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Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]

October 30, 2020

Company name: PEGASUS SEWING MACHINE MFG. CO., LTD.

Stock exchange listing: Tokyo

Code number: 6262

URL: <https://www.pegasus.co.jp>

Representative: Shigemi Mima

Representative Director

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Scheduled date of filing quarterly securities report: November 06, 2020

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 01, 2020 to September 30, 2020)

(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	%
Six months ended September 30, 2020	5,222	(34.8)	(100)	-	73	(57.6)	(333)	-
September 30, 2019	8,010	(19.2)	294	(78.8)	173	(89.6)	(261)	-

(Note) Comprehensive income: Six months ended September 30, 2020: ¥ (876) million [-%]
Six months ended September 30, 2019: ¥ (762) million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2020	Yen (13.45)	Yen -
September 30, 2019	(10.56)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2020	Million yen 27,842	Million yen 20,687	% 71.9
March 31, 2020	29,719	21,737	70.9

(Reference) Equity: As of September 30, 2020: ¥ 20,022 million
As of March 31, 2020: ¥ 21,070 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, 2020	-	13.00	-	7.00	20.00
Fiscal year ending March 31, 2021	-	0.00			
Fiscal year ending March 31, 2021 (Forecast)			-	-	-

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

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2021 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021(April 01, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,000	(26.5)	(160)	-	(80)	-	(520)	-	(20.96)

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2020

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2020: 24,828,600 shares

March 31, 2020: 24,828,600 shares

2) Total number of treasury shares at the end of the period:

September 30, 2020: 17,944 shares

March 31, 2020: 17,944 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 24,810,656 shares

Six months ended September 30, 2019: 24,810,656 shares

(Note) Quarterly summary of financial statements is not subject to the quarterly reviews by a certified public accountant or an audit corporation.

Forward-looking statements

Statements contained in this summary regarding the Company's plans, strategies, and expectations for future performance, which are based on information available to the Company at the time of writing.

They are therefore subject to a number of uncertainties and unknowable factors, and actual results may thus differ substantially from those projected.

For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to the section of "(2) Explanation regarding forward-looking statements such as consolidated earnings forecasts" on page 2 of the attached material.

The presentation material (Japanese) will be announced on Company's website on Thursday, November 12, 2020.

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1. Qualitative information of the consolidated performance for the six months

(1) Operating results

Although the global economy during the six months of the current consolidated cumulative period has been picking up in some areas such as China, the impact of the spread of Covid-19 has been prolonged and the extremely difficult situation has continued. In the Japanese economy, although the economic downturn is coming to a halt, the recovery in personal consumption is limited, and capital investment remains weak due to the deterioration of corporate profits, and the outlook remains uncertain.

Business continuity and employee safety are our highest priority. Therefore, we are taking measures to prevent Covid-19, and are proceeding with various measures with priority issues of "building a sustainable business structure" and "improving profitability" in order to respond to changes in the market.

In addition, as face-to-face sales continue to be difficult as in the past, we will work toward the early realization of non-face-to-face sales activities using various digital tools and products that support digitalization such as IoT. We will also strive to rebuild the supply chain for the optimization of production and inventory.

Furthermore, we have taken measures to restore profitability from all parts of the business such as reducing expenses including temporary leave.

Under these circumstances, sales for the six months of the current consolidated cumulative period were 5,222 million yen (down 34.8% from the same quarter of the previous year).

Operating income was a loss of 100 million yen (operating income was 294 million yen in the same quarter of the previous year).

Ordinary income was 73 million yen (down 57.6% year-on-year). Due to a loss on sales of fixed assets of 333 million yen, the quarterly net loss attributable to owners of the parent was 333 million yen. (Quarterly net loss attributable to owners of the parent of 261 million yen in the same quarter of the previous year).

Business overviews by segment

(Industrial sewing machine)

Regarding industrial sewing machines, demand for masks and PPE products has expanded due to the global pandemic of Covid-19. And due to the shortage of supply, the number of factories that temporarily switched production from apparel products to these products increased, and we have responded to that need.

However full-scale capital investment did not recover, and net sales were 4,141 million yen (down 37.4% year-on-year) and segment profit was 410 million yen (56.1% decrease from the same quarter of the previous year).

(Die casting auto parts)

Regarding die-cast parts, we are continuing sales activities to expand sales channels, but the recovery of automobile production has been delayed due to the effects of restrictions on economic activities due to the spread of Covid-19.

Net sales were 1,081 million yen (down 22.3% year-on-year), and segment profit was 27 million yen (segment loss 37 million yen in the same quarter year-on-year) due to cost reductions and other factors.

(2) Consolidated earning forecasts

The consolidated earning forecast for the fiscal year ending March 2021 has not been determined because of the difficulty to reasonably calculate the impact of the Covid-19 pandemic on earnings. However, we calculated the full-year consolidated earnings, based on recent economic trends and currently available information and based on the results for the six months of the current fiscal year consolidated cumulative period.

For details, please refer to the announcement of earning forecast and dividend of surplus (no interim dividend) in the official announcement of today (October 30, 2020).

In the second half, we will continue to work on inventory reduction, establishment of new sales system, improvement of existing products, and cost reduction.

Furthermore, with a view to the normalizing of markets after the Covid-19 pandemic ends, we will focus on measures for the future such as, strengthening supply chain management, new product development, human resource development and also for capital investment in the die casting division in expectation of an increase in orders.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2020	As of September 30,2020
Assets		
Current assets		
Cash and deposits	5,998,703	6,203,010
Notes and accounts receivable - trade	3,856,634	3,081,899
Securities	42,145	-
Merchandise and finished goods	5,180,204	5,321,167
Work in process	658,289	628,510
Raw materials and supplies	3,757,987	3,785,815
Other	443,052	400,358
Allowance for doubtful accounts	(35,142)	(8,264)
Total current assets	19,901,874	19,412,497
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,081,197	4,823,610
Other, net	3,825,958	2,793,098
Total property, plant and equipment	8,907,156	7,616,708
Intangible assets		
Investments and other assets	373,606	299,680
Total non-current assets	9,817,976	8,429,621
Total assets	29,719,850	27,842,118
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,243,110	661,415
Short-term borrowings	2,118,425	2,012,219
Income taxes payable	45,535	63,002
Provision for bonuses	92,434	111,072
Other	1,324,475	1,034,232
Total current liabilities	4,823,982	3,881,940
Non-current liabilities		
Long-term borrowings	1,639,361	1,868,343
Retirement benefit liability	567,518	565,533
Other	951,347	838,888
Total non-current liabilities	3,158,226	3,272,765
Total liabilities	7,982,208	7,154,706

(Thousand yen)

	As of March 31,2020	As of September 30,2020
Net assets		
Shareholders' equity		
Share capital	2,255,553	2,255,553
Capital surplus	2,983,084	2,983,084
Retained earnings	15,170,265	14,662,999
Treasury shares	(5,350)	(5,350)
Total shareholders' equity	20,403,553	19,896,286
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,867	9,120
Foreign currency translation adjustment	732,104	195,276
Remeasurements of defined benefit plans	(87,273)	(78,092)
Total accumulated other comprehensive income	666,698	126,305
Non-controlling interests	667,390	664,819
Total net assets	21,737,641	20,687,411
Total liabilities and net assets	29,719,850	27,842,118

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 Quarterly Consolidated Statements of Income (For the six months)

(Thousand yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Net sales	8,010,420	5,222,346
Cost of sales	5,319,333	3,375,855
Gross profit	2,691,087	1,846,490
Selling, general and administrative expenses	2,396,983	1,946,861
Operating profit (loss)	294,103	(100,371)
Non-operating income		
Interest income	10,686	5,174
Dividend income	2,054	1,574
Foreign exchange gains	-	46,788
Subsidy income	2,942	150,788
Other	8,676	7,457
Total non-operating income	24,360	211,783
Non-operating expenses		
Interest expenses	30,347	34,699
Foreign exchange losses	105,554	-
Other	8,670	2,988
Total non-operating expenses	144,572	37,687
Ordinary profit	173,891	73,725
Extraordinary income		
Gain on sales of non-current assets	1,011	-
Gain on redemption of investment securities	-	22,090
Total extraordinary income	1,011	22,090
Extraordinary losses		
Loss on sales of non-current assets	829	303,178
Total extraordinary losses	829	303,178
Profit (loss) before income taxes	174,073	(207,362)
Income taxes - current	162,997	42,347
Income taxes - deferred	256,944	70,240
Total income taxes	419,942	112,588
Loss	(245,868)	(319,951)
Profit attributable to non-controlling interests	16,037	13,640
Loss attributable to owners of parent	(261,906)	(333,591)

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousand yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Loss	(245,868)	(319,951)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,624	(12,746)
Foreign currency translation adjustment	(515,219)	(553,039)
Remeasurements of defined benefit plans, net of tax	(3,372)	9,181
Total other comprehensive income	(516,966)	(556,604)
Comprehensive income	(762,835)	(876,555)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(758,438)	(873,984)
Comprehensive income attributable to non-controlling interests	(4,397)	(2,571)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from operating activities		
Profit (loss) before income taxes	174,073	(207,362)
Depreciation	372,570	371,803
Increase (decrease) in allowance for doubtful accounts	1,538	(26,486)
Increase (decrease) in retirement benefit liability	(15,065)	7,446
Decrease (increase) in retirement benefit asset	(4,287)	-
Interest and dividend income	(12,741)	(6,749)
Subsidy income	(2,942)	(150,788)
Interest expenses	30,347	34,699
Foreign exchange losses (gains)	19,672	(67,283)
Loss (gain) on sales of non-current assets	(182)	303,178
Loss (gain) on redemption of investment securities	-	(22,090)
Decrease (increase) in trade receivables	631,556	679,492
Decrease (increase) in inventories	(410,151)	(361,972)
Increase (decrease) in trade payables	(197,278)	(501,859)
Increase (decrease) in accounts payable - other	(64,151)	(203,871)
Other, net	(40,093)	33,383
Subtotal	482,865	(118,460)
Interest and dividends received	8,373	6,376
Interest paid	(32,597)	(35,748)
Proceeds from subsidy income	2,942	79,152
Proceeds from insurance income	-	47,747
Income taxes paid	(680,954)	(6,532)
Net cash provided by (used in) operating activities	(219,370)	(27,465)
Cash flows from investing activities		
Payments into time deposits	(296,299)	(356,318)
Proceeds from withdrawal of time deposits	241,230	259,466
Purchase of property, plant and equipment	(357,424)	(202,715)
Proceeds from sales of property, plant and equipment	13,695	550,031
Purchase of intangible assets	(9,155)	(5,068)
Proceeds from redemption of investment securities	-	42,965
Other, net	(8,885)	6,078
Net cash provided by (used in) investing activities	(416,839)	294,439

(Thousand yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(50,000)
Proceeds from long-term borrowings	-	440,000
Repayments of long-term borrowings	(111,720)	(230,818)
Redemption of bonds	(106,430)	-
Dividends paid	(297,727)	(173,674)
Repayments of lease obligations	(40,642)	(48,479)
Other, net	(4,098)	(2,907)
Net cash provided by (used in) financing activities	(560,618)	(65,879)
Effect of exchange rate change on cash and cash equivalents	(125,753)	(86,479)
Net increase (decrease) in cash and cash equivalents	(1,322,581)	114,615
Cash and cash equivalents at beginning of period	6,202,114	5,648,359
Cash and cash equivalents at end of period	4,879,533	5,762,974