

ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2023 First quarter(three months ended June 30, 2022)



August 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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 August 12, 2022
 Yes
 No

1. Performance (April 1, 2022 through June 30, 2022) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the three months ended June 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	%
Three months ended June 30, 2022	5,647	6.0	(165)	-	181	14.5	21	(47.9)
Three months ended June 30, 2021	5,330	42.7	104	-	158	-	40	-

[Note] Comprehensive income: Three months ended June 30, 2022 520 million yen
 Three months ended June 30, 2021 5 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2022	5.17	5.16
Three months ended June 30, 2021	9.95	9.90

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	27,548	7,401	26.8
As of March 31, 2022	25,208	6,922	27.4

[Reference] Total shareholder's equity: 7,392 million yen at June 30, 2022 6,913 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, 2022	--	--	--	10.00	10.00
Year ended March 31, 2023	--	--	--	--	--
Year ended March 31, 2023 (forecast)	--	--	--	10.00	10.00

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

3. Forecast of consolidated results for FY2023 (April 1, 2022 through March 31, 2023)

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, 2023	24,000	10.5	400	169.8	300	(15.4)	120	-	29.21

[Note] Revisions to the latest forecasts of consolidated results: No

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: Yes
 - 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 June 30, 2022
 - 4,153,370 shares at March 31, 2022
 - b. Number of shares of treasury stock at end of period
 - 45,063 shares at June 30, 2022
 - 44,925 shares at March 31, 2022
 - c. Average number of shares issued and outstanding in each period:
 - 4,108,371 shares at June 30, 2022
 - 4,097,879 shares at June 30, 2021

[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 first quarter of the fiscal year under review, despite the relaxation of action restrictions imposed by Corona, the global economy remained uncertain due to factors such as the lock-down of China, which continues its zero corona policy, global inflation, as well as the continuing semiconductor shortage from the previous year, logistical squeezes and soaring energy costs, such as crude oil and natural gas. In the automotive industry, our main market, conditions remained challenging, with a series of downward revisions to production plans due to a shortage of semiconductors and the impact of lock-downs in Shanghai, China, despite robust demand.

Under these circumstances, for the first quarter of the fiscal year under review, net sales increased 6.0% from the same quarter of the previous fiscal year to ¥5,647 million, and the operating loss was ¥165 million (compared to an operating income of ¥104 million for the same quarter of the previous fiscal year). Ordinary income increased by 14.5% year-on-year to 181 million yen due to foreign exchange gains. However, quarterly net income attributable to owners of the parent decreased by 47.9% year-on-year to 21 million yen due to the recording of an extraordinary loss for the suspension of operations at a subsidiary in China due to Shanghai Lockdown.

Results by business segment are as follows.

[Japan]

Due to a series of production adjustments for automobiles caused by a shortage of semiconductors and Shanghai lockdowns, net sales decreased 2.1% from the same quarter of the previous fiscal year to ¥2.107 billion. Segment income decreased 93.2%, to ¥8 million, due in part to the impact of soaring raw material costs.

[Americas]

Despite delays in the operation of our U.S. subsidiary's new Tennessee factory, net sales increased 9.7% year on year to 655 million yen due to the progress in the start-up of production at our Mexican factory. Segment loss amounted to 283 million yen, compared with a loss of 222 million yen for the same quarter of the previous fiscal year, mainly due to the impact of delays in the operation of a new Tennessee factory and soaring raw material costs.

[Europe]

Net sales decreased 8.0% from the same quarter of the previous year to 492 million yen due to sluggish sales for aircraft and other factors. Segment loss was ¥17 million (compared with profit of ¥67 million for the same quarter of the previous fiscal year), mainly due to soaring raw material and energy costs.

[Asia]

Net sales increased 17.0% from the same quarter of the previous year to ¥2,391 million due to strong sales for automotive, OA equipment, and healthcare. Segment income decreased 6.1% to ¥127 million due to soaring raw material and energy costs.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first quarter under review increased ¥2,340 million from the end of the previous fiscal year, to ¥27,548 million.

Total current assets increased by ¥1.802 billion to ¥14,123 million. The main factors were increases of 332 million yen in cash and deposits, 1,060 million yen in notes and accounts receivable-trade and contract assets, and 239 million yen in inventories. Total non-current assets increased ¥537 million to ¥13,425 million. This was mainly due to an increase in property, plant and equipment.

(Liabilities)

In the Liabilities section, total liabilities were 20,147 million yen, an increase of 1,861 million yen from the end of the previous fiscal year. The main factors were increases of 191 million yen in notes and accounts payable-trade and 1.705 billion yen in loans payable.

(Net assets)

In net assets, total net assets were 7.401 billion yen, an increase of 479 million yen from the end of the previous fiscal year. This was mainly due to an increase of 520 million yen in foreign currency translation adjustments.

As a result, the equity ratio was 26.8% (27.4% 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 2023 from the forecast released on May 13, 2022.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2023 first quarter (As of June 30,2022)	FY2022 (As of March 31,2022)
ASSETS		
Current assets:		
Cash and time deposits	3,507,565	3,175,062
Trade notes and accounts receivable	5,421,427	4,360,590
Finished goods	1,424,715	1,462,752
Work in process	832,363	835,012
Raw materials and stored items	1,974,059	1,693,896
Other current assets	992,407	824,332
Allowance for doubtful accounts	(29,016)	(31,090)
Total current assets	14,123,523	12,320,556
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	4,455,222	4,359,678
Machinery and equipment	4,446,859	4,252,836
Land	1,482,955	1,428,985
Others	2,092,881	1,914,852
Total tangible noncurrent assets	12,477,918	11,956,352
Intangible noncurrent assets	112,976	107,426
Investments and other assets	834,556	823,983
Total noncurrent assets	13,425,450	12,887,763
Total assets	27,548,973	25,208,319

(Amount: thousands of yen)

	FY2023 first quarter (As of June 30,2022)	FY2022 (As of March 31,2022)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,851,656	3,660,399
Short-term borrowings	3,601,792	1,443,302
Long-term borrowings due within one year	3,528,091	3,124,881
Lease obligations	227,924	216,004
Income taxes payable	167,532	160,618
Allowance for bonus	369,055	283,980
Other current liabilities	1,307,415	1,470,269
Total current liabilities	13,053,469	10,358,456
Noncurrent liabilities		
Long-term borrowings	4,540,900	5,398,400
Lease obligations	1,033,442	1,012,725
Deferred tax liabilities	260,978	251,339
Asset retirement obligations	55,041	54,244
Liabilities for retirement benefits	1,153,615	1,159,114
Other noncurrent liabilities	50,057	51,700
Total noncurrent liabilities	7,094,036	7,927,524
Total liabilities	20,147,505	18,285,981
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	250,000	250,000
Retained earnings	5,044,494	5,064,348
Treasury stock	(77,996)	(77,765)
Total shareholder' equity	6,216,497	6,236,582
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	156	25,720
Foreign exchange adjustment	1,152,430	632,086
Cumulative amount for retirement benefits	23,788	19,354
Total accumulated other comprehensive income	1,176,376	677,161
Subscription rights to shares	8,594	8,594
Total net assets	7,401,468	6,922,338
Total liabilities and net assets	27,548,973	25,208,319

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2023 first quarter (April 1, 2022 through June 30, 2022)	FY2022 first quarter (April 1, 2021 through June 30, 2021)
NET sales	5,647,398	5,330,117
Cost of sales	4,571,264	4,103,208
Gross profit	1,076,133	1,226,909
Selling, general and administrative expenses	1,241,379	1,122,407
Operating income	(165,245)	104,502
Non-operating revenues		
Interest income	7,791	4,164
Dividends income	1	1
Rent income	25,975	17,795
Foreign exchange gains	342,018	101,527
Subsidy income	30,383	282
Others	13,358	8,031
Total non-operating revenues	419,527	131,802
Non-operating expenses		
Interest expenses	57,963	53,918
Other	15,072	24,069
Total non-operating expenses	73,036	77,988
Ordinary income(loss)	181,246	158,316
Extraordinary gain		
Gain on sales of noncurrent assets	703	62
Total extraordinary gain	703	62
Extraordinary loss		
Loss on sales of noncurrent assets	896	474
Loss on disposal of noncurrent assets	54	7,671
Loss on litigation	—	31,026
Loss on Covid-19 related	43,986	—
Total extraordinary loss	44,937	39,171
Net Income (or loss) before income taxes	137,012	119,206
Corporate, inhabitant and enterprise taxes	120,801	74,685
Corporate tax adjustments	(5,020)	3,767
Total income taxes	115,781	78,452
Net income(loss)	21,230	40,753
Net income (loss) Attributable to Owners of the Parent	21,230	40,753

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2023 first quarter (April 1, 2022 through June 30, 2022)	FY2022 first quarter (April 1, 2021 through June 30, 2021)
Income (or loss) before minority interests	21,230	40,753
Other comprehensive income		
Valuation gain(loss) on other securities	(25,564)	(16,373)
Foreign currency translation adjustment	520,344	(29,215)
Remeasurements of defined benefit plans	4,434	10,777
Accumulated other comprehensive income	499,214	(34,811)
Comprehensive income	520,445	5,942
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	520,445	5,942

(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

(4)Segment Information etc.
【Segment Information】

I FY2023 first quarter (April 1, 2022 through June 30, 2022)

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	2,107,834	655,595	492,963	2,391,004	5,647,398
(2) Intra-group Net sales and transfers	299,592	46	76,702	53,957	430,298
Total sales	2,407,427	655,641	569,665	2,444,962	6,077,696
Operating income (loss)	8,275	(283,002)	(17,966)	127,525	(165,168)

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	(165,168)
Elimination of inter-segment transactions	(77)
Consolidated Quarterly Operating Income	(165,245)

II FY2022 first quarter (April 1, 2021 through June 30, 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	2,152,869	597,449	535,800	2,043,998	5,330,117
(2) Intra-group Net sales and transfers	278,718	-	7,455	33,504	319,678
Total sales	2,431,587	597,449	543,256	2,077,503	5,649,796
Operating income (loss)	121,835	(222,835)	67,999	135,780	102,780

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	102,780
Elimination of inter-segment transactions	1,721
Consolidated Quarterly Operating Income	104,502