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

October 30, 2020

Company name: PROTO CORPORATION

Stock exchange listing: Tokyo, Nagoya

Code number: 4298

URL: <https://www.proto-g.co.jp/>

Representative: Kenji Kamiya

Contact: Takehito Suzuki

Phone: 052-934-2000

President

Executive officer

Scheduled date of filing quarterly securities report: November 12, 2020

Scheduled date of commencing dividend payments: November 20, 2020

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(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	27,456	(8.0)	2,838	4.4	2,828	1.8	1,791	(43.6)
September 30, 2019	29,845	(2.4)	2,719	22.6	2,778	14.7	3,178	109.7

(Note) Comprehensive income: Six months ended September 30, 2020: ¥ 2,656 million [(14.4)%]
Six months ended September 30, 2019: ¥ 3,104 million [108.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	44.62	-
September 30, 2019	79.20	-

(Note) PROTO CORPORATION carried out a 2-for-1 split of common shares on July 1, 2019.

Basic earnings per share was calculated under the assumption that said share split had been conducted at the beginning of the previous consolidated accounting year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2020	47,368	34,037	71.8
March 31, 2020	44,726	31,932	71.3

(Reference) Equity: As of September 30, 2020: ¥ 34,007 million
As of March 31, 2020: ¥ 31,903 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	-	13.75	-	13.75	27.50
Fiscal year ending March 31, 2021	-	12.50			
Fiscal year ending March 31, 2021 (Forecast)			-	12.50	25.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) PROTO CORPORATION carried out a 2-for-1 split of common shares on July 1, 2019.

For the year ended Mar. 2020, PROTO CORPORATION took the stock split into consideration.

(Note) Breakdown of the annual dividend for the fiscal year ended March 31, 2020 :

Ordinary dividend	25.00 yen
Commemorative dividend	2.50 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	60,000	1.5	5,225	1.7	5,289	(1.2)	3,481	(30.3)	86.68

(Note) Revision to the financial results forecast announced most recently: No

* 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: 41,925,300 shares

March 31, 2020: 41,925,300 shares

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

September 30, 2020: 1,766,217 shares

March 31, 2020: 1,763,392 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 40,159,487 shares

Six months ended September 30, 2019: 40,129,814 shares

*PROTO CORPORATION carried out a 2-for-1 split of common shares on July 1, 2019.

Therefore, "Total number of issued shares (common shares)" were calculated under the assumption that said share split had been conducted at the beginning of the previous consolidated accounting year.

***This quarterly report is not subject to quarterly review procedures by certified public accountants or an auditing firm.**

***Explanation for appropriate use of forecasts and other notes**

The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of September 30,2020
Assets		
Current assets		
Cash and deposits	18,057	18,380
Notes and accounts receivable - trade	4,913	4,275
Inventories	4,048	5,114
Other	1,219	1,868
Allowance for doubtful accounts	(6)	(6)
Total current assets	28,231	29,632
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,059	5,922
Land	4,570	4,570
Other, net	690	699
Total property, plant and equipment	11,320	11,192
Intangible assets		
Goodwill	1,546	1,331
Other	1,002	1,026
Total intangible assets	2,548	2,357
Investments and other assets		
Investments and other assets, gross	2,631	4,231
Allowance for doubtful accounts	(6)	(45)
Total investments and other assets	2,625	4,186
Total non-current assets	16,494	17,735
Total assets	44,726	47,368

(Million yen)

	As of March 31,2020	As of September 30,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,720	2,208
Short-term borrowings	2,400	2,400
Current portion of long-term borrowings	388	345
Accrued expenses	2,303	2,493
Income taxes payable	1,328	1,272
Provision for sales returns	10	0
Provision for bonuses	151	296
Provision for merchandise warranties	35	36
Provision for point card certificates	29	30
Other	2,901	2,828
Total current liabilities	11,268	11,913
Non-current liabilities		
Long-term borrowings	681	513
Provision for retirement benefits for directors (and other officers)	281	218
Retirement benefit liability	4	6
Asset retirement obligations	294	295
Other	262	383
Total non-current liabilities	1,524	1,417
Total liabilities	12,793	13,330
Net assets		
Shareholders' equity		
Share capital	1,849	1,849
Capital surplus	2,036	2,036
Retained earnings	28,647	29,887
Treasury shares	(1,306)	(1,306)
Total shareholders' equity	31,227	32,466
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	199	1,065
Foreign currency translation adjustment	477	475
Total accumulated other comprehensive income	676	1,541
Non-controlling interests	28	29
Total net assets	31,932	34,037
Total liabilities and net assets	44,726	47,368

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Net sales	29,845	27,456
Cost of sales	17,738	15,525
Gross profit	12,106	11,930
Reversal of provision for sales returns	32	10
Provision for sales returns	15	0
Gross profit - net	12,123	11,941
Selling, general and administrative expenses	9,403	9,102
Operating profit	2,719	2,838
Non-operating income		
Interest and dividend income	6	5
Foreign exchange gains	81	71
Other	23	38
Total non-operating income	111	115
Non-operating expenses		
Interest expenses	11	6
Loss on investments in investment partnerships	10	14
Loss on valuation of derivatives	27	98
Other	3	6
Total non-operating expenses	53	126
Ordinary profit	2,778	2,828
Extraordinary income		
Gain on sales of non-current assets	1,817	0
Gain on sales of investment securities	18	-
Total extraordinary income	1,836	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	1	0
Loss on liquidation of subsidiaries	6	-
Total extraordinary losses	8	0
Profit before income taxes	4,606	2,827
Income taxes - current	1,656	1,178
Income taxes - deferred	(213)	(143)
Total income taxes	1,443	1,035
Profit	3,162	1,791
Profit (loss) attributable to non-controlling interests	(15)	0
Profit attributable to owners of parent	3,178	1,791

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

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Profit	3,162	1,791
Other comprehensive income		
Valuation difference on available-for-sale securities	(59)	866
Foreign currency translation adjustment	1	(1)
Total other comprehensive income	(58)	864
Comprehensive income	3,104	2,656
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,120	2,655
Comprehensive income attributable to non-controlling interests	(15)	0

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from operating activities		
Profit before income taxes	4,606	2,827
Depreciation	428	442
Amortization of goodwill	213	215
Increase (decrease) in allowance for doubtful accounts	(36)	38
Increase (decrease) in provision for sales returns	(16)	(10)
Increase (decrease) in provision for bonuses	155	145
Increase (decrease) in provision for merchandise warranties	-	1
Increase (decrease) in provision for point card certificates	2	1
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6	(63)
Interest and dividend income	(6)	(5)
Interest expenses	11	6
Foreign exchange losses (gains)	(6)	21
Loss (gain) on investments in investment partnerships	10	14
Loss (gain) on valuation of derivatives	27	98
Loss (gain) on sales and retirement of non-current assets	(1,816)	0
Loss (gain) on sales of investment securities	(18)	-
Decrease (increase) in trade receivables	(23)	(197)
Decrease (increase) in inventories	(779)	(1,066)
Increase (decrease) in trade payables	1,034	489
Increase (decrease) in accrued expenses	107	174
Other, net	(87)	(22)
Subtotal	3,812	3,111
Interest and dividends received	6	5
Interest paid	(12)	(5)
Income taxes (paid) refund	(1,113)	(1,220)
Net cash provided by (used in) operating activities	2,694	1,890

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from investing activities		
Payments into time deposits	(500)	-
Proceeds from withdrawal of time deposits	-	500
Purchase of property, plant and equipment	(1,178)	(68)
Proceeds from sales of property, plant and equipment	3,565	0
Purchase of intangible assets	(213)	(193)
Proceeds from sales of intangible assets	274	-
Purchase of long-term prepaid expenses	(7)	(3)
Purchase of investment securities	(200)	(506)
Proceeds from sales of investment securities	53	-
Payments for investments in capital	(640)	-
Payments of leasehold and guarantee deposits	(117)	-
Other, net	(134)	31
Net cash provided by (used in) investing activities	901	(241)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	130	-
Repayments of long-term borrowings	(258)	(210)
Purchase of treasury shares	(0)	-
Dividends paid	(501)	(552)
Repayments of lease obligations	(34)	(43)
Net cash provided by (used in) financing activities	(664)	(806)
Effect of exchange rate change on cash and cash equivalents	1	(19)
Net increase (decrease) in cash and cash equivalents	2,933	823
Cash and cash equivalents at beginning of period	15,356	17,336
Cash and cash equivalents at end of period	18,289	18,160