



ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2021 third quarter(Nine months ended December 31, 2020)

February 9, 2021

Company name: ADVANEX INC.

Stock listings: Tokyo Stock Exchange

Code number: 5998

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Filing date of quarterly securities report:

February 12, 2021

Supplementary explanation material for quarterly financial results

Yes

Holding of presentation meeting for quarterly financial results

No

1. Performance (April 1, 2020 through December 31, 2020) (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, 2020	13,873	(12.8)	20	(81.8)	161	(912.5)	644	-
Nine months ended December 31, 2019	15,905	1.0	113	105.7	15	(83.6)	(179)	-

[Note] Comprehensive income: Nine months ended December 31, 2020 788 million yen

Nine months ended December 31, 2019 (222) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2020	157.51	156.87
Nine months ended December 31, 2019	(43.73)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2020	23,758	5,744	24.1
As of March 31, 2020	22,125	4,998	22.4

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

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, 2020	--	--	--	10.00	30.00
Year ended March 31, 2021	--	--	--	--	--
Year ended March 31, 2021 (forecast)				10.00	10.00

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

3. Forecast of consolidated results for FY2021 (April 1, 2020 through March 31, 2021)

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, 2021	19,100	(10.2)	150	(42.4)	270	44.0	380	-	92.82

[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, 2020
4,153,370 shares at March 31, 2020
 - b. Number of shares of treasury stock at end of period
55,289 shares at December 31, 2020
60,862 shares at March 31, 2020
 - c. Average number of shares issued and outstanding in each period:
4,094,174 shares at December 31, 2020
4,093,309 shares at December 31, 2019

[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

Looking at the economic environment in the first three quarters of the current fiscal year, in April-June, due to the impact of the spread of the new Corona Virus, there was an extremely severe situation in which consumer spending worsened significantly due to the requirement for self-restraint on actions such as restrictions on inbound and outbound travel in countries around the world. Since July, deregulation of economic activities, fiscal stimulus measures in major countries, and the recovery of the Chinese economy have become evident, but from late November, viral infections have again expanded worldwide, and the overall economic recovery has stagnated.

Under these circumstances, consolidated net sales for the nine months ended December 31, 2020 decreased 12.8% year on year to ¥13,873 million, and operating income decreased 82.5% to ¥19 million, while ordinary income was ¥160 million (compared with profit of ¥15 million in the same quarter of the previous year) due to subsidies from the government and foreign exchange gains. In addition, quarterly net income attributable to owners of the parent was 650 million yen (compared to a loss of 179 million yen in the same quarter of the previous fiscal year) due to the recording of a gain on sales of noncurrent assets from the sale of the California factory of a U.S. subsidiary.

Results for each operating segment are as follows.

[Japan]

Net sales decreased 9.5% from the same quarter of the previous year to 5,768 million yen due to the large impact of a decrease in demand for automobiles and OA equipment. However, segment loss was 22 million yen, the same as the same quarter of the previous year (loss of 22 million yen), as a result of cost reductions and other rationalization efforts.

[Americas]

Net sales decreased 17.7% from the same quarter of the previous year to 1,547 million yen, and segment loss was 262 million yen (compared to a loss of 220 million yen in the same quarter of the previous year). This was mainly due to a decrease in demand for automobiles and the closure of a plant in Mexico for about two months under the direction of the Mexican government.

[Europe]

Net sales decreased 11.8% from the same quarter of the previous year to 1,380 million yen due to a decrease in demand for standardized products. Segment income increased 79.2% year on year to ¥92 million, mainly due to the streamlining of the production system in the United Kingdom, although the burden increased due to the delay in the start of mass production at a plant in the Czech Republic caused by the impact of the new Corona Virus.

[Asia]

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.

(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 1,635 million yen from the end of the previous fiscal year to 23,761 million yen.

Total current assets increased ¥2,045 million to ¥12,611 million. The main factors were increases of 1,731 million yen in cash and deposits and 388 million yen in notes and accounts receivable-trade. Total non-current assets decreased by ¥409 million to ¥11,149 million. This was due to a 380 million yen decrease in property, plant and equipment.

Liabilities

In the Liabilities section, total liabilities were 18,011 million yen, an increase of 884 million yen from the end of the previous fiscal year. The main factors were increases of 493 million yen in loans payable and 212 million yen in lease obligations.

(Net assets)

In net assets, total net assets were 5,749 million yen, an increase of 751 million yen from the end of the previous fiscal year. This was mainly due to an increase of 618 million yen in total shareholders' equity, mainly due to the occurrence of 650 million yen in quarterly net income attributable to owners of the parent.

As a result, the equity ratio was 24.1% (22.4% at the end of the previous fiscal year).

(3) Explanation of Consolidated Business Forecast and other Forecasts

Global economic trends are forecast to remain unpredictable due to the threat of the third wave of the new corona vaccine and the variant strain, as well as delays in vaccination in major countries. On the other hand, business performance is on the improvement track, mainly due to the rapid recovery from the second half of the fiscal year in the automotive market, which is our main market.

Regarding the outlook for the consolidated fiscal year under review, as stated in the "Revision of Full-year Forecast (Upward Revision) and Notice of Accrual of Extraordinary Income and Loss" announced today, net sales are expected to be 19.1 billion yen, operating income to be 150 million yen, ordinary income to be 270 million yen, and profit attributable to owners of parent to be 380 million yen.

While continuing to focus on the automotive, medical, infrastructure and housing equipment markets, the Group will strengthen its corporate structure by reorganizing production systems and businesses, including overseas bases, and strengthening governance.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2021 third quarter (As of December 31,2020)	FY2020 (As of March 31,2020)
ASSETS		
Current assets:		
Cash and time deposits	4,508,083	2,777,032
Trade notes and accounts receivable	4,559,032	4,170,246
Finished goods	1,386,716	1,371,370
Work in process	725,560	676,406
Raw materials and stored items	802,905	880,321
Other current assets	646,619	704,258
Allowance for doubtful accounts	(17,014)	(13,399)
Total current assets	12,611,902	10,566,235
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	3,891,311	4,147,878
Machinery and equipment	3,492,609	3,694,749
Land	982,725	1,270,191
Others	2,113,925	1,753,844
Total tangible noncurrent assets	10,480,571	10,866,663
Intangible noncurrent assets	69,081	88,312
Investments and other assets	597,070	604,173
Total noncurrent assets	11,146,723	11,559,150
Total assets	23,758,626	22,125,385

(Amount: thousands of yen)

	FY2021 third quarter (As of December 31,2020)	FY2020 (As of March 31,2020)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,893,672	2,901,538
Short-term borrowings	2,054,806	2,429,580
Long-term borrowings due within one year	3,033,820	2,979,445
Lease obligations	149,610	115,244
Income taxes payable	183,277	101,056
Allowance for bonus	80,502	193,547
Provision for product warranties	71,308	67,993
Other current liabilities	1,267,647	1,078,547
Total current liabilities	9,734,646	9,866,951
Noncurrent liabilities		
Long-term borrowings	5,714,331	4,900,191
Lease obligations	946,068	767,746
Deferred tax liabilities	249,863	237,350
Asset retirement obligations	51,348	
Liabilities for retirement benefits	1,295,934	1,304,990
Other noncurrent liabilities	7,511	65,803
Total noncurrent liabilities	7,260,083	6,663,312
Total liabilities	17,127,035	16,625,974
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	250,000	250,000
Retained earnings	5,213,194	4,610,760
Treasury stock	(96,121)	(105,954)
Total shareholder' equity	6,367,073	5,754,805
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	6,887	(797)
Foreign exchange adjustment	(596,973)	(705,409)
cumulative amount for retirement benefits	(56,276)	(83,608)
Total accumulated other comprehensive income	(646,363)	(789,815)
Subscription rights to shares	24,235	33,360
Total net assets	5,744,945	4,998,350
Total liabilities and net assets	23,758,626	22,125,385

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2021 third quarter (April 1, 2020 through December 31, 2020)	FY2020 third quarter (April 1, 2019 through December 31, 2019)
NET sales	13,873,084	15,905,471
Cost of sales	10,738,351	12,277,205
Gross profit	3,134,732	3,628,265
Selling, general and administrative expenses	3,114,075	3,514,483
Operating income	20,657	113,782
Non-operating revenues		
Interest income	17,916	28,092
Dividends income	2	1,846
Rent income	47,258	38,899
Foreign exchange gains	105,319	—
Subsidy income	57,420	—
Others	93,352	42,217
Total non-operating revenues	321,270	111,056
Non-operating expenses		
Interest expenses	131,797	111,291
Foreign exchange losses	—	47,468
Others	48,427	50,107
Total non-operating expenses	180,225	208,868
Ordinary income(loss)	161,702	15,970
Extraordinary gain		
Gain on sales of noncurrent assets	876,994	7,460
Guarantee commission	—	204
Total extraordinary gain	876,994	7,665
Extraordinary loss		
Loss on sales of noncurrent assets	882	491
Loss on disposal of noncurrent assets	592	2,698
Settlement package	79,402	—
Loss on litigation	35,594	51,273
Special retirement expense	—	48,419
Coronavirus infection-related loss	39,820	—
Others	10,587	—
Total extraordinary loss	166,878	102,883
Net Income (or loss) before income taxes	871,818	(79,247)
Corporate, inhabitant and enterprise taxes	224,237	96,002
Corporate tax adjustments	2,694	3,770
Total income taxes	226,932	99,773
Net income(loss)	644,885	(179,020)
Net income (loss) Attributable to Owners of the Parent	644,885	(179,020)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2021 third quarter (April 1, 2020 through December 31, 2020)	FY2020 third quarter (April 1, 2019 through December 31, 2019)
Income (or loss) before minority interests	644,885	(179,020)
Other comprehensive income		
Valuation gain(loss) on other securities	7,684	(2,596)
Foreign currency translation adjustment	108,435	(47,212)
Remeasurements of defined benefit plans	27,331	5,871
Total other comprehensive income	143,451	(43,937)
Comprehensive income	788,337	(222,957)
Comprehensive income attributable to owners of the parent	788,337	(222,957)

(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 FY2021 third quarter (April 1, 2020 through December 31, 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

II FY2020 third quarter (April 1, 2019 through December 30, 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