



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2020 third quarter(Nine months ended December 31, 2019)

February 10, 2020

Company name: ADVANEX INC.	Stock listings: Tokyo Stock Exchange
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Filing date of quarterly securities report:	Yes
Supplementary explanation material for quarterly financial results	No
Holding of presentation meeting for quarterly financial results	

1. Performance (April 1, 2019 through December 31, 2019) (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, 2019	15,905	1.0	113	105.7	15	(83.6)	(179)	-
Nine months ended December 31, 2018	15,755	4.0	55	(72.3)	97	(60.3)	(71)	-

[Note] Comprehensive income: Nine months ended December 31, 2019 (222) million yen
 Nine months ended December 31, 2018 (136) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2019	(43.73)	-
Nine months ended December 31, 2018	(17.54)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	24,213	5,738	23.6
As of March 31, 2019	22,705	6,079	26.6

[Reference] Total shareholder's equity: ¥ 5,705 million yen at December 31, 2019 ¥ 6,186 million yen at March 31, 2019

2. Dividends

Record date	Dividends per share				
	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, 2019	--	--	--	30.00	30.00
Year ended March 31, 2020	--	--	--		
Year ended March 31, 2020 (forecast)				10.00	10.00

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

3. Forecast of consolidated results for FY2020 (April 1, 2019 through March 31, 2020)

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, 2020	21,000	0.2	240	260.8	90	29.5	(150)	-	(36.65)

[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, 2019
 - 4,153,370 shares at March 31, 2019
 - b. Number of shares of treasury stock at end of period
 - 60,725 shares at December 31, 2019
 - 59,414 shares at March 31, 2019
 - c. Average number of shares issued and outstanding in each period:
 - 4,093,309 shares at December 31, 2019
 - 4,087,878 shares at December 31, 2018

[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 cumulative period under review, the U.S. economic environment remained robust due to a favorable employment environment, but there remained a sense of anxiety about the business activities of the manufacturing industry due to trade friction between the U.S. and China. China has reached a partial agreement on tariff negotiations with the United States, but the effects of trade frictions continue. In Europe and Japan, there is a growing sense of uncertainty about the future due to factors such as sluggish exports caused by the effects of the Chinese economy. In the areas we are involved with, the automotive market continues to decelerate due to the impact of this trade friction.

As a result, Consolidated net sales for the nine months ended December 31, 2019 increased 1.0% year on year to ¥15,905 million, and operating income increased 105.7% year on year to ¥113 million. Ordinary income decreased 83.6% year on year to ¥15 million, and the loss attributable to owners of parent was ¥179 million (compared with a loss of ¥71 million in the same period of the previous fiscal year).

Results for each operating segment are as follows.

[Japan]

Net sales increased 2.6% year on year to ¥6,376 million due to strong sales for automotive applications, despite sluggish sales for office automation equipment. The segment loss was 22 million yen (compared with a loss of 120 million yen in the same period of the previous fiscal year) due to a reduction in the segment loss.

[Americas]

Net sales increased 3.3% year on year to ¥1,880 million. This was mainly due to steady growth in sales for medical applications, despite a decrease in sales for housing equipment and infrastructure. Segment loss amounted to ¥220 million (compared with a loss of ¥264 million in the same period of the previous fiscal year). This was due to a reduction in the operating loss resulting from the partial start-up of production lines for automobiles at a factory in Mexico.

[Europe]

Net sales increased 4.4% year on year to ¥1,565 million due to favorable sales for aircraft. Segment income declined 42.0% to 51 million due to higher start-up costs at the Czech factory.

[Asia]

Net sales dropped 2.2% from the same period of the previous year to 6,082 million yen, due in part to weak business in China caused by U.S.-China trade friction. Segment income declined 9.3% to 319 million due to the impact of trade friction and increased costs for the start-up of a plant in India.

(2) Explanation of Financial Position

① The Status of assets, liabilities, and net assets

Total assets at the end of the third quarter of the current fiscal year increased by 1,507 million yen from the end of the previous fiscal year to 24,213 million yen.

Asset

Total assets at the end of the current consolidated fiscal year amounted to ¥22,350 million, an increase of ¥2,035 million from the end of the previous consolidated fiscal year.

In the Assets section, total current assets increased by 25 million yen to 11,977 million yen. The main factors were decreases of 838 million yen in cash and deposits, but increases of 401 million yen in notes and accounts receivable-trade, 171 million yen in inventories, and 290 million yen in other current assets. Total non-current assets increased ¥1,482 million to ¥12,236 million. This was mainly due to an increase of 1,456 million yen in property, plant and equipment.

Liability

In Liabilities, total liabilities were 18,474 million yen, an increase of 1,848 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,149 million yen in loans payable and 725 million yen in other non-current liabilities.

Net asset

Total net assets decreased 340 million yen from the end of the previous fiscal year to 5,738 million yen. The main reasons for this were a 179 million yen loss attributable to owners of parent and a 299 million yen decrease in shareholders' equity due to dividend payments.

(3) Explanation of Consolidated Business Forecast and other Forecasts

For the year ending March 31, 2020, the Company has revised its full-year consolidated earnings forecasts announced on May 9, 2019. The dividend forecast has also been revised. For details, please refer to the "Notice Concerning Revisions to Earnings Forecasts and Dividend Forecasts" announced today.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2020 third quarter (As of December 31,2019)	FY2019 (As of March 31,2019)
ASSETS		
Current assets:		
Cash and time deposits	2,889,247	3,727,597
Trade notes and accounts receivable	4,918,420	4,516,777
Finished goods	1,524,750	1,434,438
Work in process	863,727	754,427
Raw materials and stored items	974,028	1,001,821
Other current assets	814,313	524,044
Allowance for doubtful accounts	(7,386)	(7,227)
Total current assets	11,977,102	11,951,879
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	4,235,771	2,304,758
Machinery and equipment	3,992,003	3,683,892
Land	1,326,218	1,319,953
Others	1,932,554	2,721,190
Total tangible noncurrent assets	11,486,547	10,029,795
Intangible noncurrent assets	106,055	93,671
Investments and other assets	643,474	630,262
Total noncurrent assets	12,236,078	10,753,729
Total assets	24,213,180	22,705,609

(Amount: thousands of yen)

	FY2020 third quarter (As of December 31,2019)	FY2019 (As of March 31,2019)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,416,648	3,062,337
Short-term borrowings	2,232,470	2,412,329
Long-term borrowings due within one year	3,448,454	2,529,712
Accrued income taxes	79,877	114,480
Allowance for bonus	115,403	211,929
Provision for product warranties	73,174	73,939
Other current liabilities	1,300,255	1,557,933
Total current liabilities	10,666,285	9,962,662
Noncurrent liabilities		
Long-term borrowings	5,470,676	5,060,024
Deferred tax liabilities	202,746	180,706
Liabilities for retirement benefits	1,291,425	1,304,990
Asset retirement obligations	52,388	51,787
Other noncurrent liabilities	790,932	65,803
Total noncurrent liabilities	7,808,169	6,663,312
Total liabilities	18,474,455	16,625,974
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,018,553	5,315,979
Treasury stock	(105,756)	(103,558)
Total shareholder' equity	6,169,514	6,469,138
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(3,425)	(829)
Foreign exchange adjustment	(391,883)	(344,670)
cumulative amount for retirement benefits	(68,840)	(74,712)
Total accumulated other comprehensive income	(464,149)	(420,211)
Subscription rights to shares	33,360	30,708
Total net assets	5,738,725	6,079,634
Total liabilities and net assets	24,213,180	22,705,609

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2020 third quarter (April 1, 2019 through December 31, 2019)	FY2019 third quarter (April 1, 2018 through December 31, 2018)
NET sales	15,905,471	15,755,567
Cost of sales	12,277,205	12,071,931
Gross profit	3,628,265	3,683,636
Selling, general and administrative expenses	3,514,483	3,628,311
Operating income	113,782	55,324
Non-operating revenues		
Interest income	28,092	19,714
Dividends income	1,846	2,521
Rent income	38,899	39,742
Insurance return	—	35,670
Others	42,217	42,336
Total non-operating revenues	111,056	139,985
Non-operating expenses		
Interest expenses	111,291	50,724
Foreign exchange losses	47,468	2,939
Others	50,107	44,014
Total non-operating expenses	208,868	97,679
Ordinary income(loss)	15,970	97,630
Extraordinary gain		
Gain on sales of noncurrent assets	7,460	8,965
Guarantee commission	204	5,659
Total extraordinary gain	7,665	14,625
Extraordinary loss		
Loss on sales of noncurrent assets	491	990
Loss on disposal of noncurrent assets	2,698	10,939
Settlement package	—	28,466
Loss on litigation	51,273	—
Special retirement expense	48,419	—
Total extraordinary loss	102,883	40,396
Net Income (or loss) before income taxes	(79,247)	71,859
Corporate, inhabitant and enterprise taxes	96,002	141,463
Corporate tax adjustments	3,770	2,080
Total income taxes	99,773	143,543
Net income(loss)	(179,020)	(71,683)
Net income (loss) Attributable to Owners of the Parent	(179,020)	(71,683)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2020 third quarter (April 1, 2019 through December 31, 2019)	FY2019 third quarter (April 1, 2018 through December 31, 2018)
Income (or loss) before minority interests	(179,020)	(71,683)
Other comprehensive income		
Valuation gain(loss) on other securities	(2,596)	(6,264)
Foreign currency translation adjustment	(47,212)	(113,129)
Remeasurements of defined benefit plans	5,871	54,899
Total other comprehensive income	(43,937)	(64,493)
Comprehensive income	(222,957)	(136,177)
Comprehensive income attributable to owners of the parent	(222,957)	(136,177)

(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 FY2020 third quarter (April 1, 2019 through December 31, 2019)

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	6,376,568	1,880,639	1,565,323	6,082,940	15,905,471
(2) Intra-group Net sales and transfers	859,757	-	56,875	210,657	1,127,290
Total sales	7,236,325	1,880,639	1,622,198	6,293,598	17,032,761
Operating income (loss)	(22,691)	(220,824)	51,715	319,615	127,814

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	127,814
Elimination of inter-segment transactions	(14,032)
Consolidated Quarterly Operating Income	113,782

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

II FY2019 third quarter (April 1, 2018 through December 30, 2018)

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	6,212,923	1,821,263	1,498,701	6,222,679	15,755,567
(2) Intra-group Net sales and transfers	680,344	-	51,672	210,064	942,080
Total sales	6,893,267	1,821,263	1,550,373	6,432,744	16,697,648
Operating income (loss)	(120,828)	(264,010)	89,091	352,343	56,596

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	56,596
Elimination of inter-segment transactions	(1,271)
Consolidated Quarterly Operating Income	55,324

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

Not applicable