down 30.3% 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

Total assets at the end of the third quarter of the current fiscal year (as of November 20, 2023) were 50,864 million yen, up 1,221 million yen from the end of the previous fiscal year. While cash and deposits decreased by 1,859 million yen, machinery, equipment and vehicles decreased by 229 million yen, and construction in progress decreased by 131 million yen, contract assets increased by 1,580 million yen, electronically recorded monetary claims - operating increased by 982 million yen, raw materials and supplies increased by 537 million yen, accounts receivable - trade increased by 408 million yen, and work in process increased by 157 million yen.

Total liabilities decreased by 369 million yen from the end of the previous fiscal year to 16,185 million yen. While contract liabilities increased by 568 million yen and electronically recorded obligations - operating increased by 166 million yen, notes and accounts payable - trade decreased by 548 million yen, long-term borrowings decreased by 250 million yen, and income taxes payable decreased by 170 million yen.

Total net assets increased by 1,590 million yen from the end of the previous fiscal year to 34,678 million yen. Foreign currency translation adjustment and retained earnings increased by 1,223 million yen and 305 million yen, respectively.

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

With regard to the financial forecasts for the fiscal year ending February 20, 2024, the Company has made no change to the consolidated financial forecasts announced on October 2, 2023. 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, 2023	As of November 20, 2023
Assets		
Current assets		
Cash and deposits	14,030,961	12,171,484
Notes receivable - trade	3,366	–
Accounts receivable - trade	2,528,729	2,937,678
Contract assets	7,495,142	9,075,234
Electronically recorded monetary claims - operating	817,610	1,800,149
Merchandise and finished goods	134,534	118,933
Work in process	3,441,415	3,599,156
Raw materials and supplies	1,561,662	2,099,090
Other	1,167,431	892,981
Allowance for doubtful accounts	–	(5,337)
Total current assets	31,180,853	32,689,371
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,546,703	8,549,795
Machinery, equipment and vehicles, net	1,042,128	812,858
Land	5,859,349	5,871,490
Leased assets, net	10,354	17,555
Construction in progress	159,324	28,311
Other, net	478,562	457,987
Total property, plant and equipment	16,096,423	15,737,998
Intangible assets	717,294	677,104
Investments and other assets		
Investment securities	1,309,582	1,353,101
Retirement benefit asset	17,585	19,329
Distressed receivables	12,151	13,067
Other	321,400	387,670
Allowance for doubtful accounts	(12,151)	(13,067)
Total investments and other assets	1,648,568	1,760,101
Total non-current assets	18,462,285	18,175,205
Total assets	49,643,139	50,864,576

(Thousands of yen)

	As of February 20, 2023	As of November 20, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,025,841	1,477,744
Electronically recorded obligations - operating	2,746,077	2,912,340
Current portion of long-term borrowings	250,000	250,000
Lease liabilities	8,337	22,584
Income taxes payable	321,904	151,513
Contract liabilities	2,009,487	2,577,983
Provision for bonuses	318,510	339,404
Provision for bonuses for directors (and other officers)	32,400	21,000
Provision for product warranties	58,562	94,026
Other	862,211	731,148
Total current liabilities	8,633,333	8,577,746
Non-current liabilities		
Bonds payable	5,000,000	5,000,000
Long-term borrowings	2,500,000	2,250,000
Asset retirement obligations	27,142	27,142
Lease liabilities	9,611	12,914
Long-term accounts payable - other	384,611	317,882
Total non-current liabilities	7,921,364	7,607,939
Total liabilities	16,554,698	16,185,685
Net assets		
Shareholders' equity		
Share capital	1,888,510	1,888,510
Capital surplus	2,797,720	2,845,917
Retained earnings	27,396,530	27,702,149
Treasury shares	(578,009)	(561,074)
Total shareholders' equity	31,504,751	31,875,502
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	804,866	842,424
Revaluation reserve for land	(1,165,229)	(1,165,229)
Foreign currency translation adjustment	1,862,995	3,086,237
Remeasurements of defined benefit plans	(143)	(799)
Total accumulated other comprehensive income	1,502,488	2,762,632
Share acquisition rights	81,201	40,755
Total net assets	33,088,441	34,678,890
Total liabilities and net assets	49,643,139	50,864,576

(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, 2022	Nine months ended November 20, 2023
Net sales	15,717,485	16,900,011
Cost of sales	12,323,467	13,259,847
Gross profit	3,394,017	3,640,163
Selling, general and administrative expenses	2,904,675	2,551,553
Operating profit	489,342	1,088,610
Non-operating income		
Interest income	92,613	123,931
Dividend income	24,314	21,620
Foreign exchange gains	321,488	240,651
Other	32,174	74,830
Total non-operating income	470,590	461,034
Non-operating expenses		
Interest expenses	14,689	12,774
Interest on bonds	18,049	18,049
Depreciation	10,032	44,355
Other	6,356	10,287
Total non-operating expenses	49,128	85,467
Ordinary profit	910,804	1,464,178
Extraordinary income		
Gain on sale of non-current assets	1,924	756
Gain on sale of investment securities	213,168	48,928
Settlement income	788,130	-
Total extraordinary income	1,003,222	49,684
Extraordinary losses		
Loss on sale of non-current assets	3,498	18
Loss on retirement of non-current assets	3,662	10,923
Loss on cancellation of leases	-	1,428
Impairment losses	-	205,616
Total extraordinary losses	7,160	217,986
Profit before income taxes	1,906,865	1,295,876
Income taxes - current	562,647	363,058
Income taxes - deferred	(118,961)	(87,560)
Total income taxes	443,685	275,497
Profit	1,463,180	1,020,379
Profit attributable to owners of parent	1,463,180	1,020,379

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended November 20, 2022	Nine months ended November 20, 2023
Profit	1,463,180	1,020,379
Other comprehensive income		
Valuation difference on available-for-sale securities	(53,301)	37,558
Foreign currency translation adjustment	1,693,080	1,223,241
Remeasurements of defined benefit plans, net of tax	(65)	(656)
Total other comprehensive income	1,639,713	1,260,143
Comprehensive income	3,102,893	2,280,522
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,102,893	2,280,522
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.