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Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]



January 31, 2022

Company name: SUZUDEN CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Securities code: 7480

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Scheduled date of filing quarterly securities report: February 9, 2022

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 1, 2021 – December 31, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2021	42,167	—	1,927	119.7	2,163	106.0	1,561	171.0
December 31, 2020	32,861	0.8	877	(7.3)	1,050	(6.1)	576	(21.6)

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥1,557 million [149.0%]

Nine months ended December 31, 2020: ¥625 million [(19.6)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	111.90	—
December 31, 2020	41.44	—

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. from the beginning of the fiscal year ending March 31, 2022. For this reason, the year-on-year change in net sales before the application of the above accounting standard, etc. is not provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	30,046	16,855	56.1	1,207.37
As of March 31, 2021	26,441	16,396	62.0	1,175.22

(Reference) Equity: As of December 31, 2021: ¥16,855 million

As of March 31, 2021: ¥16,396 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	18.00	–	54.00	72.00
Fiscal year ending March 31, 2022	–	25.00	–		
Fiscal year ending March 31, 2022 (Forecast)				87.00	112.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	57,500	–	2,730	105.0	3,040	94.6	2,060	131.7	147.61

(Note) Revision to the financial results forecast announced most recently: Yes

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. from the beginning of the fiscal year ending March 31, 2022. The above consolidated financial results forecast has been obtained after the application of the said accounting standard, etc. For this reason, the year-on-year change in net sales is not provided.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year. Accordingly, net sales for the nine months ended December 31, 2021 are presented without a year-on-year comparison (%) with the corresponding period of the previous fiscal year. Details are explained in “2. Quarterly Consolidated Financial Statements and Principal Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)”.

Regarding the Group’s operating environment during the nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021), amidst progress with COVID-19 vaccinations and relaxed restrictions on movement, corporate production and capital investment demand have shown signs of recovery. However, with concerns about the spread of new COVID-19 variants, as well as the manifestation of the effects of stagnating production due to shortages in semiconductor, resin material, etc., the outlook remains uncertain.

Within this environment, from the perspective of business continuity planning, the Company has adopted measures that prioritize the health and safety of its employees, and to assist manufacturing processes as a “Manufacturing Support Company,” possesses a comprehensive inventory and has strived to provide a stable supply of products to its customers. This inventory strategy has garnered positive feedback from our customers.

In the electrical equipment, electronic component, and industrial machinery industries, the principal markets of the Group, formerly stagnant production and capital investment demand have been showing signs of recovery from the latter half of the previous fiscal year. Moreover, with increased production and orders ahead of schedule due to shortages in semiconductors and resin materials, etc., performance has been favorable. Especially regarding major customers of semiconductor manufacturing equipment, increased production and capital investment demand owing to the strong demand for semiconductors have fueled these favorable results and substantially contributed to sales and profit. In terms of profit, along with the recording of extraordinary income due to the revision of the period of recognizing lease obligations following an overseas subsidiary’s business withdrawal, performance during the nine months ended December 31, 2021 exceeded the full-year consolidated financial results forecast announced on November 1, 2021.

As a result, for the nine months ended December 31, 2021, net sales amounted to ¥42,167 million (¥32,861 million in the same period of the previous year), operating profit was ¥1,927 million (up 119.7% year-on-year), ordinary profit was ¥2,163 million (up 106.0% year-on-year), and profit attributable to owners of parent was ¥1,561 million (up 171.0% year-on-year). As such, both sales and profit increased year-on-year.

Net sales of the Group by product segment are as follows:

- (1) FA equipment
Net sales of control equipment, power supplies, RFID equipment, etc. amounted to ¥25,058 million.
- (2) Information and communication equipment
Net sales of office automation equipment, network equipment, liquid crystal displays, etc. amounted to ¥3,508 million.
- (3) Electronics and devices
Net sales of connectors, CPUs, switching power supplies, etc. amounted to ¥5,436 million.
- (4) Materials for electric facilities
Net sales of terminal blocks, cable accessories, tools, etc. amounted to ¥8,162 million.

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

(Assets)

Total assets as of December 31, 2021 amounted to ¥30,046 million, up ¥3,604 million from the end of the previous fiscal year.

Current assets increased by ¥3,189 million from the end of the previous fiscal year to ¥24,573 million.

This was primarily due to a ¥1,769 million increase in notes and accounts receivable - trade, a ¥1,480 million increase in electronically recorded monetary claims - operating, a ¥1,309 million increase in merchandise, and a ¥1,231 million decrease in cash and deposits.

Non-current assets increased by ¥415 million from the end of the previous fiscal year to ¥5,472 million.

This was mainly due to a ¥702 million increase in construction in progress.

(Liabilities)

Liabilities as of December 31, 2021 amounted to ¥13,191 million, up ¥3,145 million from the end of the previous fiscal year.

Current liabilities increased by ¥3,309 million from the end of the previous fiscal year to ¥11,982 million.

This was primarily due to a ¥1,164 million increase in notes and accounts payable - trade and a ¥1,124 million increase in electronically recorded obligations - operating.

Non-current liabilities decreased by ¥163 million from the end of the previous fiscal year to ¥1,209 million.

(Net assets)

Net assets as of December 31, 2021 amounted to ¥16,855 million, up ¥458 million from the end of the previous fiscal year.

This was mainly due to the recording of profit attributable to owners of parent for the nine months ended December 31, 2021 of ¥1,561 million and dividend payments of ¥1,111 million. The equity ratio was 56.1%.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) as of December 31, 2021 amounted to ¥4,655 million, down ¥1,231 million from the end of the previous fiscal year. The status of cash flows and its contributing factors during the nine months ended December 31, 2021 are as follows.

(Cash flows from operating activities)

Due to operating activities, net cash decreased by ¥183 million. (Net cash increased by ¥1,257 million in the same period of the previous year)

This was mainly due to a ¥2,267 million increase in profit before income taxes, a ¥3,245 million increase in trade receivables, and a ¥575 million decrease in income taxes paid.

(Cash flows from investing activities)

Due to investing activities, net cash decreased by ¥632 million. (Net cash increased by ¥689 million in the same period of the previous year)

This was mainly due to purchase of property, plant and equipment of ¥816 million.

(Cash flows from financing activities)

Due to financing activities, net cash decreased by ¥429 million. (Net cash decreased by ¥1,571 million in the same period of the previous year)

This was mainly due to dividends paid of ¥1,109 million.

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

Regarding the full-year financial results forecast for the fiscal year ending March 31, 2022, in addition to new waves of infections from COVID-19 variants, etc., shortages of semiconductors and resin materials, etc. have led to long delivery times for the Company's products, fueling concerns about supply to customers. Nevertheless, we expect production and capital investment chiefly related to semiconductor manufacturing equipment to remain favorable from the fourth quarter onward. Accordingly, we have decided to revise the full-year financial results forecast for the fiscal year ending March 31, 2022.

For details, please refer to the “Notice Regarding Revision to Financial Results Forecast and Dividend Forecast” (available only in Japanese) announced today (January 31, 2022).

Forecasts and other forward-looking information are based on information currently available to the Company, and actual performance, etc. may vary due to a variety of factors. If there are any changes in the future, they will be disclosed appropriately.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	5,907,920	4,676,309
Notes and accounts receivable - trade	9,490,245	11,259,904
Electronically recorded monetary claims - operating	3,120,337	4,600,708
Merchandise	2,536,758	3,845,845
Other	331,942	194,390
Allowance for doubtful accounts	(2,515)	(3,163)
Total current assets	21,384,689	24,573,995
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,504,627	1,483,846
Land	1,909,493	1,909,493
Construction in progress	9,350	711,970
Other, net	172,011	103,871
Total property, plant and equipment	3,595,483	4,209,182
Intangible assets	66,266	97,261
Investments and other assets		
Other	1,431,235	1,201,011
Allowance for doubtful accounts	(35,842)	(34,922)
Total investments and other assets	1,395,392	1,166,088
Total non-current assets	5,057,141	5,472,532
Total assets	26,441,831	30,046,527
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,663,370	5,828,302
Electronically recorded obligations - operating	2,381,604	3,506,207
Short-term borrowings	354,084	1,104,052
Income taxes payable	340,109	468,486
Provision for bonuses	244,133	265,840
Provision for bonuses for directors (and other officers)	70,700	138,750
Other	618,353	670,497
Total current liabilities	8,672,355	11,982,135
Non-current liabilities		
Long-term borrowings	41,544	—
Provision for share-based remuneration for directors (and other officers)	43,993	52,553
Retirement benefit liability	957,709	953,879
Other	329,947	202,773
Total non-current liabilities	1,373,194	1,209,206
Total liabilities	10,045,550	13,191,341

(Thousand yen)

	As of March 31, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Share capital	1,819,230	1,819,230
Capital surplus	1,541,190	1,545,191
Retained earnings	13,530,310	13,980,946
Treasury shares	(604,973)	(596,410)
Total shareholders' equity	16,285,757	16,748,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	98,604	81,352
Foreign currency translation adjustment	7,549	23,782
Remeasurements of defined benefit plans	4,369	1,093
Total accumulated other comprehensive income	110,523	106,228
Total net assets	16,396,280	16,855,185
Total liabilities and net assets	26,441,831	30,046,527

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Net sales	32,861,410	42,167,192
Cost of sales	28,174,947	35,762,383
Gross profit	4,686,463	6,404,808
Selling, general and administrative expenses		
Packing and transportation costs	354,298	418,886
Salaries, allowances and bonuses	1,772,843	1,907,129
Share-based payment expenses	19,080	26,158
Legal welfare expenses	268,317	317,117
Retirement benefit expenses	104,967	104,770
Rent expenses	285,363	345,586
Depreciation	122,665	152,282
Provision for bonuses	131,533	265,840
Provision for bonuses for directors (and other officers)	36,750	138,750
Other	713,070	800,530
Total selling, general and administrative expenses	3,808,890	4,477,052
Operating income	877,572	1,927,755
Non-operating income		
Interest income	8,719	645
Dividend income	14,787	16,425
Purchase discounts	153,365	195,131
Foreign exchange gains	–	17,463
Other	20,514	18,682
Total non-operating income	197,387	248,348
Non-operating expenses		
Interest expenses	10,629	6,799
Loss on sale of notes receivable - trade	2,240	1,758
Loss on cancellation of leases	3,526	2,803
Foreign exchange losses	3,578	–
Other	4,893	1,729
Total non-operating expenses	24,868	13,090
Ordinary profit	1,050,091	2,163,013
Extraordinary income		
Gain on sale of investment securities	12,503	1,418
Gain on reversal of lease obligations	–	108,746
Total extraordinary income	12,503	110,164
Extraordinary losses		
Impairment losses	124,842	5,456
Loss on retirement of non-current assets	82	239
Loss on valuation of investment securities	327	–
Total extraordinary losses	125,251	5,695
Profit before income taxes	937,342	2,267,481
Income taxes - current	294,284	701,897
Income taxes - deferred	66,719	3,927
Total income taxes	361,003	705,825
Profit	576,338	1,561,656
Profit attributable to owners of parent	576,338	1,561,656

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	576,338	1,561,656
Other comprehensive income		
Valuation difference on available-for-sale securities	56,012	(17,252)
Foreign currency translation adjustment	(3,268)	16,233
Remeasurements of defined benefit plans, net of tax	(3,613)	(3,276)
Total other comprehensive income	49,131	(4,295)
Comprehensive income	625,470	1,557,361
Comprehensive income attributable to		
Owners of parent	625,470	1,557,361
Non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	937,342	2,267,481
Depreciation	122,665	152,282
Impairment losses	124,842	5,456
Increase (decrease) in provision for bonuses	(110,383)	21,707
Increase (decrease) in provision for bonuses for directors (and other officers)	(37,250)	68,050
Increase (decrease) in provision for share awards for directors (and other officers)	14,746	12,700
Increase (decrease) in retirement benefit liability	3,007	(3,830)
Increase (decrease) in allowance for doubtful accounts	(1,280)	(272)
Interest and dividend income	(23,507)	(17,071)
Interest expenses	10,629	6,799
Loss (gain) on sale of investment securities	(12,503)	(1,418)
Gain on reversal of lease obligations	–	(108,746)
Decrease (increase) in trade receivables	650,373	(3,245,585)
Decrease (increase) in inventories	(87,410)	(1,308,236)
Increase (decrease) in trade payables	(203,306)	2,287,428
Other	307,994	244,939
Subtotal	1,695,962	381,684
Interest and dividends received	35,421	16,794
Interest paid	(10,569)	(6,748)
Income taxes paid	(463,545)	(575,035)
Net cash provided by (used in) operating activities	1,257,268	(183,304)
Cash flows from investing activities		
Purchase of property, plant and equipment	(37,077)	(816,671)
Purchase of intangible assets	(106)	(14,433)
Proceeds from redemption of securities	900,000	–
Purchase of investment securities	(22,017)	(22,059)
Proceeds from sale of investment securities	46,856	36,329
Payments of leasehold and guarantee deposits	(207,250)	(3,477)
Proceeds from refund of leasehold and guarantee deposits	9,525	187,397
Payments into time deposits	(3,000)	(3,000)
Proceeds from withdrawal of time deposits	3,000	3,000
Net cash provided by (used in) investing activities	689,930	(632,914)
Cash flows from financing activities		
Proceeds from short-term borrowings	–	1,000,000
Repayments of short-term borrowings	(1,342)	–
Proceeds from long-term borrowings	2,000,000	–
Repayments of long-term borrowings	(2,562,572)	(291,576)
Repayments of finance lease obligations	(24,930)	(28,957)
Dividends paid	(982,263)	(1,109,143)
Net cash provided by (used in) financing activities	(1,571,108)	(429,677)
Effect of exchange rate change on cash and cash equivalents	(3,093)	14,285
Net increase (decrease) in cash and cash equivalents	372,996	(1,231,611)
Cash and cash equivalents at beginning of period	4,468,262	5,886,920
Cash and cash equivalents at end of period	4,841,259	4,655,309

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter "Revenue Recognition Standard"), etc. from the beginning of the first quarter of the current fiscal year. Accordingly, revenue is recognized at the point in time at which control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. As a result, for some transactions, the Company had previously recognized revenue on a gross basis, but has changed to a method of recognizing revenue on a net basis for transactions in which the role of the Company in providing a good or service to the customer is an agent.

The Group primarily sells products related to electrical and electronic components, and the revenue from the sale of such products is recognized at the point in time at which the product is delivered to the customer.

The application of the Revenue Recognition Standard, etc. is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Standard, and the aggregate amount of the impact of retroactively applying the new accounting policy prior to the beginning of the first quarter is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new accounting policy is applied from the said beginning balance of retained earnings, but there will be no impact on such balance.

As a result, net sales and cost of sales for the nine months ended December 31, 2021 each decreased by ¥149,192 thousand.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter "Fair Value Measurement Standard"), etc. from the beginning of the first quarter of the current fiscal year, and plans to prospectively apply the new accounting policy determined by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)." There was no impact on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimate related to the impact of the spread of COVID-19)

There have been no material changes in the assumptions described in "(Additional Information)" under "(Accounting estimate related to the impact of the spread of COVID-19)" in the securities report of the previous fiscal year.

3. Others

Purchases and Sales

(1) Purchases

(Thousand yen)

Item name	For the nine months ended December 31, 2021	Year-on-year change (%)
FA equipment	22,626,324	—
Information and communication equipment	3,426,834	—
Electronics and devices	4,378,267	—
Materials for electric facilities	6,639,449	—
Total	37,070,875	—

Notes: 1. Amounts of less than one thousand yen are rounded down.

2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. from the beginning of the current fiscal year. Accordingly, the year-on-year change in values before the application of the above accounting standard, etc. is not provided.

(2) Sales

(Thousand yen)

Item name	For the nine months ended December 31, 2021	Year-on-year change (%)
FA equipment	25,058,528	—
Information and communication equipment	3,508,882	—
Electronics and devices	5,436,809	—
Materials for electric facilities	8,162,971	—
Total	42,167,192	—

Notes: 1. Amounts of less than one thousand yen are rounded down.

2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. from the beginning of the current fiscal year. Accordingly, the year-on-year change in values before the application of the above accounting standard, etc. is not provided.