

Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ended March 31, 2020 [Japanese Standard]

November 12, 2019

Stock exchange: Tokyo (First Section)

Listed company name: Aida Engineering, Ltd.

Stock code: 6118 (URL <http://www.aida.co.jp/en/>)

Representative: Kimikazu Aida, Chairman & President (CEO)

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Scheduled date of filing quarterly securities report: November 12, 2019

Scheduled beginning date of dividend payment: —

Preparation of supplemental explanatory materials: Yes

Holding of financial results briefing: Yes (for analysts and institutional investors)

(Figures are rounded down to the nearest million yen)

1. Consolidated Results for 2nd Quarter of the Fiscal Year Ended March 31, 2020 (April 1, 2019 to September 30, 2019)

(1) Consolidated Financial Results

(Percentages represent change compared to the previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2019	34,274	(15.0)	3,027	29.7	3,201	20.8	2,261	30.3
Six months ended September 30, 2018	40,311	23.1	2,334	(18.9)	2,651	(6.5)	1,735	(11.0)

Note: Comprehensive income Six months ended September 30, 2019 777 million yen (-62.9 %)

Six months ended September 30, 2018 2,096 million yen (-46.6 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2019	37.23	37.16
Six months ended September 30, 2018	28.13	28.06

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2019	104,213	74,010	70.3	1,230.28
As of March 31, 2019	111,564	77,206	68.5	1,238.41

Reference: Shareholders' equity As of September 30, 2019 73,259 million yen

As of March 31, 2019 76,453 million yen

2. Cash Dividends

	Cash dividends per share				
	1Q End	2Q End	3Q End	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	—	—	—	30.00	30.00
Year ended March 31, 2020	—	—	—	—	—
Year ended March 31, 2020 (forecast)	—	—	—	30.00	30.00

Note: Revision of dividend forecast for this period: None

3. Forecasts of Consolidated Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages represent change compared to the previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year ended March 31, 2020	72,000	(14.4)	6,350	14.2	6,500	10.5	4,650	0.3	77.31

Note: Revision of forecasts of consolidated results: Yes

4. Others

(1) Changes among significant subsidiaries during the period: None

(2) Adoption of special accounting treatment for quarter financial report: Yes

Note: This refers to whether these above were used for preparing quarterly consolidated financial statements.

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

1. Changes in accounting policies due to revisions of accounting standards: None

2. Changes in accounting policies other than "1": None

3. Changes in accounting estimates: None

4. Retrospective restatement: None

(4) Number of shares outstanding (Common stock)

1. Total number of issued shares (Including treasury stock)

As of September 30, 2019 71,647,321 shares

As of March 31, 2019 71,647,321 shares

2. Total number of treasury Stock

As of September 30, 2019 12,100,754 shares

As of March 31, 2019 9,912,330 shares

3. Average number of shares

Six months ended September 30, 2019 60,749,387 shares

Six months ended September 30, 2018 61,703,410 shares

This financial results falls outside the scope of audit procedures.

Statement for proper use of business forecast and other special remarks:

The above forecasts and those presented in appended material are based on the information presently available.

Actual results may differ from these forecasts due to changes in various factors.

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1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash on hand and at banks	31,155	27,485
Notes and accounts receivable - trade	22,859	20,448
Electronically recorded monetary claims - operating	2,213	2,383
Finished goods	2,761	2,771
Work in process	9,814	11,288
Raw materials and supplies	3,914	3,590
Other current assets	3,906	2,627
Allowance for doubtful accounts	(231)	(212)
Total current assets	76,396	70,382
Fixed assets		
Property, plant and equipment		
Buildings and structures	25,102	25,124
Accumulated depreciation	(16,613)	(16,757)
Buildings and structures, net	8,488	8,366
Machinery and vehicles	17,687	17,091
Accumulated depreciation	(10,451)	(10,566)
Machinery and vehicles, net	7,235	6,525
Land	7,301	7,291
Construction in progress	296	160
Other fixed assets	3,578	3,569
Accumulated depreciation	(2,967)	(2,995)
Other fixed assets, net	610	573
Total property, plant and equipment	23,932	22,918
Intangible assets	800	776
Investments and other assets		
Investment securities	6,808	6,389
Insurance reserve fund	2,219	2,291
Net defined benefit assets	856	871
Deferred tax assets	405	455
Other assets	178	160
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	10,435	10,135
Total fixed assets	35,167	33,830
Total assets	111,564	104,213

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	6,806	5,015
Electronically recorded monetary obligations - operating	4,671	3,706
Short-term loans payable	2,491	2,360
Current portion of long-term loans payable	500	500
Accounts payable - other	1,123	663
Income taxes payable	617	1,005
Advances received	8,291	7,320
Accrued warranty costs	596	596
Accrued bonuses for employees	1,080	1,080
Accrued bonuses for directors	44	46
Provision for loss on orders received	56	49
Other current liabilities	2,148	2,019
Total current liabilities	28,428	24,365
Long-term liabilities		
Long-term loans payable	1,000	1,000
Long-term accounts payable - other	817	902
Deferred tax liabilities	2,024	1,807
Accrued stock payments	401	449
Net defined benefit liabilities	1,385	1,405
Other long-term liabilities	300	271
Total long-term liabilities	5,929	5,837
Total liabilities	34,358	30,203
Net assets		
Shareholders' equity		
Common stock	7,831	7,831
Additional paid-in capital	12,415	12,415
Retained earnings	55,777	56,084
Treasury stock	(4,230)	(6,227)
Total shareholders' equity	71,793	70,102
Accumulated other comprehensive income		
Net unrealized gains on other securities	3,617	3,317
Deferred hedge gains (losses)	(1)	46
Foreign currency translation adjustments	645	(558)
Retirement benefit plan adjustments	398	350
Total accumulated other comprehensive income	4,660	3,156
Stock options	139	139
Non-controlling interests	613	611
Total net assets	77,206	74,010
Total liabilities and net assets	111,564	104,213

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	40,311	34,274
Cost of sales	33,214	26,792
Gross profit	7,097	7,482
Selling, general and administrative expenses	4,762	4,454
Operating income	2,334	3,027
Non-operating income		
Interest income	51	54
Dividend income	103	114
Gain from redemption at maturity of endowment insurance	12	0
Insurance premiums refunded cancellation	166	—
Foreign exchange gain	—	11
Other non-operating income	64	68
Total non-operating income	398	249
Non-operating expense		
Restructuring charges	—	27
Interest expenses	17	16
Foreign exchange loss	20	—
Other non-operating expenses	43	31
Total non-operating expenses	81	75
Ordinary income	2,651	3,201
Extraordinary gain		
Gain on sales of fixed assets	20	2
Total extraordinary gain	20	2
Extraordinary loss		
Loss on labor accident	—	26
Loss on sales of fixed assets	0	—
Loss on disposal of fixed assets	161	21
Other extraordinary loss	4	—
Total extraordinary loss	166	47
Income before income taxes	2,505	3,156
Income taxes	749	876
Net income	1,756	2,280
Net income attributable to non-controlling interests	20	18
Net income attributable to owners of parent	1,735	2,261

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	1,756	2,280
Other comprehensive income		
Net unrealized gains (losses) on other securities	227	(300)
Deferred hedge gains (losses)	(99)	48
Foreign currency translation adjustments	234	(1,203)
Retirement benefit plan adjustments	(22)	(47)
Total other comprehensive income (loss)	340	(1,503)
Comprehensive income	2,096	777
Comprehensive income attributable to owners of parent	2,075	758
Comprehensive income attributable to non-controlling interests	20	18

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities:		
Income before income taxes	2,505	3,156
Depreciation and amortization	1,060	1,064
Increase (decrease) in allowance for doubtful accounts	(13)	(9)
Increase (decrease) in accrued warranty costs, net	(74)	14
Increase (decrease) in accrued bonuses for employees, net	(126)	6
Increase (decrease) in accrued bonuses for directors, net	(8)	1
Increase (decrease) in provision for loss on orders received, net	11	(6)
Increase (decrease) in net defined benefit liabilities	(16)	26
(Increase) decrease in net defined benefit assets	(45)	(83)
Increase (decrease) in accrued stock payments, net	47	47
Interest and dividend income	(154)	(169)
Interest expense	17	16
(Gain) loss on sales of fixed assets	(19)	(2)
Loss on disposal of fixed assets	161	21
(Increase) decrease in accounts receivable - trade	(1,395)	1,567
(Increase) decrease in inventories	(1,276)	(1,530)
Increase (decrease) in accounts payable - trade	959	(2,269)
(Increase) decrease in other assets	168	187
Increase (decrease) in other liabilities	217	(449)
Other, net	29	319
Sub-total	2,047	1,910
Interest and dividend income received	154	168
Interest expenses paid	(17)	(16)
Income taxes paid	(930)	(394)
Net cash provided by (used in) operating activities	1,254	1,668
Cash flows from investing activities:		
Payments into time deposits	(28)	(7)
Proceeds from withdrawal of time deposits	798	502
Payments for purchase of property, plant and equipment	(969)	(596)
Proceeds from sales of property, plant and equipment	122	4
Payments for purchase of intangible assets	(25)	(35)
Proceeds from sales of investment securities	—	103
Other, net	0	0
Net cash provided by (used in) investing activities	(103)	(28)
Cash flows from financing activities:		
Payments for purchase of treasury stock	(0)	(2,000)
Proceeds from sales of treasury stock	0	—
Cash dividends paid	(1,951)	(1,955)
Dividends paid to non-controlling interests	(10)	(20)
Net cash provided by (used in) financing activities	(1,961)	(3,976)
Effect of exchange rate changes on cash and cash equivalents	(112)	(827)
Net increase (decrease) in cash and cash equivalents	(924)	(3,163)
Cash and cash equivalents at the beginning of the year	31,721	30,633
Cash and cash equivalents at the end of the year	30,797	27,470

(4) Notes to Going Concern Assumption

None

(5) Notes Regarding Remarkable Fluctuation in Shareholders' Equity

AIDA repurchased treasury stock based on the resolution at the meeting of the Board of Directors held on June 11, 2019 in accordance with the Companies Act, Article 156, applied by replacement under Article 165, paragraph 3 of the same Act. As a result, treasury stock increased by ¥1,999 million during the six months ended September 30, 2019, and was ¥6,227 million as of September 30, 2019.

(6) Segment Information

Six months ended September 30, 2018

(Millions of Yen)

	Japan	China	Asia	Americas	Europe	Sub total	Adjustments (*1)	Consolidated statements of income(*2)
Sales								
Sales to third parties	16,767	5,611	2,316	8,368	7,248	40,311	—	40,311
Inter-segment sales	9,073	422	2,298	179	193	12,167	(12,167)	—
Total sales	25,840	6,033	4,615	8,547	7,442	52,479	(12,167)	40,311
Segment profit or loss	1,029	312	555	367	(41)	2,223	110	2,334

Note:

1. Adjustments of sales represent elimination of inter-segment transactions.

Adjustments of segment profit or loss refer to inter-segment transaction eliminations.

2. Segment profit or loss is adjusted to operating income of consolidated statements of income.

Six months ended September 30, 2019

(Millions of Yen)

	Japan	China	Asia	Americas	Europe	Sub total	Adjustments (*1)	Consolidated statements of income(*2)
Sales								
Sales to third parties	17,939	2,402	2,676	5,658	5,596	34,274	—	34,274
Inter-segment sales	6,341	433	1,590	138	143	8,648	(8,648)	—
Total sales	24,281	2,835	4,267	5,797	5,740	42,922	(8,648)	34,274
Segment profit or loss	2,291	24	586	317	(52)	3,166	(139)	3,027

Note:

1. Adjustments of sales represent elimination of inter-segment transactions.

Adjustments of segment profit or loss refer to inter-segment transaction eliminations.

2. Segment profit or loss is adjusted to operating income of consolidated statements of income.

2. Supplementary Information

Status of Orders

Six months ended September 30, 2019

(Millions of Yen)

	Orders		Order backlog	
	Amount	Comparison with the previous period (%)	Amount	Comparison with the end of previous year (%)
Japan	14,400	(31.8)	25,586	(12.2)
China	2,792	(49.7)	5,655	7.4
Asia	3,316	7.3	3,286	24.2
Americas	4,034	(44.0)	4,568	(26.2)
Europe	5,078	(28.6)	7,183	(6.7)
Total	29,621	(32.8)	46,280	(9.1)

Note:

1. Inter-segment transactions have been eliminated.
2. Amounts above do not include consumption tax.