



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2021 first half (six months ended September 30, 2020)

November 9, 2020

Company name: ADVANEX INC.

Stock listings: Tokyo Stock Exchange

Code number: 5998

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Supplementary explanation material for quarterly financial results

Yes

Holding of presentation meeting for quarterly financial results

Yes

1. Performance (April 1, 2020 through September 30, 2020) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the six months ended September 30.).

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	%
Six months ended September 30, 2020	8,416	(19.6)	(296)	-	(266)	-	(422)	-
Six months ended September 30, 2019	10,473	(0.1)	150	-	47	(49.1)	(117)	-

[Note] Comprehensive income: Six months ended September 30, 2019 (480) million yen
Six months ended September 30, 2018 158 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2020	(103.17)	-
Six months ended September 30, 2019	(28.77)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	21,065	4,577	21.6
As of March 31, 2020	22,125	4,998	22.4

[Reference] Total shareholder's equity: 4,552 million yen at September 30, 2020 4,964 million yen at March 31, 2020

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

[Note1] Revisions to the latest forecast of cash dividends: Yes

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	18,300	(14.0)	(50)	-	(50)	-	(100)	-	(24.44)

[Note1] Revisions to the latest forecasts of consolidated results: Yes

4. Others

- (1) Significant changes in subsidiaries during the subject fiscal year: No
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: No
 - b. Changes other than a.: No
 - c. Change in accounting estimate: 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 September 30, 2020
4,153,370 shares at March 31, 2020
 - b. Number of shares of treasury stock at end of period
61,004 shares at September 30, 2020
60,862 shares at March 31, 2020
 - c. Average number of shares issued and outstanding in each period:
4,092,424 shares at September 30, 2020
4,093,554 shares at September 30, 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

In the second quarter of the fiscal year under review, the economic environment was extremely harsh in April-June due to the impact of the spread of the new Corona Virus, which required countries around the world to restrain inbound and outbound activities, and personal consumption worsened significantly. From July-September, however, the economic recovery trend was supported in part by the relaxation of restrictions on economic activities and the successful implementation of fiscal measures in major countries.

Under these conditions, sales for the first half of the current period decreased by 19.6% from the same quarter of the previous year to 8,416 million. Operating loss was 296 million (Profit of 150 million in the same period of the previous year), recurring loss was 266 million (Profit of 47 million in the same period of the previous year), and net loss attributable to owners of the parent was 422 million (Loss of 117 million in the same period of the previous year).

Segment results are as follows.

[Japan]

Net sales decreased 17.4% from the same quarter of the previous year to 3,510 million yen and segment loss was 181 million yen (compared to a loss of 36 million yen in the same quarter of the previous year), largely affected by a decrease in demand for automobiles and office automation equipment.

[Americas]

Net sales decreased 22.2% from the same quarter of the previous year to 917 million yen and segment loss was 163 million yen (compared to a loss of 132 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 8.3% from the same quarter of the previous year to 930 million yen due to a decrease in demand for standardized products. Segment income increased 45.5% year on year to ¥69 million, mainly due to the streamlining of the production system in the United Kingdom.

[Asia]

Net sales decreased 24.1% from the same quarter of the previous year to 3,058 million yen and segment loss was 37 million yen (compared to income of 283 million yen in the same quarter of the previous year), largely affected by a decrease in demand for automobiles and office automation equipment.

(2) Explanation of Financial Position

① Financial position

Assets

Total assets at the end of the second quarter under review decreased ¥1,059 million from the end of the previous fiscal year, to ¥21,065 million.

Total current assets decreased ¥846 million to ¥9,719 million. The main factors were decreases of 326 million yen in cash and deposits, 359 million yen in notes and accounts receivable-trade, and 16 million

yen in inventories and 140 million yen in other current assets. Total non-current assets decreased ¥212 million to ¥11,346 million. This was due to a 190 million yen decrease in property, plant and equipment.

Liabilities

In the Liabilities section, total liabilities decreased 638 million yen from the end of the previous fiscal year to 16,488 million yen. The main factors were decreases of 429 million yen in notes and accounts payable-trade and 237 million yen in loans payable.

Net assets

In net assets, total net assets decreased 421 million yen from the end of the previous fiscal year to 4,577 million yen. The main factors were a 454 million yen decrease in total shareholders' equity due to dividend payments and the occurrence of a quarterly loss attributable to owners of the parent.

As a result, the equity ratio was 21.6% (22.4% at the end of the previous fiscal year).

② Analysis of Cash Flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 204 million yen from the end of the previous fiscal year to 1,766 million yen. Cash flows for each category and factors affecting cash flows are as follows.

Cash flows from operating activities

Funds increased by 415 million yen due to operating activities (fund increased by 400 million yen in the same quarter of the previous year).

Major inflows included a ¥373 million increase in funds due to a decrease in notes and accounts receivable-trade and a ¥605 million reserve for funds due to depreciation. The main cash outflow factor was a 442 million yen decrease in funds due to a decrease in notes and accounts payable-trade.

Cash flows from investing activities

Funds decreased by 245 million yen due to investment activities (a decrease of 1,239 million yen in the same quarter of the previous year).

This was mainly due to capital expenditures of 378 million yen by us and our group companies.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥357 million, compared with net cash provided of ¥547 million in the same quarter of the previous fiscal year.

The main cash outflow factor was a decrease of 274 million yen in interest-bearing debt.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

Global economic trends are expected to remain unpredictable, as the outbreak of the new Corona Virus has not been seen to converge and there are concerns about the second and third waves. On the other hand, there are signs of recovery in the second half of the fiscal year for automotive applications, which are our main markets, and we expect performance to improve by the end of the fiscal year under review.

Amid this extremely challenging business environment, for the fiscal year under review, as stated in the "Notice Regarding Revisions to Earnings Forecasts and Dividend Forecasts" announced today, we expect to record net sales of ¥18.3 billion, an operating loss of ¥50 million, an ordinary loss of ¥50 million, and a loss attributable to owners of parent of ¥100 million.

Our Group will continue to focus on the automotive, medical, infrastructure and housing equipment markets while strengthening our corporate structure by reorganizing, including reviewing overseas bases, and strengthening governance.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2021 first half (As of September 30,2020)	FY2020 (As of March 31,2020)
ASSETS		
Current assets:		
Cash and time deposits	2,450,623	2,777,032
Trade notes and accounts receivable	3,810,565	4,170,246
Finished goods	1,332,776	1,371,370
Work in process	729,934	676,406
Raw materials and stored items	849,251	880,321
Other current assets	563,376	704,258
Allowance for doubtful accounts	(16,892)	(13,399)
Total current assets	9,719,635	10,566,235
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	4,017,474	4,147,878
Machinery and equipment	3,596,802	3,694,749
Land	1,271,960	1,270,191
Others	1,789,904	1,753,844
Total tangible noncurrent assets	10,676,141	10,866,663
Intangible noncurrent assets	73,835	88,312
Investments and other assets	596,192	604,173
Total noncurrent assets	11,346,169	11,559,150
Total assets	21,065,805	22,125,385

(Amount: thousands of yen)

	FY2021 first half (As of September 30,2020)	FY2020 (As of March 31,2020)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,471,571	2,901,538
Short-term borrowings	2,393,608	2,429,580
Long-term borrowings due within one year	2,778,052	2,979,445
Lease obligations	140,873	115,244
Accrued income taxes	96,514	101,056
Allowance for bonus	123,060	193,547
Provision for loss on disaster	69,405	67,993
Other current liabilities	1,088,336	1,078,547
Total current liabilities	9,161,422	9,866,951
Noncurrent liabilities		
Long-term borrowings	4,900,528	4,900,191
Lease obligations	833,077	767,746
Deferred tax liabilities	239,616	237,350
Asset retirement obligations	51,402	51,348
Liabilities for retirement benefits	1,292,176	1,295,934
Other noncurrent liabilities	10,353	7,511
Total noncurrent liabilities	7,327,155	7,260,083
Total liabilities	16,488,578	17,127,035
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	250,000	250,000
Retained earnings	4,148,082	4,610,760
Treasury stock	(97,460)	(105,954)
Total shareholder' equity	5,300,621	5,754,805
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(472)	(797)
Foreign exchange adjustment	(681,904)	(705,409)
cumulative amount for retirement benefits	(65,254)	(83,608)
Total accumulated other comprehensive income	(747,630)	(789,815)
Subscription rights to shares	24,235	33,360
Total net assets	4,577,226	4,998,350
Total liabilities and net assets	21,065,805	22,125,385

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2021 first half (April 1, 2020 through September 30, 2020)	FY2020 first half (April 1, 2019 through September 30, 2019)
NET sales	8,416,270	10,473,361
Cost of sales	6,681,204	7,959,987
Gross profit	1,735,066	2,513,373
Selling, general and administrative expenses	2,032,014	2,362,890
Operating income	(296,948)	150,483
Non-operating revenues		
Interest income	11,235	11,516
Dividends income	2	1,846
Rent income	31,505	25,919
Foreign exchange gains	27,618	-
Subsidy income	42,947	-
Others	38,560	21,817
Total non-operating revenues	151,869	61,098
Non-operating expenses		
Interest expenses	89,624	68,290
Foreign exchange losses	-	76,636
Others	32,038	18,999
Total non-operating expenses	121,662	163,926
Ordinary income(loss)	(266,742)	47,655
Extraordinary gain		
Gain on sales of noncurrent assets	1,495	2,718
Total extraordinary gain	1,495	2,718
Extraordinary loss		
Loss on sales of noncurrent assets	354	493
Loss on disposal of noncurrent assets	626	476
Settlement package	-	-
Loss on litigation	24,287	51,118
Special retirement expense	-	47,894
Loss on Covid-19 related	39,179	-
Others	-	-
Total extraordinary loss	64,448	99,983
Net Income (or loss) before income taxes	(329,695)	(49,608)
Corporate, inhabitant and enterprise taxes	91,398	68,477
Corporate tax adjustments	1,103	(298)
Total income taxes	92,502	68,179
Net income(loss)	(422,197)	(117,788)
Net income (loss) Attributable to Owners of the Parent	(422,197)	(117,788)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2021 first half (April 1, 2020 through September 30, 2020)	FY2020 first half (April 1, 2019 through September 30, 2019)
Income (or loss) before minority interests	(422,197)	(117,788)
Other comprehensive income		
Valuation gain(loss) on other securities	325	(3,894)
Foreign currency translation adjustment	23,504	(352,093)
Remeasurements of defined benefit plans	18,353	(2,601)
Total other comprehensive income	42,184	(358,589)
Comprehensive income	(380,013)	(476,377)
Comprehensive income attributable to owners of the parent	(380,013)	(476,377)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2021 first half (April 1, 2020 through September 30, 2020)	FY2020 first half (April 1, 2019 through September 30, 2019)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	(329,695)	(49,608)
Depreciation and amortization	605,278	610,155
Impairment loss	3,540	2,063
Increase (decrease) in allowance for doubtful accounts	(71,880)	3,547
Increase (decrease) in retirement benefits	8,100	(3,147)
Interest and dividend income	(11,237)	(13,362)
Interest payable	89,624	68,290
(Gain) loss on differences of foreign exchange	24,684	61,213
(Gain) loss on sale of fixed assets	(1,140)	(2,225)
(Gain) loss on disposal of fixed assets	626	476
Decrease (increase) in notes and accounts receivable	373,027	218,693
Decrease (increase) in inventories	23,579	(301,584)
Increase (decrease) in notes and accounts payable	(442,667)	202,174
Others	332,395	(277,685)
Subtotal	604,235	519,003
Proceeds from interest and dividend receivable	35,946	13,391
Payment of interests	(106,493)	(38,848)
Payment of income taxes	(118,164)	(92,946)
Others	-	-
Net cash provided by operating activities	415,524	400,599

	FY2021 first half (April 1, 2020 through September 30, 2020)	FY2020 first half (April 1, 2019 through September 30, 2019)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(378,671)	(1,310,974)
Proceeds from sales of tangible fixed assets	3,977	3,544
Payments on purchase of intangible fixed assets	(1,162)	(3,888)
Proceeds from sales of intangible fixed assets	597	1,396
Payments on purchase of investment securities	(900)	(300)
Payments into time deposits	(147,657)	(192,538)
Proceeds from withdrawal of time deposits	271,447	324,780
Others	6,550	(61,899)
Net cash used in investing activities	(245,818)	(1,239,881)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(67,194)	418,154
Proceeds from long-term borrowings	1,340,926	1,707,800
Repayments on long-term borrowings	(1,547,811)	(1,434,380)
Decrease (increase) in treasury stock	(186)	(1,712)
Cash dividends paid	(42,176)	(122,867)
Others	(40,965)	(19,433)
Net cash used in financing activities	(357,407)	547,560
Effect of exchange rate changes on cash and cash equivalents	(16,659)	(88,501)
Net increase (decrease) in cash and cash equivalents	(204,361)	(380,223)
Cash and cash equivalents at the beginning of quarter	1,971,289	2,864,283
Change in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	-	12,738
Cash and cash equivalents at the end of quarter	1,766,928	2,496,799

(4) 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 first half (April 1, 2020 through September 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	3,510,327	917,553	930,129	3,058,258	8,416,270
(2) Intra-group Net sales and transfers	269,228	509	50,785	124,279	444,803
Total sales	3,779,556	918,063	980,915	3,182,538	8,861,073
Operating income (loss)	(181,383)	(163,698)	69,516	(37,298)	(312,863)

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	(312,863)
Elimination of inter-segment transactions	15,914
Consolidated Quarterly Operating Income	(296,948)

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

II FY2020 first half (April 1, 2019 through September 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	4,250,877	1,179,604	1,013,905	4,028,972	10,473,361
(2) Intra-group Net sales and transfers	650,822	216	48,869	146,767	846,676
Total sales	4,901,700	1,179,821	1,062,774	4,175,740	11,320,037
Operating income (loss)	(36,556)	(132,090)	47,782	283,436	162,571

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	162,571
Elimination of inter-segment transactions	(12,088)
Consolidated Quarterly Operating Income	150,483

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

Not applicable