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MEMBERSHIP
April 5, 2024

Consolidated Financial Results for the Fiscal Year Ended February 20, 2024 (Under Japanese GAAP)

Company name: ZUIKO Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 6279
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 Scheduled date of annual general meeting of shareholders: May 17, 2024
 Scheduled date to commence dividend payments: May 20, 2024
 Scheduled date to file annual securities report: May 17, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of 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 fiscal year ended February 20, 2024 (from February 21, 2023 to February 20, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 20, 2024	21,737	(18.0)	1,027	(43.0)	1,427	(35.7)	1,378	(48.3)
February 20, 2023	26,505	12.4	1,803	(16.0)	2,219	(8.3)	2,665	53.5

Note: Comprehensive income For the fiscal year ended February 20, 2024: ¥2,227 million [(32.6)%]
 For the fiscal year ended February 20, 2023: ¥3,304 million [9.6%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
February 20, 2024	52.23	52.10	4.1	2.9	4.7
February 20, 2023	101.21	100.76	8.5	4.4	6.8

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended February 20, 2024: ¥- million
 For the fiscal year ended February 20, 2023: ¥- million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
February 20, 2024	49,271	34,752	70.4	1,313.85
February 20, 2023	49,643	33,088	66.5	1,252.73

Reference: Equity
 As of February 20, 2024: ¥34,711 million
 As of February 20, 2023: ¥33,007 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 20, 2024	(322)	1,115	(1,059)	7,923
February 20, 2023	388	(1,372)	(822)	7,879

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended February 20, 2023	Yen –	Yen 8.10	Yen –	Yen 17.10	Yen 25.20	Millions of yen 663	% 24.9	% 2.1
Fiscal year ended February 20, 2024	–	10.00	–	10.00	20.00	528	38.3	1.6
Fiscal year ending February 20, 2025 (Forecast)	–	–	–	–	–		–	

Note: The dividend forecasts for the fiscal year ending February 20, 2025 are currently undetermined.

3. Consolidated earnings forecasts for the fiscal year ending February 20, 2025 (from February 21, 2024 to February 20, 2025)

(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, 2025	24,000	10.4	1,680	63.5	1,900	33.1	720	(47.8)	27.25

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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
- (3) Number of issued shares (common shares)

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

As of February 20, 2024:	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 February 20, 2024:	2,380,213 shares
As of February 20, 2023:	2,451,688 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended February 20, 2024	26,399,464 shares
Fiscal year ended February 20, 2023	26,332,962 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended February 20, 2024 (from February 21, 2023 to February 20, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 20, 2024	14,898	4.7	410	(23.0)	447	(35.1)	700	(13.3)
February 20, 2023	14,223	(17.1)	532	(74.5)	689	(71.0)	807	(52.2)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
February 20, 2024	26.54	26.47
February 20, 2023	30.67	30.54

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
February 20, 2024	35,366	22,934	64.7	866.52
February 20, 2023	35,898	22,707	63.0	858.72

Reference: Equity

As of February 20, 2024: ¥22,893 million
As of February 20, 2023: ¥22,625 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notes on forward-looking statements, etc.)

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. Overview of Operating Results, etc. (4) Future Outlook” on page 3 of the Attached Material.

Attached Material

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year	2
(2) Overview of Financial Position for the Fiscal Year	2
(3) Overview of Cash Flows for the Fiscal Year	3
(4) Future Outlook.....	3
(5) Basic Policy for the Distribution of Profits and Dividends for the Fiscal Year and Next Fiscal Year	3
2. Basic Policy on Selection of Accounting Standards.....	4
3. Consolidated Financial Statements and Key Notes.....	5
(1) Consolidated balance sheet.....	5
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	7
Consolidated statement of income	7
Consolidated statement of comprehensive income	8
(3) Consolidated statements of changes in equity	9
(4) Consolidated statements of cash flows	11
(5) Notes to Consolidated Financial Statements.....	13
(Notes on Going Concern Assumption).....	13
(Segment Information).....	13
(Per Share Information)	13
(Subsequent Events)	14
4. Other.....	18
Net Sales, Orders Received, and Backlogs by Product.....	18

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year

The Group has striven to increase sales by working to aggressively conduct proposal activities for hygiene product manufacturing machinery and others mainly for hygiene product manufacturers in Japan and overseas and by promoting early completion and delivery of received machinery manufacturing projects and modification projects as well as parts sales.

During the fiscal year ended February 20, 2024 (from February 21, 2023 to February 20, 2024), the outlook of economic environment remained uncertain and unstable in Japan and overseas particularly in the first half, and there was a strong awareness of concerns over economic sluggishness through the fiscal year in China, one of the Group's major markets. For such reasons, there was a delay in the recovery in hygiene product manufacturers' appetite for capital investment.

Given these circumstances, progress in the status of orders received by the Group has been delayed compared to expectations. Consequently, net sales for the fiscal year were 21,737 million yen (down 18.0% YoY). Net sales by major product were as follows: Adult disposable diaper mfg. machinery: 10,156 million yen (up 18.9% YoY), baby disposable diaper mfg. machinery: 4,586 million yen (down 55.2% YoY), sanitary napkin mfg. machinery: 3,815 million yen (down 0.2% YoY), other machinery: 748 million yen (down 42.1% YoY), parts: 2,237 million yen (up 1.4% YoY), and other products: 193 million yen (down 53.2% YoY). Net sales for adult disposable diaper mfg. machinery were favorable.

In terms of profits, operating profit decreased to 1,027 million yen (down 43.0% YoY), and ordinary profit decreased to 1,427 million yen (down 35.7% YoY), as the cost of sales ratio increased due to factors such as additional modifications being necessary in the first three months of the current fiscal year for highly challenging projects received, in addition to a sales decrease, despite continually working to promote cost reductions and improve profitability throughout the Group. Profit attributable to owners of parent was 1,378 million yen (down 48.3% YoY) as a result of gain on sale of non-current assets, impairment losses, etc. recorded in extraordinary income and losses.

In terms of the environment for orders, although the business confidence in China once bottomed out, a recovery is expected to still take time. On the other hand, there is new demand for baby disposable diaper mfg. machinery, mainly in emerging countries, and the Group has been proactively working to win orders. As a result, orders received during the fiscal year were 20,041 million yen (down 15.5% YoY) and backlogs at the end of the fiscal year were 12,954 million yen (down 11.6% YoY). For details, please refer to "4. Other, Net Sales, Orders Received, and Backlogs by Product" on page 18.

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) Overview of Financial Position for the Fiscal Year

Total assets at the end of the fiscal year (as of February 20, 2024) were 49,271 million yen, down 371 million yen from the end of the previous fiscal year. While electronically recorded monetary claims - operating increased by 1,402 million yen, raw materials and supplies increased by 472 million yen, cash and deposits increased by 451 million yen, contract assets increased by 213 million yen, and investment securities increased by 119 million yen, this was because land decreased by 899 million yen, accounts receivable - trade decreased by 820 million yen, work in process decreased by 578 million yen, buildings and structures decreased by 238 million yen, machinery, equipment and vehicles decreased by 174 million yen, construction in progress decreased by 131 million yen, and allowance for doubtful accounts (short-term) of 148 million yen was recorded.

Total liabilities decreased by 2,035 million yen from the end of the previous fiscal year to 14,519 million yen. Notes and accounts payable - trade decreased by 917 million yen, electronically recorded obligations - operating decreased by 319 million yen, income taxes payable decreased by 280 million yen, long-term borrowings decreased by 250 million yen, and contract liabilities decreased by 214 million yen.

Total net assets increased by 1,663 million yen from the end of the previous fiscal year to 34,752 million yen. Foreign currency translation adjustment increased by 816 million yen, retained earnings increased by 377 million yen, and revaluation reserve for land was reversed by 413 million yen as a result of sale of the former head office.

As a result, equity-to-asset ratio was 70.4% (66.5% for the previous fiscal year).

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents (“cash”) for the fiscal year increased by 43 million yen from the end of the previous fiscal year to 7,923 million yen.

The status of each cash flow segment and contributing factors for the fiscal year are as follows.

(Cash flows from operating activities)

Net cash used in operating activities for the fiscal year was 322 million yen (provided cash of 388 million yen for the previous fiscal year). This was mainly due to a decrease in trade payables of 1,443 million yen, an increase in trade receivables of 688 million yen, income taxes paid of 657 million yen, the recording of gain on sale of non-current assets of 595 million yen, and a decrease in contract liabilities of 356 million yen, which offset the recording of profit before income taxes of 1,879 million yen, the recording of depreciation of 930 million yen, a decrease in inventories of 393 million yen, the recording of impairment losses of 205 million yen, an increase in allowance for doubtful accounts of 147 million yen, and a decrease in consumption taxes refund receivable of 124 million yen.

(Cash flows from investing activities)

Net cash provided in investing activities for the fiscal year was 1,115 million yen (used cash of 1,372 million yen for the previous fiscal year). This was mainly due to proceeds from sale of property, plant and equipment of 1,543 million yen, which offset purchase of property, plant and equipment of 318 million yen and an increase in time deposits of 103 million yen.

(Cash flows from financing activities)

Net cash used in financing activities for the fiscal year was 1,059 million yen (up 28.7% YoY). This was mainly due to dividends paid of 714 million yen and repayments of long-term borrowings of 250 million yen.

(4) Future Outlook

Japan, a major market of the Group, is in an environment where a considerable increase in demand is less likely against the backdrop of a low birthdate and an aging population, and a population decline. Moreover, in China, we expect that, in addition to a dwindling birth rate and an aging population, a recovery in the business confidence will still take time. Under these circumstances, the Group will make efforts to steadily capture demand for capital investment from hygiene product manufacturers by focusing on expansion of overseas sales and on sales activities for a newly developed, new-concept machine, “ZMS (ZUIKO MODULAR SYSTEM).” In addition, we will continue to work on business innovation and cost reduction activities through DX to improve profitability.

Based on the above, financial results for the fiscal year ending February 20, 2025, are forecast to be as follows: net sales of 24,000 million yen (up 10.4% YoY), operating profit of 1,680 million yen (up 63.5% YoY), and ordinary profit of 1,900 million yen (up 33.1% YoY). Furthermore, since the impact of tax effect accounting is anticipated, profit attributable to owners of parent is forecast to be 720 million yen (down 47.8% YoY).

The above forecasts are based on the information currently available to the Group and may differ significantly in the future due to various factors.

(5) Basic Policy for the Distribution of Profits and Dividends for the Fiscal Year and Next Fiscal Year

The Company regards the return of profits to shareholders as an important management measure, and its basic policy is to realize continuous dividend payments and increase corporate value while further strengthening the Group’s competitiveness and maintaining financial soundness. We consider dividends to be returns on invested capital from shareholders, and thus the profits are divided basically according to consolidated business results. With the consolidated dividend payout ratio of 30 percent as a target, we aim to achieve steady and continued growth. The Company pays dividends from surplus twice a year, an interim dividend and a year-end dividend. The decision-making bodies for these dividends are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

In the fiscal year ended February 20, 2024, net sales, operating profit, ordinary profit and profit attributable to owners of parent fell short of the forecasts at the beginning of the fiscal year. However, the annual dividend per share will be 20.00 yen (an interim dividend of 10.00 yen and a year-end dividend of 10.00 yen) according to the dividend plan at the beginning of the fiscal year.

The annual dividend for the next fiscal period is to be determined at this point.

2. Basic Policy on Selection of Accounting Standards

The Group prepares its consolidated financial statements in accordance with Japanese GAAP. Regarding the application of international accounting standards in the future, our policy is to respond appropriately, taking into consideration various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheet

(Thousands of yen)

	As of February 20, 2023	As of February 20, 2024
Assets		
Current assets		
Cash and deposits	14,030,961	14,482,264
Notes receivable - trade	3,366	–
Accounts receivable - trade	2,528,729	1,708,168
Contract assets	7,495,142	7,708,755
Electronically recorded monetary claims - operating	817,610	2,219,859
Merchandise and finished goods	134,534	108,821
Work in process	3,441,415	2,862,725
Raw materials and supplies	1,561,662	2,034,191
Other	1,167,431	1,429,213
Allowance for doubtful accounts	–	(148,402)
Total current assets	31,180,853	32,405,597
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,546,703	8,308,610
Machinery, equipment and vehicles, net	1,042,128	867,921
Land	5,859,349	4,959,522
Leased assets, net	10,354	16,177
Construction in progress	159,324	28,311
Other, net	478,562	414,226
Total property, plant and equipment	16,096,423	14,594,768
Intangible assets		
Software	345,383	266,043
Software in progress	–	1,312
Other	371,910	379,940
Total intangible assets	717,294	647,296
Investments and other assets		
Investment securities	1,309,582	1,429,469
Retirement benefit asset	17,585	–
Deferred tax assets	264,696	95,031
Long-term time deposits	–	34,572
Distressed receivables	12,151	13,067
Other	56,703	64,823
Allowance for doubtful accounts	(12,151)	(13,067)
Total investments and other assets	1,648,568	1,623,896
Total non-current assets	18,462,285	16,865,962
Total assets	49,643,139	49,271,559

(Thousands of yen)

	As of February 20, 2023	As of February 20, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,025,841	1,108,409
Electronically recorded obligations - operating	2,746,077	2,426,378
Current portion of long-term borrowings	250,000	250,000
Lease liabilities	8,337	20,613
Accounts payable - other	630,460	694,326
Income taxes payable	321,904	41,799
Contract liabilities	2,009,487	1,794,658
Provision for bonuses	318,510	305,307
Provision for bonuses for directors (and other officers)	32,400	14,000
Provision for product warranties	58,562	66,047
Provision for shareholder benefit program	–	22,744
Provision for loss on orders received	–	29,211
Other	231,751	127,492
Total current liabilities	8,633,333	6,900,987
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	–
Lease liabilities	9,611	10,993
Long-term accounts payable - other	384,611	298,322
Retirement benefit liability	–	58,905
Total non-current liabilities	7,921,364	7,618,220
Total liabilities	16,554,698	14,519,208
Net assets		
Shareholders' equity		
Share capital	1,888,510	1,888,510
Capital surplus	2,797,720	2,845,623
Retained earnings	27,396,530	27,774,080
Treasury shares	(578,009)	(561,146)
Total shareholders' equity	31,504,751	31,947,066
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	804,866	895,200
Revaluation reserve for land	(1,165,229)	(752,204)
Foreign currency translation adjustment	1,862,995	2,679,660
Remeasurements of defined benefit plans	(143)	(58,128)
Total accumulated other comprehensive income	1,502,488	2,764,528
Share acquisition rights	81,201	40,755
Total net assets	33,088,441	34,752,351
Total liabilities and net assets	49,643,139	49,271,559

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Thousands of yen)

	Fiscal year ended February 20, 2023	Fiscal year ended February 20, 2024
Net sales	26,505,170	21,737,710
Cost of sales	20,752,114	17,132,590
Gross profit	5,753,055	4,605,119
Selling, general and administrative expenses	3,949,729	3,577,446
Operating profit	1,803,325	1,027,672
Non-operating income		
Interest income	141,903	190,525
Dividend income	32,569	31,348
Foreign exchange gains	244,123	172,555
Other	64,189	177,311
Total non-operating income	482,786	571,741
Non-operating expenses		
Interest expenses	19,480	19,037
Interest expenses on bonds	24,000	24,000
Depreciation	13,390	116,097
Other	9,443	12,495
Total non-operating expenses	66,315	171,630
Ordinary profit	2,219,796	1,427,783
Extraordinary income		
Gain on sale of non-current assets	158,988	595,876
Gain on sale of investment securities	280,480	48,928
Settlement income	789,750	–
Gain on reversal of asset retirement obligations	–	27,142
Total extraordinary income	1,229,219	671,946
Extraordinary losses		
Loss on sale of non-current assets	3,503	18
Loss on retirement of non-current assets	4,582	13,093
Loss on cancellation of leases	–	1,428
Impairment losses	–	205,616
Total extraordinary losses	8,085	220,156
Profit before income taxes	3,440,930	1,879,573
Income taxes - current	783,369	220,371
Income taxes - deferred	(7,505)	280,335
Total income taxes	775,864	500,707
Profit	2,665,065	1,378,866
Profit attributable to owners of parent	2,665,065	1,378,866

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended February 20, 2023	Fiscal year ended February 20, 2024
Profit	2,665,065	1,378,866
Other comprehensive income		
Valuation difference on available-for-sale securities	(109,862)	90,334
Foreign currency translation adjustment	751,004	816,664
Remeasurements of defined benefit plans, net of tax	(2,064)	(57,984)
Total other comprehensive income	639,077	849,013
Comprehensive income	3,304,142	2,227,880
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,304,142	2,227,880
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in equity

Fiscal year ended February 20, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,888,510	2,765,633	25,015,764	(591,929)	29,077,978
Cumulative effects of changes in accounting policies			192,004		192,004
Restated balance	1,888,510	2,765,633	25,207,769	(591,929)	29,269,983
Changes during period					
Dividends of surplus			(476,304)		(476,304)
Profit attributable to owners of parent			2,665,065		2,665,065
Disposal of treasury shares		32,086		13,919	46,006
Reversal of revaluation reserve for land					
Net changes in items other than shareholders' equity					
Total changes during period	–	32,086	2,188,760	13,919	2,234,767
Balance at end of period	1,888,510	2,797,720	27,396,530	(578,009)	31,504,751

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	914,729	(1,165,229)	1,111,990	1,921	863,410	114,263	30,055,652
Cumulative effects of changes in accounting policies							192,004
Restated balance	914,729	(1,165,229)	1,111,990	1,921	863,410	114,263	30,247,657
Changes during period							
Dividends of surplus							(476,304)
Profit attributable to owners of parent							2,665,065
Disposal of treasury shares							46,006
Reversal of revaluation reserve for land							
Net changes in items other than shareholders' equity	(109,862)	–	751,004	(2,064)	639,077	(33,061)	606,016
Total changes during period	(109,862)	–	751,004	(2,064)	639,077	(33,061)	2,840,783
Balance at end of period	804,866	(1,165,229)	1,862,995	(143)	1,502,488	81,201	33,088,441

Fiscal year ended February 20, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,888,510	2,797,720	27,396,530	(578,009)	31,504,751
Cumulative effects of changes in accounting policies					
Restated balance	1,888,510	2,797,720	27,396,530	(578,009)	31,504,751
Changes during period					
Dividends of surplus			(714,759)		(714,759)
Profit attributable to owners of parent			1,378,866		1,378,866
Disposal of treasury shares		47,902		16,863	64,765
Reversal of revaluation reserve for land			(286,557)		(286,557)
Net changes in items other than shareholders' equity					
Total changes during period	–	47,902	377,549	16,863	442,315
Balance at end of period	1,888,510	2,845,623	27,774,080	(561,146)	31,947,066

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	804,866	(1,165,229)	1,862,995	(143)	1,502,488	81,201	33,088,441
Cumulative effects of changes in accounting policies							
Restated balance	804,866	(1,165,229)	1,862,995	(143)	1,502,488	81,201	33,088,441
Changes during period							
Dividends of surplus							(714,759)
Profit attributable to owners of parent							1,378,866
Disposal of treasury shares							64,765
Reversal of revaluation reserve for land							(286,557)
Net changes in items other than shareholders' equity	90,334	413,025	816,664	(57,984)	1,262,039	(40,445)	1,221,594
Total changes during period	90,334	413,025	816,664	(57,984)	1,262,039	(40,445)	1,663,909
Balance at end of period	895,200	(752,204)	2,679,660	(58,128)	2,764,528	40,755	34,752,351

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended February 20, 2023	Fiscal year ended February 20, 2024
Cash flows from operating activities		
Profit before income taxes	3,440,930	1,879,573
Depreciation	848,650	930,462
Loss (gain) on sale of non-current assets	(155,485)	(595,857)
Loss on retirement of non-current assets	4,582	13,093
Loss on cancellation of leases	-	1,428
Impairment losses	-	205,616
Gain on reversal of asset retirement obligations	-	(27,142)
Increase or decrease in retirement benefit asset and liability	(9,062)	(7,085)
Loss (gain) on sale of investment securities	(280,480)	(48,928)
Settlement income	(789,750)	-
Increase (decrease) in provision for bonuses	23,057	(18,363)
Increase (decrease) in provision for bonuses for directors (and other officers)	(400)	(18,400)
Increase (decrease) in allowance for doubtful accounts	(64,496)	147,969
Increase (decrease) in provision for product warranties	(8,372)	4,725
Increase (decrease) in provision for loss on orders received	-	29,211
Increase (decrease) in provision for shareholder benefit program	-	22,744
Interest and dividend income	(174,473)	(221,874)
Increase (decrease) in long-term accounts payable - other	(5,405)	(6,632)
Interest expenses	19,480	19,037
Interest expenses on bonds	24,000	24,000
Decrease (increase) in trade receivables	(2,412,012)	(688,917)
Decrease (increase) in inventories	2,174,856	393,076
Increase (decrease) in trade payables	120,570	(1,443,004)
Increase (decrease) in contract liabilities	(1,760,673)	(356,396)
Increase (decrease) in accrued consumption taxes	130,214	(81,704)
Decrease (increase) in consumption taxes refund receivable	348,837	124,939
Other, net	(46,280)	(125,058)
Subtotal	1,428,285	156,514
Interest and dividends received	173,134	222,995
Income taxes paid	(1,170,537)	(657,720)
Interest paid	(42,834)	(43,037)
Payments for cancellation of leases	-	(1,428)
Net cash provided by (used in) operating activities	388,047	(322,676)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,485,456)	(103,150)
Payments into long-term deposits	-	(34,572)
Purchase of property, plant and equipment	(690,393)	(318,486)
Proceeds from sale of property, plant and equipment	376,042	1,543,030
Purchase of intangible assets	(32,155)	(35,660)
Purchase of investment securities	(2,067)	(2,204)
Proceeds from sale of investment securities	403,960	64,998
Other, net	57,763	1,343
Net cash provided by (used in) investing activities	(1,372,306)	1,115,298

(Thousands of yen)

	Fiscal year ended February 20, 2023	Fiscal year ended February 20, 2024
Cash flows from financing activities		
Repayments of long-term borrowings	(250,000)	(250,000)
Repayments of long-term accounts payable - other	(81,752)	(80,159)
Dividends paid	(478,954)	(714,759)
Repayments of lease liabilities	(12,198)	(14,555)
Other, net	42	51
Net cash provided by (used in) financing activities	(822,863)	(1,059,423)
Effect of exchange rate change on cash and cash equivalents	285,099	310,764
Net increase (decrease) in cash and cash equivalents	(1,522,022)	43,963
Cash and cash equivalents at beginning of period	9,401,980	7,879,957
Cash and cash equivalents at end of period	7,879,957	7,923,920

(5) Notes to Consolidated Financial Statements**(Notes on Going Concern Assumption)**

No applicable matter.

(Segment Information)

[Segment information]

The previous fiscal year (February 21, 2022 - February 20, 2023) and the fiscal year under review (February 21, 2023 - February 20, 2024)

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.

(Per Share Information)

(Yen)

	Fiscal year ended February 20, 2023	Fiscal year ended February 20, 2024
Net assets per share	1,252.73	1,313.85
Earnings per share	101.21	52.23
Diluted earnings per share	100.76	52.10

Note: The basis for calculation of earnings per share and diluted earnings per share is as follows:

(Thousands of yen)

	Fiscal year ended February 20, 2023	Fiscal year ended February 20, 2024
Earnings per share		
Profit attributable to owners of parent	2,665,065	1,378,866
Amount not attributable to common shareholders	–	–
Profit attributable to owners of parent relating to common shares	2,665,065	1,378,866
Average number of shares of common shares during the period (shares)	26,332,962	26,399,464
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	–	–
Increase in common shares (shares)	115,675	65,435
(of which share acquisition rights (shares))	(115,675)	(65,435)
Summary of potential shares not included in the calculation of diluted earnings per share due to the lack of dilutive effect	–	–

(Subsequent Events)**(Issuance of the sixth series of share acquisition rights with an exercise price amendment clause through third-party allotment, and exercise thereof)**

1. Issuance of the sixth series of share acquisition rights with an exercise price amendment clause through third-party allotment

(1) Outline of offering

With regard to the issuance of the sixth series of share acquisition rights through third-party allotment (the “Share Acquisition Rights”), which was resolved at the Board of Directors meeting held on February 26, 2024 and the Board of Directors meeting as of March 4, the Company completed the procedures for paying the total amount of issue price of the Share Acquisition Rights (29,600,000 yen) on March 21. The outline of the offering is as follows.

(1) Allotment date	March 21, 2024
(2) Number of share acquisition rights issued	40,000 units
(3) Total amount of issue price	29,600,000 yen
(4) Number of potential shares by the issuance	4,000,000 shares (100 shares per Share Acquisition Right) For Share Acquisition Rights, the exercise price may be amended as described in “(6) Exercise price and conditions for amendment of exercise price” below, but no maximum exercise price is set. While the minimum exercise price is 1,061 yen, the number of potential shares for the Share Acquisition Rights is also 4,000,000 shares at the minimum exercise price.
(5) Amount of funds procured	6,399,100,000 yen (Note)
(6) Exercise price and conditions for amendment of exercise price	Initial exercise price: 1,594 yen The exercise price of the Share Acquisition Rights will be amended to the amount equivalent to 91% of the closing price in regular trading of common shares of the Company on Tokyo Stock Exchange, Inc. on the trading day immediately before the effective date of each request for exercise of the Share Acquisition Rights (if there is no closing price on the said day, it shall be the immediately preceding closing price). However, if the amended price is below the minimum exercise price, the minimum exercise price shall be the amended exercise price. The minimum exercise price shall be 1,061 yen.
(7) Offering or allotment method	By means of third-party allotment
(8) Allottee	Morgan Stanley MUFG Securities Co., Ltd. (the “Allottee”)
(9) Other	The Company has entered into a third-party allotment agreement for the Share Acquisition Rights (the “Third-party Allotment Agreement”) with the Allottee, subject to notification under the Financial Instruments and Exchange Act coming into effect. The Third-party Allotment Agreement provides that only if the Company permits exercise of the Share Acquisition Rights, the Allottee may exercise the Share Acquisition Rights only to the extent of the number shown in the exercise permission for a specified period that does not exceed 60 trading days shown in the exercise permission. Pursuant to the provisions of the Third-party Allotment Agreement, the Allottee needs approval of the Company’s Board of Directors when it transfers the Share Acquisition Rights to a third party.

Note: The amount of funds procured is the amount calculated by deducting the estimated amount of expenses for the issuance of the Share Acquisition Rights from the combined total of the total amount of issue price of the Share Acquisition Rights and the total amount of value of properties to be contributed upon exercise of the Share Acquisition Rights. The total amount of value of properties

to be contributed upon exercise of the Share Acquisition Rights is the amount on the assumption all the Share Acquisition Rights are exercised at the initial exercise price. If the exercise price is amended or adjusted, the amount of funds procured may increase or decrease. In addition, if all or part of the Share Acquisition Rights are not exercised within the exercise period of the Share Acquisition Rights, or if the Share Acquisition Rights acquired by the Company are cancelled, the amount of funds procured will decrease.

(2) Use of funds

Specific use	Amount (Millions of yen)	Scheduled time of expenditure
1) Acquisition of quota in Delta S.r.l. and underwriting of capital increase through third-party allotment	546	From March 2024 to April 2024
2) M&A, capital/business alliance	4,000	From March 2024 to March 2027
3) Research and development	1,853	From March 2024 to March 2027
Total	6,399	-

2. Exercise of the sixth series of share acquisition rights with an exercise price amendment clause through third-party allotment

Part of the sixth series of share acquisition rights with an exercise price amendment clause through third-party allotment which were resolved at the Board of Directors meeting held on February 26, 2024 and the Board of Directors meeting as of March 4, and issued on March 21, were exercised as follows, and treasury shares were disposed of in the period from March 22, 2024 to March 31, 2024.

- (1) Number of share acquisition rights exercised: 178 units
- (2) Number of treasury shares disposed of: 17,800 shares
- (3) Total amount of exercise price: 22,951,200 yen

(Conclusion of important agreements, etc.)

At the Board of Directors meeting held on February 26, 2024, the Company entered into a memorandum of understanding (the “Memorandum”) as of the said date to acquire quota in Delta S.r.l. (head office: Cremona, Italy; “Delta”) and to underwrite capital increase through third-party allotment conducted by the said company for the acquisition of the said company as a subsidiary of the Company. The outline is as follows.

1. Reason for acquisition of quota

In the third medium-term business plan, which includes the three years until the fiscal year ending February 2026, the Group aims to improve the profitability of the hygiene products machinery business and is working to further develop overseas markets. The hygiene products machinery business develops and manufactures machines mainly for disposable diapers and sanitary napkins. The Company faces the long-term possibility that the consumption of disposable diapers and sanitary napkins will decrease because of population decline in Japan and China, where more than half of the Group’s sales arise. To achieve sustainable growth, we intend to expand sales aggressively in regions where our sales revenue is not as high, such as Europe, India, and Africa.

Delta is a hygiene products machinery manufacturer established in Italy in 2002 and has a track record of sales to various countries including but not limited to the United States, and countries in Europe, South America, and Africa. Additionally, Delta develops products in a different price range complementing the Group’s product line up.

Therefore, the Company believes that by welcoming Delta as a member of the Group, the Company can expand sales and contribute to the supply of products to a wider range of customers.

2. Outline of the subsidiary to be transferred

(1) Name	Delta S.r.l.		
(2) Location	Via Gerola, 34, 26010 Fiesco CR Italy		
(3) Title and name of representative	Angelo Ghidelli, President & CEO		
(4) Description of business	Manufacturer of converting machinery for disposable hygiene products		
(5) Capital	80 thousand euros *Amount before the capital increase through third-party allotment		
(6) Date of establishment	April 26, 2002		
(7) Major shareholder and ownership ratio	Angelo Ghidelli: 100%		
(8) Relationship between the Company and said company	Capital relationship	No applicable matter.	
	Personnel relationship	No applicable matter.	
	Business relationship	No applicable matter.	
(9) The said company's operating results and financial position for the last three years	(Thousands of euro)		
As of / Fiscal year ended	December 31, 2020	December 31, 2021	December 31, 2022
Net assets	1,377	1,393	1,428
Total assets	14,184	13,694	9,594
Net sales	4,619	7,972	10,617
Operating income	56	61	21
Net income	61	16	15

* 1 euro = 163.06 yen (as of February 22, 2024)

3. Full name of the other party to the acquisition of quota

(1) Name	Angelo Ghidelli	
(2) Address	Fiesco CR Italy	
(3) Relationship between the Company and said person	Capital relationship	No applicable matter.
	Personnel relationship	No applicable matter.
	Business relationship	No applicable matter.

4. Proportion of quota to be acquired, acquisition price, and quota ownership before and after the acquisition

(1) Proportion of quota before the transfer	–
(2) Proportion of quota to be acquired through the transfer	23.7% (*)
(3) Proportion of quota to be acquired through the capital increase through third-party allotment	66.3% (*)
(4) Acquisition price	Acquisition value upon the transfer of quota: 820 thousand euros Acquisition value upon the capital increase through third-party allotment: 2,300 thousand euros Advisory expenses, etc. (estimate): 230 thousand euros Total (estimate): 3,350 thousand euros
(5) Proportion of quota held after the transfer	90.0%

- (*) The proportion to the entire quota after implementation of the capital increase through third-party allotment is shown.

5. Timetable

(1)	Date of concluding the memorandum of understanding	February 26, 2024
(2)	Date of concluding the quota transfer agreement and the agreement for underwriting capital increase through third-party allotment	April 2024 (planned)
(3)	Date of implementing the quota transfer and the underwriting of the capital increase through third-party allotment	May 2024 (planned)

4. Other

Net Sales, Orders Received, and Backlogs by Product

(Thousands of yen)

By product		Fiscal year ended February 20, 2023	Fiscal year ended February 20, 2024	Change
Net sales	Sanitary napkin mfg. machinery	3,825,079	3,815,529	(9,549)
	Baby disposable diaper mfg. machinery	10,227,384	4,586,011	(5,641,373)
	Adult disposable diaper mfg. machinery	8,541,670	10,156,736	1,615,065
	Other machinery	1,291,307	748,162	(543,145)
	Parts	2,206,237	2,237,764	31,527
	Other	413,490	193,505	(219,984)
	Total	26,505,170	21,737,710	(4,767,460)
Orders	Sanitary napkin mfg. machinery	2,642,636	3,189,138	546,501
	Baby disposable diaper mfg. machinery	4,830,061	7,441,302	2,611,240
	Adult disposable diaper mfg. machinery	12,369,819	6,327,369	(6,042,449)
	Other machinery	1,250,697	652,838	(597,858)
	Parts	2,206,237	2,237,764	31,527
	Other	413,490	193,505	(219,984)
	Total	23,712,942	20,041,919	(3,671,022)
Backlogs	Sanitary napkin mfg. machinery	2,032,418	1,406,027	(626,391)
	Baby disposable diaper mfg. machinery	2,111,746	4,967,037	2,855,291
	Adult disposable diaper mfg. machinery	9,330,930	5,501,563	(3,829,366)
	Other machinery	1,175,630	1,080,307	(95,323)
	Parts	—	—	—
	Other	—	—	—
	Total	14,650,725	12,954,935	(1,695,790)