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Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

July 30, 2020

Company name: AICHI CORPORATION

Stock exchange listing: Tokyo, Nagoya

Code number: 6345

URL: <https://www.aichi-corp.co.jp>

Representative: Toshiya Yamagishi

President and Representative Director

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Scheduled date of filing quarterly securities report: August 07, 2020

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 01, 2020 to June 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	%
Three months ended June 30, 2020	11,701	(17.1)	1,111	(27.5)	1,230	(29.8)	811	(31.9)
June 30, 2019	14,118	33.9	1,533	176.5	1,752	153.0	1,190	150.0

(Note) Comprehensive income: Three months ended June 30, 2020: ¥ 1,494 million [35.7%]
Three months ended June 30, 2019: ¥ 1,101 million [14.4%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	10.47	-
June 30, 2019	15.34	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2020	81,995	68,152	83.1
March 31, 2020	82,763	67,944	82.1

(Reference) Equity: As of June 30, 2020: ¥ 68,152 million
As of March 31, 2020: ¥ 67,944 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	-	11.00	-	13.00	24.00
Fiscal year ending March 31, 2021	-				
Fiscal year ending March 31, 2021 (Forecast)		13.00	-	14.00	27.00

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

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
Six months ended September 30, 2020	27,000	(11.7)	2,400	(25.3)	2,500	(27.8)	2,100	(13.3)	27.14
Full year	56,000	(4.0)	5,600	(4.4)	5,700	(8.4)	4,300	(12.7)	55.62

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2020

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

(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):

June 30, 2020: 79,453,250 shares

March 31, 2020: 79,453,250 shares

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

June 30, 2020: 2,212,169 shares

March 31, 2020: 1,828,669 shares

3) Average number of shares during the period:

Three months ended June 30, 2020: 77,474,431 shares

Three months ended June 30, 2019: 77,624,941 shares

* This quarterly financial results are not subject to quarterly review procedure by certified public accountants or auditing firms.

* Explanation regarding the proper use of performance forecasts and other special items

- All projections are based on the information available to management at the time of making this report and are not guarantees of future performance. Uncertainties could cause the actual results of AICHI CORPORATION to differ materially from any projections discussed in this report.

- Please see page 3 on attached documents for details on performance forecasts in "Explanation for Forecast for FY2021".

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1. Qualitative Information on Quarterly Results

(1) Explanation of Business Results

During the three months ended June 30, 2020, the Japanese economy deteriorated significantly due to the novel coronavirus disease (COVID-19). Personal spending related to dining out, leisure and travel slowed abruptly after calls to suspend business operations and refrain from unnecessary outings went into full swing as a result of the government having declared a state of emergency. Moreover, corporate earnings also deteriorated as a result of production having been curtailed in the manufacturing industry largely as a result of companies postponing and reducing the size of capital investment against a backdrop of anticipated declines in future revenues.

As for the outlook ahead, signs of improvement are beginning to emerge as economic activity is gradually resumed across Japan amid a scenario where the emergency declaration has been lifted thereby putting an end to voluntary restraints on business and non-essential outings. Nevertheless, it is not possible to dispel uncertainty as to what lies ahead given factors that include the impact on economic activity of ongoing measures to help prevent the spread of COVID-19 and a sense of wariness regarding possible resurgence of the infection.

In this business climate, sales for specially equipped vehicles encountered a prudent attitude being taken with respect to capital investment in the rental industry and other sectors, yet sales were robust in comparison with the same period of the previous fiscal year in the electric power and general equipment industries during the three months ended June 30, 2020.

Under these circumstances, consolidated performance for the three months ended June 30, 2020 was as follows. Net sales fell by ¥2,416 million (17%) year on year to ¥11,701 million. By segment, net sales for specially equipped vehicles declined by ¥2,372 million (20%) year on year to ¥9,260 million, while net sales from parts and repairs remained at the same level as the previous fiscal year, at ¥2,315 million. In terms of profit, operating profit declined by ¥421 million (28%) year on year to ¥1,111 million, and ordinary profit declined by ¥521 million (30%) year on year to ¥1,230 million. Profit attributable to owners of parent fell by ¥379 million (32%) year on year to ¥811 million.

(2) Explanation of Financial Position

1) Assets

Current assets declined by ¥1,106 million from the end of the previous fiscal year to ¥53,370 million. This was mainly due to a decrease in notes and accounts receivable – trade of ¥4,205 million, despite increases in deposits paid and other advance payments under current assets of ¥2,241 million and ¥965 million, respectively.

Non-current assets increased by ¥338 million from the end of the previous fiscal year to ¥28,625 million. This was mainly due to an increase in investment securities of ¥977 million, despite decreases in deferred tax assets, buildings and structures, net, and machinery, equipment and vehicles, net of ¥372 million, ¥139 million and ¥106 million, respectively.

As a result, total assets decreased by ¥767 million from the end of the previous fiscal year to ¥81,995 million.

2) Liabilities

Current liabilities declined by ¥1,131 million from the end of the previous fiscal year to ¥11,383 million. This was mainly due to decreases in income taxes payable and other accrued expenses under current liabilities of ¥733 million and ¥511 million, respectively.

Non-current liabilities increased by ¥156 million from the end of the previous fiscal year to ¥2,459 million.

As a result, total liabilities decreased by ¥975 million from the end of the previous fiscal year to ¥13,843 million.

3) Net assets

Total net assets increased by ¥207 million from the end of the previous fiscal year to ¥68,152 million. This was mainly due to an increase in valuation difference on available-for-sale securities of ¥680 million, despite a decrease of ¥278 million due to purchase of treasury shares and a decrease in retained earnings of ¥197 million.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements

For the fiscal year ending March 31, 2021, the forecasts of dividends and consolidated financial results had been undetermined in the “Consolidated Financial Results for the Year Ended March 31, 2020” dated April 24, 2020, due to difficulties with respect to rationally establishing an earnings outlook due to ramifications of the COVID-19 pandemic.

Although there has been a gradual resumption of economic activity ever since the emergency declaration was lifted on May 25, 2020, actual recovery of economic activity is bound to take some time due to the impact of the pandemic.

Given these circumstances, for the first six months of the fiscal year ending March 31, 2021, we forecast net sales of ¥27.0 billion, operating profit of ¥2.4 billion, ordinary profit of ¥2.5 billion, and profit attributable to owners of parent of ¥2.1 billion. Meanwhile, for the full fiscal year ending March 31, 2021, we forecast net sales of ¥56.0 billion, operating profit of ¥5.6 billion, ordinary profit of ¥5.7 billion, and profit attributable to owners of parent of ¥4.3 billion.

For the fiscal year ending March 31, 2021, we plan to pay an interim dividend of ¥13 per share and a year-end dividend of ¥14 per share, for a total annual dividend of ¥27 per share.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2020	As of June 30,2020
Assets		
Current assets		
Cash and deposits	1,364,112	1,028,834
Deposits paid	29,293,978	31,534,983
Notes and accounts receivable - trade	19,045,242	14,839,442
Merchandise and finished goods	1,540,793	1,807,854
Work in process	1,357,019	1,519,914
Raw materials and supplies	1,273,767	1,322,905
Other	603,867	1,316,771
Allowance for doubtful accounts	(1,963)	(60)
Total current assets	54,476,818	53,370,647
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,842,154	7,702,338
Machinery, equipment and vehicles, net	2,656,961	2,550,424
Land	8,524,839	8,524,839
Other, net	725,068	689,978
Total property, plant and equipment	19,749,024	19,467,581
Intangible assets	839,521	806,190
Investments and other assets		
Investment securities	5,641,595	6,619,340
Deferred tax assets	372,397	-
Other	1,691,355	1,738,756
Allowance for doubtful accounts	(7,051)	(6,822)
Total investments and other assets	7,698,297	8,351,273
Total non-current assets	28,286,842	28,625,045
Total assets	82,763,661	81,995,693

(Thousand yen)

	As of March 31,2020	As of June 30,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,547,921	8,389,167
Income taxes payable	949,564	216,085
Provision for bonuses for directors (and other officers)	32,000	9,500
Provision for product warranties	138,409	124,978
Other	2,847,419	2,643,948
Total current liabilities	12,515,315	11,383,679
Non-current liabilities		
Deferred tax liabilities for land revaluation	616,302	616,302
Provision for retirement benefits for directors (and other officers)	43,600	-
Retirement benefit liability	1,221,468	1,213,846
Deferred tax liabilities	-	175,198
Other	422,019	454,509
Total non-current liabilities	2,303,391	2,459,857
Total liabilities	14,818,706	13,843,536
Net assets		
Shareholders' equity		
Share capital	10,425,325	10,425,325
Capital surplus	9,923,356	9,923,356
Retained earnings	47,334,222	47,136,329
Treasury shares	(918,004)	(1,196,081)
Total shareholders' equity	66,764,898	66,288,928
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,886,803	3,566,855
Revaluation reserve for land	(1,624,044)	(1,624,044)
Foreign currency translation adjustment	(311,330)	(312,187)
Remeasurements of defined benefit plans	228,626	232,604
Total accumulated other comprehensive income	1,180,055	1,863,227
Total net assets	67,944,954	68,152,156
Total liabilities and net assets	82,763,661	81,995,693

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousand yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Net sales	14,118,270	11,701,585
Cost of sales	10,974,313	9,221,243
Gross profit	3,143,957	2,480,341
Selling, general and administrative expenses	1,610,354	1,368,358
Operating profit	1,533,602	1,111,982
Non-operating income		
Interest income	3,139	2,564
Dividend income	52,183	52,407
Share of profit of entities accounted for using equity method	149,127	47,207
Foreign exchange gains	-	2,239
Other	30,548	19,682
Total non-operating income	234,999	124,101
Non-operating expenses		
Foreign exchange losses	16,195	-
Other	173	5,311
Total non-operating expenses	16,369	5,311
Ordinary profit	1,752,232	1,230,772
Extraordinary income		
Gain on sales of investment securities	13,271	-
Total extraordinary income	13,271	-
Extraordinary losses		
Loss on sales of non-current assets	10	-
Loss on retirement of non-current assets	299	38
Loss on valuation of investment securities	-	149
Total extraordinary losses	309	187
Profit before income taxes	1,765,194	1,230,585
Income taxes - current	296,573	171,347
Income taxes - deferred	277,796	248,011
Total income taxes	574,370	419,358
Profit	1,190,824	811,226
Profit attributable to owners of parent	1,190,824	811,226

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

(Thousand yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Profit	1,190,824	811,226
Other comprehensive income		
Valuation difference on available-for-sale securities	(67,812)	680,051
Foreign currency translation adjustment	(95,813)	7,530
Remeasurements of defined benefit plans, net of tax	2,743	3,977
Share of other comprehensive income of entities accounted for using equity method	71,581	(8,387)
Total other comprehensive income	(89,300)	683,171
Comprehensive income	1,101,523	1,494,398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,101,523	1,494,398
Comprehensive income attributable to non-controlling interests	-	-

(Additional information)

(Discontinuation of retirement benefit plan for directors and other officers)

At its 72nd Annual General Meeting of Shareholders held on June 18, 2020, the Company resolved to make final payment of retirement benefits for directors and other officers upon discontinuing its retirement benefit plan for directors and other officers. Accordingly, upon having reversed in full the provision for retirement benefits for directors (and other officers), the amount of ¥36,800 thousand which had been recorded in the said account is now included in “other” under non-current liabilities as long-term accounts payable - other.