

ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2022 third quarter(Nine months ended December 31, 2021)



February 10, 2022

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 Filing date of quarterly securities report:
 Supplementary explanation material for quarterly financial results
 Holding of presentation meeting for quarterly financial results

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 February 14, 2022
 Yes
 No

1. Performance (April 1, 2021 through December 31, 2021) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the Nine months ended December 31.).

Percentages indicate year-on-year increase (decrease)

	Net sales		Operating Income		Ordinary Income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2021	16,181	16.6	221	-	348	116.3	(62)	-
Nine months ended December 31, 2020	13,873	(12.8)	19	(82.5)	160	(907.9)	650	-

[Note] Comprehensive income: Nine months ended December 31, 2021 117 million yen
 Nine months ended December 31, 2020 793 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2021	(15.24)	-
Nine months ended December 31, 2020	158.97	158.32

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	25,551	6,388	25.0
As of March 31, 2020	23,730	6,323	26.5

[Reference] Total shareholder's equity: ¥ 6,380 million yen at December 31, 2021 ¥ 6,299 million yen at March 31, 2021

2. Dividends

	Dividends per share				
Record date	First quarter -end dividends	Second quarter -end dividends	Third quarter -end dividends	Year-end dividends	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	--	--	--	10.00	10.00
Year ended March 31, 2022	--	--	--	--	--
Year ended March 31, 2022 (forecast)				10.00	10.00

[Note] Revisions to the latest forecast of cash dividends: No

3. Forecast of consolidated results for FY2022 (April 1, 2021 through March 31, 2022)

Percentages indicate year-on-year increase (decrease)

	Net sales		Operating income		Ordinary income		Net income (loss)		Net income (loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ended March 31, 2022	20,500	4.9	300	70.3	200	(44.3)	100	(84.2)	24.36

[Note] Revisions to the latest forecasts of consolidated results: Yes

4. Others

- (1) Significant changes in subsidiaries during the subject fiscal year: Yes
Additions: 0 Deletions: 0
- (2) Application of simplified accounting and specific accounting: No
- (3) Changes in accounting principles, procedures, presentations, etc.
a. Changes associated with revision of accounting standards, etc: Yes
b. Changes other than a.: No
c. Changes in accounting estimates: No
d. Restatement: No
- (4) Number of shares outstanding (Common stock)
 - a. Number of shares outstanding at end of period (Including treasury stock)
 - 4,153,370 shares at December 31, 2021
 - 4,153,370 shares at March 31, 2021
 - b. Number of shares of treasury stock at end of period
 - 44,753 shares at December 31, 2021
 - 55,446 shares at March 31, 2021
 - c. Average number of shares issued and outstanding in each period:
 - 4,104,369 shares at December 31, 2021
 - 4,094,174 shares at December 31, 2020

[Notes]

1. Explanation for related to implementation of the quarterly review procedures
When disclosing this Brief Report of Financial Results, the review procedures for quarterly financial statements under the Financial Instruments and Exchange Law have not been brought to completion.
2. Explanation for appropriate use of financial forecasts and other special remarks
The above-mentioned forecasts are based on the information available as of the date when this information is disclosed, as well as on the assumptions as of the disclosing date of this information related with unpredictable parameters that are probable to affect our future business performances. Our actual performance is likely to differ greatly from these estimates depending on various factors in the future.

(Attachment)

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1 . Qualitative Information on Financial Results For This Quarter

(1) Explanation of Business Results

In the third quarter of the fiscal year under review, the global economy saw progress in vaccination, mainly in developed countries, and the economy gradually recovered. On the other hand, uncertainty again increased due to soaring raw materials and logistics costs and the rapid expansion of Omicron variant of the new Corona Virus worldwide. In addition, in the automobile industry, which is our main market, although demand is robust, delays in the supply of automotive parts from ASEAN countries and a shortage of raw materials such as semiconductors and resin materials resulted in a revision of production plans, which had a considerable impact on our business performance.

Under these circumstances, sales in the third quarter of this fiscal year increased 16.6% from the same quarter of the previous fiscal year to 16,181 million, while operating profit was 221 million (19 million yen in the same quarter of the previous fiscal year). Ordinary gain increased 116.3% from the same quarter of the previous fiscal year to 348 million, and loss attributable to parent company owners was 62 million (650 million yen in the same quarter of the previous fiscal year).

Results by business segment are as follows.

[Japan]

Demand recovered, mainly for automobiles, and net sales increased 10.1% from the same quarter of the previous year to ¥6,351 million. Segment income was ¥292 million (compared to a loss of ¥22 million in the same quarter of the previous year).

[Americas]

Demand for automobiles and medical applications recovered, and net sales increased 29.4% from the same quarter of the previous year to 2.002 billion yen. However, segment loss was 467 million yen (loss of 262 million yen in the same quarter of the previous year) due to the recording of expenses associated with the relocation of the U.S. factory and the incurrence of project start-up costs at the Mexican factory.

[Europe]

Net sales increased 8.9% from the same quarter of the previous year to ¥1.503 billion due to strong sales for automobiles and medical applications. However, segment income decreased 63.4% to ¥33 million due to a deterioration in the product mix, including a decrease in sales for aircraft applications.

[Asia]

Demand recovered, mainly for automotive applications. Net sales increased 22.2% from the same quarter of the previous year to ¥6,324 million, and segment income increased 80.4% to ¥368 million.

(2) Explanation of Financial Position

The Status of assets, liabilities, and net assets

Net sales decreased 14.9% from the same quarter of the previous year to ¥5,176 million, and segment income decreased 36.2% to ¥204 million, largely due to a decrease in demand for automobiles and office automation equipment.

Financial position

Assets

Total assets at the end of the third quarter of the current fiscal year increased by 1,820 million yen from the end of the previous fiscal year to 25,551 million yen.

Total current assets increased ¥1,193 million to ¥13,337 million. The main factors were increases of 534 million yen in notes and accounts receivable-trade and 1,033 million yen in inventories,

despite a decrease of 319 million yen in cash and deposits. Total non-current assets increased ¥627 million to ¥12,214 million. This was due to an increase of 536 million yen in property, plant and equipment.

Liabilities

In the Liabilities section, total liabilities were 19,163 million yen, an increase of 1,755 million yen from the end of the previous fiscal year. This was mainly due to an increase in borrowings of 1,765 million yen.

(Net assets)

In net assets, total net assets were 6,388 million yen, an increase of 65 million yen from the end of the previous fiscal year. The main reason was a decrease of ¥98 million in total shareholders' equity due to the occurrence of a quarterly loss attributable to owners of parent of ¥62 million and other factors, but an increase of ¥180 million in foreign currency translation adjustments.

As a result, the equity ratio was 25.0% (26.5% at the end of the previous fiscal year).

(3) Explanation of Consolidated Business Forecast and other Forecasts

We have not changed the forecast for the fiscal year ending March 2022 from the forecast released on May 14, 2021.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2022 third quarter (As of December 31,2021)	FY2021 (As of March 31,2021)
ASSETS		
Current assets:		
Cash and time deposits	3,579,569	3,899,489
Trade notes and accounts receivable	5,254,932	4,720,132
Finished goods	1,576,586	1,250,147
Work in process	802,316	697,541
Raw materials and stored items	1,539,736	937,769
Other current assets	624,260	683,091
Allowance for doubtful accounts	(39,988)	(44,512)
Total current assets	13,337,413	12,143,659
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	3,734,466	3,851,288
Machinery and equipment	3,843,100	3,709,048
Land	1,014,192	997,270
Others	2,804,117	2,301,640
Total tangible noncurrent assets	11,395,876	10,859,246
Intangible noncurrent assets	75,088	62,311
Investments and other assets	743,408	665,601
Total noncurrent assets	12,214,374	11,587,159
Total assets	25,551,788	23,730,818

(Amount: thousands of yen)

	FY2022 third quarter (As of December 31,2021)	FY2021 (As of March 31,2021)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,508,019	3,287,463
Short-term borrowings	2,270,298	1,868,510
Long-term borrowings due within one year	3,330,449	2,905,859
Lease obligations	191,524	168,697
Income taxes payable	138,819	193,134
Allowance for bonus	121,253	151,075
Provision for product warranties	79,172	77,637
Other current liabilities	1,161,645	1,318,307
Total current liabilities	10,801,182	9,970,684
Noncurrent liabilities		
Long-term borrowings	5,902,264	4,963,115
Lease obligations	947,317	933,352
Deferred tax liabilities	283,571	254,450
Asset retirement obligations	52,190	52,275
Liabilities for retirement benefits	1,153,047	1,207,178
Other noncurrent liabilities	23,429	26,394
Total noncurrent liabilities	8,361,820	7,436,767
Total liabilities	19,163,002	17,407,451
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	250,000	250,000
Retained earnings	5,083,924	5,201,273
Treasury stock	(77,528)	(96,212)
Total shareholder' equity	6,256,395	6,355,060
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	560	5,091
Foreign exchange adjustment	94,586	(85,504)
cumulative amount for retirement benefits	28,648	24,483
Total accumulated other comprehensive income	123,796	(55,929)
Subscription rights to shares	8,594	24,235
Total net assets	6,388,785	6,323,366
Total liabilities and net assets	25,551,788	23,730,818

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2022 third quarter (April 1, 2021 through December 31, 2021)	FY2021 third quarter (April 1, 2020 through December 31, 2020)
NET sales	16,181,792	13,873,313
Cost of sales	12,593,911	10,737,736
Gross profit	3,587,880	3,135,576
Selling, general and administrative expenses	3,366,640	3,115,647
Operating income	221,240	19,929
Non-operating revenues		
Interest income	15,926	17,916
Dividends income	1	2
Rent income	58,830	47,258
Foreign exchange gains	187,972	105,319
Subsidy income	4,696	57,420
Others	59,777	93,352
Total non-operating revenues	327,205	321,270
Non-operating expenses		
Interest expenses	160,474	131,797
Foreign exchange losses	—	—
Others	39,851	48,427
Total non-operating expenses	200,326	180,225
Ordinary income(loss)	348,118	160,974
Extraordinary gain		
Gain on sales of noncurrent assets	1,764	876,994
Guarantee commission	—	—
Total extraordinary gain	1,764	876,994
Extraordinary loss		
Loss on sales of noncurrent assets	818	882
Loss on disposal of noncurrent assets	9,371	592
Settlement package	—	79,402
Loss on litigation	43,442	35,594
Loss on transfer of business	57,021	—
Special retirement expense	75,275	—
Coronavirus infection-related loss	—	39,820
Others	—	10,587
Total extraordinary loss	185,931	166,878
Net Income (or loss) before income taxes	163,952	871,089
Corporate, inhabitant and enterprise taxes	213,278	217,548
Corporate tax adjustments	13,238	2,694
Total income taxes	226,516	220,242
Net income(loss)	(62,564)	650,847
Net income (loss) Attributable to Owners of the Parent	(62,564)	650,847

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2022 third quarter (April 1, 2021 through December 31, 2021)	FY2021 third quarter (April 1, 2020 through December 31, 2020)
Income (or loss) before minority interests	(62,564)	650,847
Other comprehensive income		
Valuation gain(loss) on other securities	(4,531)	7,684
Foreign currency translation adjustment	180,091	107,275
Remeasurements of defined benefit plans	4,165	27,331
Total other comprehensive income	179,725	142,291
Comprehensive income	117,161	793,138
Comprehensive income attributable to owners of the parent	117,161	793,138

(3) Notes Concerning Quarterly Consolidated Financial Statements
 (Notes on Going Concern Assumptions)
 Not applicable

(Notes Concerning Significant Changes in the Amount of Shareholders' Equity)
 Not applicable

Segment Information etc.
【Segment Information】

I FY2022 third quarter (April 1, 2021 through December 31, 2021)

1, Information related to sales and income or loss amounts by reporting segments

(Amount: thousands of yen)

	Japan	Americas	Europe	Asia	Total
Net sales					
(1) Net sales to third parties	6,351,905	2,002,055	1,503,144	6,324,686	16,181,792
(2) Intra-group Net sales and transfers	821,952	6,125	34,285	107,713	970,076
Total sales	7,173,858	2,008,180	1,537,430	6,432,400	17,151,869
Operating income (loss)	292,608	(467,674)	33,896	368,081	226,911

2, Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with Operating Income or Loss of Reporting Segments

Reconciliation of Operating Income	Amount
Total of Reporting Segments	226,911
Elimination of inter-segment transactions	(5,671)
Consolidated Quarterly Operating Income	221,240

3, Information related to impairment loss of fixed assets or goodwill, etc. by reporting segment
 Not applicable

II FY2021 third quarter (April 1, 2020 through December 30, 2020)

1, Information related to sales and income or loss amounts by reporting segments

(Amount: thousands of yen)

	Japan	Americas	Europe	Asia	Total
Net sales					
(1) Net sales to third parties	5,768,135	1,547,419	1,380,636	5,176,892	13,873,084
(2) Intra-group Net sales and transfers	549,897	-	72,696	171,923	794,517
Total sales	6,318,032	1,547,419	1,453,332	5,348,816	14,667,601
Operating income (loss)	(22,518)	(262,394)	92,663	204,739	12,489

2, Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with Operating Income or Loss of Reporting Segments

Reconciliation of Operating Income	Amount
Total of Reporting Segments	12,489
Elimination of inter-segment transactions	8,167
Consolidated Quarterly Operating Income	20,657

3, Information related to impairment loss of fixed assets or goodwill, etc. by reporting segment

Not applicable