

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

February 14, 2024

Company name: Suzumo Machinery Co., Ltd.
 Listing: Tokyo Stock Exchange
 Stock code: 6405
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 Scheduled date to file quarterly report: February 14, 2024
 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 nine months ended December 31, 2023 (April 1, 2023 to December 31, 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	%
Nine months ended								
December 31, 2023	10,535	5.0	945	12.2	976	26.1	653	19.1
December 31, 2022	10,033	14.7	842	-38.0	774	-43.6	548	-43.0

(Note) Comprehensive income: Nine months ended December 31, 2023: 846 million yen (16.8%)
 Nine months ended December 31, 2022: 724 million yen (-29.5%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2023	50.56	—
December 31, 2022	42.50	—

(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
	Millions of yen	Millions of yen	%
As of			
December 31, 2023	17,565	14,170	80.5
March 31, 2023	17,033	13,716	80.4

(Reference) Shareholders' equity: As of December 31, 2023: 14,136 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	15.00	—	16.00	31.00
Fiscal year ending March 31, 2024	—	15.00	—		
Fiscal year ending March 31, 2024 (forecast)				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
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): | |
| December 31, 2023: | 12,960,000 shares |
| March 31, 2023: | 12,960,000 shares |
| 2) Total number of treasury shares at the end of the period: | |
| December 31, 2023: | 28,910 shares |
| March 31, 2023: | 34,014 shares |
| 3) Average number of shares outstanding during the period: | |
| Nine months ended December 31, 2023: | 12,929,509 shares |
| Nine months ended December 31, 2022: | 12,917,415 shares |

* 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

During the first nine months of the fiscal year ending March 31, 2024 (April 1, 2023–December 31, 2023), the Japanese economy saw ongoing improvements in business sentiment of major corporations in both manufacturing and non-manufacturing industries. Business sentiment improved across a range of sectors due to price pass-through, with the accommodation and restaurant service sectors in particular continuing to hold firm backed by a recovery in inbound demand to a pre-pandemic level.

As for the economic outlook, a gradual recovery is expected to continue, backed in large part by domestic demand, with strong earnings of corporations leading to higher wages and capital investment.

Under these circumstances, during the first nine months of the fiscal year ending March 31, 2024, the movements toward mechanization and labor saving continued in the restaurant and retail industries, and demand for our products remained firm. The impact on production activities due to the semiconductor and material supply shortage, which had continued since the fiscal year ended March 31, 2022, 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 demand for our products remained strong due to the downgrading of COVID-19 to a Class 5 infectious disease in May 2023, recovery of inbound demand, and continued labor-saving moves amid an ongoing labor shortage. By product and business category, sushi robot sales were driven by replacement demand from major conveyor belt sushi chains, as well as robust replacement and expansion demand from supermarkets. Further, sales of Fuwarica rice serving machines were supported by facility expansion demand from supermarkets and an increase in new customers in the restaurant and cafeteria sector, as well as the hotel, inn, and meal service sectors. As a result, domestic sales increased year on year.

Overseas, although mechanization and labor-saving trends continued due to the intensified labor shortage and rising labor costs in the restaurant and retail industries, business operators' appetite for capital investment weakened against the backdrop of inflation, the tightening of financial conditions, 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 our products remained firm as Japanese companies expanded overseas. In Europe, on the other hand, sales declined due to the cancellation or postponement of capital investment plans owing to the continued impact on business operators due to soaring energy prices and worsening supply concerns caused by the situation in Ukraine.

In North America, demand for our products remained firm against the background of mechanization and labor-saving trends. Meanwhile, in the previous fiscal year, the Company increased inventories for its US subsidiary to implement a timely product shipment system in light of the impact of material procurement difficulties. In the first three months of the fiscal year ending March 31, 2024, the difficulty in procuring materials was generally eliminated, and shipments of products from the Company have been adjusted to make inventory optimizations. Internal transactions between the Company (whose fiscal year ends in March) and the US subsidiary (whose fiscal year ends in December), which has a different fiscal year end from that of the Company, have resulted in a "period gap," and sales to North America on a consolidated basis decreased on a decline in sales from the Company to the US subsidiary due to the impact of the inventory optimizations. As a result, overseas sales were lower year on year.

As a result, net sales in the first nine months of the fiscal year ending March 31, 2024 totaled 10,535 million yen (+5.0% YoY). Of the total, domestic sales accounted for 7,498 million yen (+11.8% YoY), and overseas sales came to 3,037 million yen (-8.7% YoY).

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

	Nine months ended December 31, 2022		Nine months ended December 31, 2023		Amount of change	Percentage change
	Millions of yen	% of net sales	Millions of yen	% of net sales	Millions of yen	%
Net sales	10,033	100.0	10,535	100.0	502	5.0
Domestic	6,707	66.9	7,498	71.2	790	11.8
Overseas	3,325	33.1	3,037	28.8	-287	-8.7
Gross profit	4,651	46.4	4,976	47.2	324	7.0
Operating profit	842	8.4	945	9.0	102	12.2
Ordinary profit	774	7.7	976	9.3	202	26.1
Profit attributable to owners of parent	548	5.5	653	6.2	104	19.1

On the profit front, gross profit rose to 4,976 million yen (+7.0% YoY) owing to the increase in net sales and a decline in elimination of unrealized gains on inventories at our US subsidiary. SG&A expenses expanded due chiefly 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; higher depreciation costs related to the replacement of core systems; and an increase in costs at overseas subsidiaries due to the depreciation of the yen. However, these increases were offset by a decrease in packing and transportation expenses due to a decrease in overseas sales and stabilization of the rise in fuel costs, as well as a reduction in consulting and exhibition expenses attributed to effective cost control measures, resulting in 12.2% year-on-year growth in operating profit to 945 million yen. Ordinary profit was 976 million yen (+26.1% YoY), due to the falloff of 128 million yen in non-operating expenses recorded a year ago on equity in losses of equity-method affiliate Bluefin Trading LLC.

Profit attributable to owners of parent came to 653 million yen (+19.1% YoY). The growth here was attributed to the increase in ordinary profit, which made up for an extraordinary loss of 28 million yen in goodwill impairment for consolidated subsidiary Japan System Project Co., Ltd., due to the subsidiary's worse-than-expected performance.

(2) Explanation of Financial Condition

(Assets)

Total assets as of December 31, 2023 were up 532 million yen from March 31, 2023 to 17,565 million yen. This was mainly due to increases of 231 million yen in cash and deposits and 463 million yen in buildings and structures (net), offsetting a decrease of 142 million yen in inventories.

(Liabilities)

Liabilities as of December 31, 2023 were up 78 million yen from March 31, 2023 to 3,395 million yen. This was mainly due to increases of 64 million yen in accounts payable-trade and 92 million yen in asset retirement obligations, offsetting a decrease of 104 million yen in income taxes payable.

(Net assets)

Net assets as of December 31, 2023 were up 453 million yen from March 31, 2023 to 14,170 million yen. This owed primarily to increases of 653 million yen in profit attributable to owners of parent and 169 million yen in foreign currency translation adjustment, despite a decrease of 400 million yen in retained earnings due to the payment of dividends.

(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)	Nine months ended December 31, 2023 (as of December 31, 2023)
Assets		
Current assets		
Cash and deposits	4,865,751	5,097,349
Notes and accounts receivable - trade	1,577,115	1,636,991
Electronically recorded monetary claims - operating	168,167	254,112
Inventories	2,762,466	2,619,757
Other	312,173	284,584
Total current assets	9,685,674	9,892,794
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,578,410	2,041,594
Land	3,664,888	3,664,888
Other, net	725,669	487,830
Total property, plant and equipment	5,968,967	6,194,312
Intangible assets		
Goodwill	33,051	—
Other	419,417	565,867
Total intangible assets	452,468	565,867
Investments and other assets		
Investment securities	36,801	45,567
Deferred tax assets	607,053	602,155
Other	289,726	272,652
Allowance for doubtful accounts	(7,680)	(7,680)
Total investments and other assets	925,901	912,695
Total non-current assets	7,347,338	7,672,876
Total assets	17,033,012	17,565,670

	(Thousands of yen)	
	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Nine months ended December 31, 2023 (as of December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	504,671	568,912
Current portion of long-term borrowings	60,545	64,464
Income taxes payable	168,848	63,946
Provision for bonuses	204,918	117,736
Other	863,698	972,271
Total current liabilities	1,802,682	1,787,331
Non-current liabilities		
Long-term borrowings	209,969	159,427
Provision for retirement benefits for directors (and other officers)	2,880	3,510
Retirement benefit liability	1,140,102	1,190,479
Asset retirement obligations	57,701	149,986
Other	103,497	104,874
Total non-current liabilities	1,514,150	1,608,277
Total liabilities	3,316,833	3,395,609
Net assets		
Shareholders' equity		
Share capital	1,154,418	1,154,418
Capital surplus	998,054	1,001,696
Retained earnings	11,476,082	11,728,975
Treasury shares	(20,707)	(15,975)
Total shareholders' equity	13,607,847	13,869,114
Accumulated other comprehensive income		
Foreign currency translation adjustment	181,693	350,828
Remeasurements of defined benefit plans	(98,495)	(82,952)
Total accumulated other comprehensive income	83,197	267,876
Non-controlling interests	25,134	33,069
Total net assets	13,716,179	14,170,061
Total liabilities and net assets	17,033,012	17,565,670

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

Consolidated Statement of Income

	(Thousands of yen)	
	Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)
Net sales	10,033,137	10,535,626
Cost of sales	5,381,316	5,559,186
Gross profit	4,651,821	4,976,439
Selling, general and administrative expenses	3,809,364	4,031,404
Operating profit	842,457	945,035
Non-operating income		
Interest income	287	1,693
Dividend income	864	35
Foreign exchange gains	55,652	15,122
Share of profit of entities accounted for using equity method	—	5,613
Surrender value of insurance policies	—	8,000
Other	7,335	5,064
Total non-operating income	64,140	35,529
Non-operating expenses		
Interest expenses	1,712	3,069
Restricted stock-related expenses	1,381	852
Share of loss of entities accounted for using equity method	128,209	—
Other	1,270	277
Total non-operating expenses	132,574	4,198
Ordinary profit	774,023	976,365
Extraordinary income		
Gain on sale of investment securities	128,234	—
Total extraordinary income	128,234	—
Extraordinary losses		
Loss on retirement of non-current assets	679	177
Retirement benefits for directors (and other officers)	5,400	—
Loss on extinguishment of tie-in shares	25,441	—
Impairment losses	—	28,644
Total extraordinary losses	31,520	28,822
Profit before income taxes	870,737	947,543
Income taxes	319,112	288,908
Profit	551,624	658,635
Profit attributable to non-controlling interests	2,640	4,943
Profit attributable to owners of parent	548,983	653,691

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)
Profit	551,624	658,635
Other comprehensive income		
Valuation difference on available-for-sale securities	(91,095)	—
Foreign currency translation adjustment	240,047	167,350
Remeasurements of defined benefit plans, net of tax	14,722	15,543
Share of other comprehensive income of entities accounted for using equity method	9,205	4,776
Total other comprehensive income	172,879	187,670
Comprehensive income	724,503	846,305
(Breakdown)		
Comprehensive income attributable to owners of parent	718,353	838,370
Comprehensive income attributable to non-controlling interests	6,150	7,935

(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.