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Consolidated Financial Results for the Nine Months Ended December 31, 2020 [Japanese GAAP]

January 29, 2021

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
 Contact: Fumiyasu Sato Executive Officer
 Phone: 06(6451)1351
 Scheduled date of filing quarterly securities report: February 04, 2021
 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 Nine Months Ended December 31, 2020 (April 01, 2020 to December 31, 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	%
Nine months ended December 31, 2020	8,299	(27.9)	180	(21.8)	323	44.3	(106)	-
December 31, 2019	11,511	(21.3)	230	(87.8)	223	(89.6)	(228)	-

(Note) Comprehensive income:
 Nine months ended December 31, 2020: ¥ (575) million [-%]
 Nine months ended December 31, 2019: ¥ (1,055) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	(4.29)	-
December 31, 2019	(9.19)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2020	28,260	20,983	71.9
March 31, 2020	29,719	21,737	70.9

(Reference) Equity:
 As of December 31, 2020: ¥ 20,317 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) 1 Revision to the forecast for dividends announced most recently: No
 2 Breakdown of the 3rd 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	12,390	(17.2)	400	(19.8)	460	(5.0)	0	-	0.00

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

* Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2020: 24,828,600 shares

March 31, 2020: 24,828,600 shares

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

December 31, 2020: 17,944 shares

March 31, 2020: 17,944 shares

- 3) Average number of shares during the period:

Nine months ended December 31, 2020: 24,810,656 shares

Nine months ended December 31, 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) Consolidated earning forecasts" on page 2 of the attached material.

The presentation material (Japanese) will be announced on Company's website on Wednesday, February 10, 2021.

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

(1) Operating results

The global economy during the third quarter of the current consolidated cumulative period was affected by the spread of Covid-19 infection and it was on a recovery trend from the significant economic slowdown by the lockdown. However, economic growth was still well below last year, and the outlook remains uncertain.

In the Japanese economy, although the manufacturing industry has started picking up, the recovery in the service industry remains sluggish, and there are resurgences in the spread of Covid-19 throughout Japan, therefore the outlook remains uncertain.

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

In addition, while face-to-face sales continue to be difficult we are developing new sales tools that facilitate sales activities utilizing web based content; IoT initiatives to achieve digital compatibility with our product line; rebuilding our supply chain to optimize production and inventory. Further we've even introduced a temporary leave program; all these measures have been undertaken to restore profitability in all areas of the business.

Under these circumstances, sales for the third quarter of the current consolidated cumulative period were 8,299 million yen (down 27.9% from the same quarter of the previous year).

Operating income was 180 million yen (down 21.8% from the same quarter of the previous year).

Ordinary income was 323 million yen (up 44.3% from the same quarter of the previous year). Due to a loss on sales of fixed assets of 303 million yen, the quarterly net loss attributable to owners of the parent was 106 million yen. (Quarterly net loss attributable to owners of the parent of 228 million yen in the same quarter of the previous year).

Business overviews by segment

(Industrial sewing machine)

Regarding industrial sewing machines, China, where the spread of Covid-19 infection has begun to settle down, has resumed its business activities in advance. And then investments were taken in Southeast Asia and Western countries to recover economic activity, too. As a result, there has been a slight recovery in demand for capital investment.

However, full-scale capital investment did not recover, and net sales were 6,475 million yen (down 32.0% from the same quarter of the previous year), and segment profit was 898 million yen (down 20.4% from the same quarter of the previous year).

(Die casting auto parts)

Regarding die-cast parts, automobile production was on a recovery trend, and we have continued sales activities to expand sales channels.

Net sales were 1,824 million yen (down 8.5% from the same quarter of the previous year), and segment profit was 63 million yen (segment loss 33 million yen in the same quarter of the previous year) due to cost reductions and other factors.

(2) Consolidated earning forecasts

We have revised the consolidated earnings forecast announced on October 2020.

For details, please refer to the announcement concerning revision of financial results forecast for the full fiscal year ending March 2021 (Japanese only) in the official announcement of today (January 29, 2021).

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2020	As of December 31,2020
Assets		
Current assets		
Cash and deposits	5,998,703	7,081,303
Notes and accounts receivable - trade	3,856,634	3,405,762
Securities	42,145	-
Merchandise and finished goods	5,180,204	4,728,456
Work in process	658,289	639,365
Raw materials and supplies	3,757,987	3,650,706
Other	443,052	328,805
Allowance for doubtful accounts	(35,142)	(9,504)
Total current assets	19,901,874	19,824,896
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,081,197	4,777,666
Other, net	3,825,958	2,835,101
Total property, plant and equipment	8,907,156	7,612,768
Intangible assets	537,213	507,107
Investments and other assets	373,606	316,032
Total non-current assets	9,817,976	8,435,908
Total assets	29,719,850	28,260,804
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,243,110	881,200
Short-term borrowings	2,118,425	1,969,925
Income taxes payable	45,535	32,971
Provision for bonuses	92,434	108,610
Other	1,324,475	1,121,194
Total current liabilities	4,823,982	4,113,901
Non-current liabilities		
Long-term borrowings	1,639,361	1,779,834
Retirement benefit liability	567,518	561,595
Other	951,347	821,715
Total non-current liabilities	3,158,226	3,163,145
Total liabilities	7,982,208	7,277,046

(Thousand yen)

	As of March 31,2020	As of December 31,2020
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	14,890,085
Treasury shares	(5,350)	(5,350)
Total shareholders' equity	20,403,553	20,123,372
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,867	9,394
Foreign currency translation adjustment	732,104	258,116
Remeasurements of defined benefit plans	(87,273)	(73,484)
Total accumulated other comprehensive income	666,698	194,026
Non-controlling interests	667,390	666,358
Total net assets	21,737,641	20,983,757
Total liabilities and net assets	29,719,850	28,260,804

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Thousand yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Net sales	11,511,916	8,299,972
Cost of sales	7,760,819	5,229,468
Gross profit	3,751,096	3,070,504
Selling, general and administrative expenses	3,520,270	2,889,950
Operating profit	230,826	180,553
Non-operating income		
Interest income	13,365	7,185
Dividend income	4,825	2,571
Foreign exchange gains	5,046	-
Subsidy income	9,870	211,892
Other	17,836	14,266
Total non-operating income	50,944	235,915
Non-operating expenses		
Interest expenses	47,617	56,418
Foreign exchange losses	-	33,026
Other	10,207	3,823
Total non-operating expenses	57,825	93,269
Ordinary profit	223,945	323,199
Extraordinary income		
Gain on sales of non-current assets	993	737
Gain on redemption of investment securities	-	22,090
Total extraordinary income	993	22,827
Extraordinary losses		
Loss on sales of non-current assets	814	303,174
Total extraordinary losses	814	303,174
Profit before income taxes	224,124	42,852
Income taxes - current	186,713	81,374
Income taxes - deferred	240,347	50,693
Total income taxes	427,060	132,067
Loss	(202,936)	(89,215)
Profit attributable to non-controlling interests	25,168	17,291
Loss attributable to owners of parent	(228,104)	(106,506)

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

(Thousand yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Loss	(202,936)	(89,215)
Other comprehensive income		
Valuation difference on available-for-sale securities	5,433	(12,472)
Foreign currency translation adjustment	(852,580)	(487,628)
Remeasurements of defined benefit plans, net of tax	(5,058)	13,789
Total other comprehensive income	(852,204)	(486,311)
Comprehensive income	(1,055,141)	(575,526)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,046,433)	(579,178)
Comprehensive income attributable to non-controlling interests	(8,707)	3,651