

Consolidated Financial Results for the Nine Months Ended December 31, 2019 <Under Japanese GAAP>



January 30, 2020

Company name: Stanley Electric Co., Ltd.

Securities code: 6923

(URL: <http://www.stanley.co.jp/>)

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of filing of the quarterly financial report (Shihanki Houkokusho): February 13, 2020

Scheduled date of commencement of dividend payments: —

Availability of supplementary briefing material on quarterly results: No

Schedule of quarterly results briefing session: No

(Figures are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(1) Consolidated Results of Operations (cumulative)

(% figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended								
December 31, 2019	302,184	(8.1)	31,737	(21.4)	36,099	(20.0)	22,970	(22.7)
December 31, 2018	328,825	0.5	40,388	5.9	45,141	9.6	29,723	17.6

Note: Comprehensive income: Nine months ended December 31, 2019: ¥25,823 million [(7.2)%]

Nine months ended December 31, 2018: ¥27,833 million [(35.0)%]

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
Nine months ended		
December 31, 2019	141.25	141.21
December 31, 2018	181.29	181.11

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
Nine months ended			
December 31, 2019	516,191	419,574	73.4
Fiscal year ended			
March 31, 2019	509,564	408,957	72.5

(Reference) Equity: As of December 31, 2019: ¥378,996 million; As of March 31, 2019: ¥369,436 million

2. Dividends

	Cash Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended					
March 31, 2019	-	25.00	-	25.00	50.00
Fiscal year ending					
March 31, 2020	-	25.00	-		
Fiscal year ending					
March 31, 2020 (Forecast)				25.00	50.00

Note: Revision to the dividend forecast from recently released figures: No

3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(% figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Fiscal year ending March 31, 2020	-	-	-	-	-	-	-	-	-

Note: Revision to the consolidated business forecasts from recently released figures: Yes

The environment surrounding the Company is forecast to be severe in the three months ending March 31, 2020 due to factors including a decrease in the number of automobiles produced worldwide and expenses associated with past quality issues.

In addition, it is difficult to calculate business forecasts at this time, as novel coronavirus spreading mainly in China is expected to have a substantial impact on production, procurement and sales.

Therefore, the consolidated business forecasts for the fiscal year ending March 31, 2020 is yet to be determined. The forecasts will be disclosed when it becomes possible to calculate the impact.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and corrections of errors

1) Changes in line with revision to accounting standards: Yes

(Changes in Accounting Policies)

Application of IFRS 16 “Leases”

Effective from the first quarter of the fiscal year ending March 31, 2020, subsidiaries which apply the International Financial Reporting Standards (“IFRS”) have applied IFRS 16 “Leases” (“IFRS 16”). Accordingly, lessees will be required to record, in principle, all leases as assets and liabilities on the balance sheet. IFRS 16 was applied in accordance with transitional treatments, and cumulative effects of changes in accounting policies were recorded in retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2020.

As a result, at the end of the third quarter of the fiscal year ending March 31, 2020, lease assets in property, plant and equipment increased by 2,320 million yen, while lease obligations in current liabilities and lease obligations in noncurrent liabilities increased by 730 million yen and 1,721 million yen, respectively. The effect of this change on income or loss for the nine months ended December 31, 2019 is insignificant. In addition, retained earnings at the beginning of the fiscal year ending March 31, 2020 decreased by 30 million yen.

2) Other changes in accounting policies: No

3) Changes in accounting estimates: Yes

(Changes in Accounting Estimates)

Changes in accounting estimate for amortization period on variances between prior service costs and actuarially calculated net defined benefit liability:

The amortization period over variances occurred between prior service costs and actuarially calculated net defined benefit liability had been 13 years. However, due to the shortened average remaining service period for the employees, the amortization period is changed to 12 years effective from the third quarter of the fiscal year ending March 31, 2020.

As a result, operating income, ordinary income, and income before income taxes have each decreased 805 million yen for the nine months ended December 31, 2019 due to this change in accounting estimate.

4) Corrections of errors: No

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock)

Nine months ended December 31, 2019: 174,200,000 shares

Fiscal year ended March 31, 2019: 175,200,000 shares

2) Number of shares of treasury stock at the end of the period

Nine months ended December 31, 2019: 12,318,119 shares

Fiscal year ended March 31, 2019: 11,728,364 shares

3) Average number of shares during the period

Nine months ended December 31, 2019: 162,628,275 shares

Nine months ended December 31, 2018: 163,954,573 shares

* These quarterly financial statements are outside the scope of quarterly review by certified public accountants or audit corporations.

* Explanation for the appropriate use of performance forecasts and other special notes:

Note: The environment surrounding the Company is forecast to be severe in the three months ending March 31, 2020 due to factors including a decrease in the number of automobiles produced worldwide and expenses associated with past quality issues.

In addition, it is difficult to calculate business forecasts at this time, as novel coronavirus spreading mainly in China is expected to have a substantial impact on production, procurement and sales.

Therefore, the consolidated business forecasts for the fiscal year ending March 31, 2020 is yet to be determined. The forecasts will be disclosed when it becomes possible to calculate the impact.

The Company made these projections in forecasts based on currently available economical and business information; as such, these projections include certain risks in future foreign exchange rates, change in economic factors, and other uncertainties. Actual business performance may differ significantly from current projections resulting from various critical factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	143,928	141,246
Notes and accounts receivable-trade	69,392	62,269
Securities	-	200
Inventories	28,000	30,860
Other	22,092	23,707
Allowance for doubtful accounts	(4)	(2)
Total current assets	263,410	258,282
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	63,277	60,666
Machinery, equipment and vehicles, net	56,387	55,990
Tools, furniture and fixtures, net	19,014	18,813
Land	14,997	15,092
Lease assets, net	562	2,956
Construction in progress	18,789	26,822
Total property, plant and equipment	173,029	180,342
Intangible assets	5,522	5,238
Investments and other assets		
Investment securities	62,536	67,045
Deferred tax assets	2,492	2,409
Other	2,573	2,872
Total investments and other assets	67,601	72,326
Total noncurrent assets	246,154	257,908
Total assets	509,564	516,191

(Millions of Yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	38,344	37,466
Short-term loans payable	6,168	4,820
Current portion of bonds	10,000	-
Lease obligations	170	918
Income taxes payable	4,690	2,160
Provision for product warranties	1,478	3,125
Provision for bonuses	5,022	2,567
Provision for directors' bonuses	194	147
Other	20,812	20,186
Total current liabilities	86,881	71,392
Noncurrent liabilities		
Bonds payable	-	10,000
Lease obligations	405	2,180
Deferred tax liabilities	6,520	7,211
Provision for directors' retirement benefits	43	47
Net defined benefit liability	5,246	4,577
Asset retirement obligations	451	498
Other	1,057	708
Total noncurrent liabilities	13,725	25,223
Total liabilities	100,606	96,616
Net assets		
Shareholders' equity		
Capital stock	30,514	30,514
Capital surplus	29,878	29,878
Retained earnings	319,754	332,178
Treasury stock	(27,304)	(29,726)
Total shareholders' equity	352,843	362,845
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,410	21,395
Foreign currency translation adjustment	(2,292)	(5,692)
Remeasurements of defined benefit plans	(524)	448
Total accumulated other comprehensive income	16,593	16,151
Subscription rights to shares	371	453
Non-controlling interests	39,149	40,124
Total net assets	408,957	419,574
Total liabilities and net assets	509,564	516,191

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine-month period

(Millions of Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	328,825	302,184
Cost of sales	253,746	237,277
Gross profit	75,078	64,906
Selling, general and administrative expenses	34,689	33,169
Operating income	40,388	31,737
Non-operating income		
Interest income	721	1,047
Dividends income	653	655
Equity in earnings of affiliates	2,234	1,999
Royalty income	1,173	1,167
Foreign exchange gains	69	-
Miscellaneous income	509	586
Total non-operating income	5,362	5,456
Non-operating expenses		
Interest expenses	92	207
Foreign exchange losses	-	350
Special research expenses	76	28
Miscellaneous loss	439	508
Total non-operating expenses	609	1,094
Ordinary income	45,141	36,099
Extraordinary income		
Gain on sales of noncurrent assets	24	17
Total extraordinary income	24	17
Extraordinary losses		
Loss on retirement of noncurrent assets	768	1,283
Total extraordinary losses	768	1,283
Income before income taxes	44,397	34,833
Income taxes	10,392	7,656
Net income	34,004	27,177
Net income attributable to non-controlling interests	4,280	4,206
Net income attributable to owners of parent	29,723	22,970

Quarterly Consolidated Statements of Comprehensive Income
 Nine-month period

(Millions of Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income	34,004	27,177
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,428)	2,025
Foreign currency translation adjustment	(1,892)	(4,963)
Remeasurements of defined benefit plans	196	973
Share of other comprehensive income of affiliates accounted for using equity method	(46)	610
Total other comprehensive income	(6,170)	(1,354)
Comprehensive income	27,833	25,823
Comprehensive income attributable to owners of parent	24,244	22,528
Comprehensive income attributable to non-controlling interests	3,589	3,294

(3) Review of Segment Operations

Segment information

1. Sales and income or loss by reportable segment

Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(Millions of Yen)

	Automotive Equipment Business	Electronic Components Business	Applied Electronic Products Business	Others (Note 1)	Adjustment (Note 2)	Total amount recognized in quarterly consolidated statements of income (Note 3)
Sales						
Sales to outside customers	263,523	23,115	41,807	378	-	328,825
Intersegment sales or transfer	244	13,794	34,628	1,954	(50,621)	-
Total	263,768	36,909	76,435	2,333	(50,621)	328,825
Segment income	23,231	5,904	9,568	64	1,620	40,388

Notes: 1. "Others" mainly includes the following project and services not included in the reportable segments: the project for promotion of employment of the physically disabled; and financial and management services provided within the Stanley Group.

2. 1,620 million yen adjustment to segment income mainly includes both company-wide expenses not included in the reportable segments of (3,225) million yen and elimination of intersegment transactions of 4,910 million yen. The company-wide expenses are mainly general research and development expenses and administrative expenses not included in the reportable segments.

3. Segment income is adjusted to be consistent with operating income shown on the quarterly consolidated statements of income.

Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(Millions of Yen)

	Automotive Equipment Business	Electronic Components Business	Applied Electronic Products Business	Others (Note 1)	Adjustment (Note 2)	Total amount recognized in quarterly consolidated statements of income (Note 3)
Sales						
Sales to outside customers	238,818	20,718	42,444	202	-	302,184
Intersegment sales or transfer	409	12,733	32,621	2,044	(47,808)	-
Total	239,227	33,451	75,066	2,246	(47,808)	302,184
Segment income	16,222	4,761	9,633	69	1,050	31,737

Notes: 1. "Others" mainly includes the following project and services not included in the reportable segments: the project for promotion of employment of the physically disabled; and financial and management services provided within the Stanley Group.

2. 1,050 million yen adjustment to segment income mainly includes both company-wide expenses not included in the reportable segments of (3,606) million yen and elimination of intersegment transactions of 4,651 million yen. The company-wide expenses are mainly general research and development expenses and administrative expenses not included in the reportable segments.

3. Segment income is adjusted to be consistent with operating income shown on the quarterly consolidated statements of income.

2. Matters concerning a change in the reportable segment

After a review on business classification, we classified the accessories and parts products, which had been classified under the Automotive Equipment Business, under the Electronic Components Business, effective from the second quarter of the fiscal year ending March 2020.

The segment information for the nine months ended December 31, 2018 presented above was prepared in accordance with the new classification.