



# ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2021 First quarter(three months ended June 30, 2020)

September 25, 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

No

## 1. Performance (April 1, 2020 through June 30, 2020) (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, 2020	3,736	(29.8)	(329)	-	(293)	-	(377)	-
Three months ended June 30, 2019	5,322	1.6	27	(50.4)	(69)	-	(163)	-

[Note] Comprehensive income: Three months ended June 30, 2020 (283) million yen  
Three months ended June 30, 2019 (363) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2020	(92.35)	-
Three months ended June 30, 2019	(40.06)	-

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	21,468	4,714	21.8
As of March 31, 2020	22,125	4,998	22.4

[Reference] Total shareholder's equity: 4,680million yen at June 30, 2020 4,964 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	10.00
Year ended March 31, 2021	--	--	--	--	--
Year ended March 31, 2021 (forecast)	--	--	--	(undecided)	(undecided)

### 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	-	-	-	-	-	-	-	-	-

[Note1] Undecided because of influence from Covid-19.

### 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 June 30, 2020
    - 4,153,370 shares at March 31, 2020
  - b. Number of shares of treasury stock at end of period
    - 60,921 shares at June 30, 2020
    - 60,862 shares at March 31, 2020
  - c. Average number of shares issued and outstanding in each period:
    - 4,092,467 shares at June 30, 2020
    - 4,093,860 shares at June 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 first quarter of the current fiscal year, the economic environment has been extremely challenging, as consumer spending has worsened significantly due to the impact of the spread of the Covid-19, which requires voluntary restraint not only in economic activities but also in other countries around the world, such as restrictions on inbound and outbound travel.

Under these circumstances, for the first quarter of the fiscal year under review, net sales decreased 29.8% from the same quarter of the previous year to ¥3,736 million. Operating loss was ¥329 million (compared with income of ¥27 million for the same quarter of the previous fiscal year), ordinary loss was ¥293 million (compared with a loss of ¥69 million for the same quarter of the previous fiscal year), and loss attributable to owners of parent was ¥377 million (compared with a loss of ¥163 million for the same quarter of the previous fiscal year).

Results by business segment are as follows.

#### [Japan]

Net sales decreased 23.6% from the same quarter of the previous year to 1,581 million yen and segment loss was 131 million yen (compared with a loss of 25 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 50.2% from the same quarter of the previous year to 338 million yen and segment loss was 151 million yen (compared to a loss of 88 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 10.4% from the same quarter of the previous year to 475 million yen due to a decrease in demand for standardized products. Segment income increased 396.0% year on year to ¥57 million, reflecting relatively firm sales of highly profitable products such as medical products.

#### [Asia]

Net sales decreased 34.4% from the same quarter of the previous year to 1,341 million yen, and segment loss was 117 million yen (compared to income of 142 million yen in the same quarter of the previous year), largely affected by a decrease in demand for automobiles and OA equipment.

### (2) Explanation of Financial Position

#### (Assets)

Total assets at the end of the first quarter of the fiscal year under review decreased 656 million yen from the end of the previous fiscal year to 21,468 million yen.

Total current assets decreased ¥580 million to ¥9,985 million. The main factors were increases of 313 million yen in cash and deposits and 218 million yen in inventories, but decreases of 1,018 million yen in notes and accounts receivable-trade. Total non-current assets decreased by ¥76

million to ¥11,482 million. This was mainly due to a decrease in depreciation.

(Liabilities)

In the Liabilities section, total liabilities decreased 372 million yen from the end of the previous fiscal year to 16,754 million yen. The main factors were decreases of 359 million yen in notes and accounts payable-trade and 110 million yen in loans payable.

(Net assets)

In net assets, total net assets decreased 284 million yen from the end of the previous fiscal year to 4,714 million yen. This was mainly due to a decrease of 378 million yen in shareholders' equity, despite an increase of 84 million yen in foreign currency translation adjustments.

As a result, the equity ratio was 21.8% (22.4% at the end of the previous fiscal year).

### (3) Explanation of Consolidated Business Forecast and other Forecasts

Global economic trends are gradually resuming economic activities in each country while curbing the outbreak of the new Corona Virus, but the situation is expected to remain unpredictable due to the possibility of a further prolongation until it converges.

The forecast for the fiscal year ended March 31, 2021 has not been determined because it is difficult to rationally calculate the impact of the spread of new corona viruses at this stage. We will promptly disclose the results forecast as soon as it becomes possible to disclose them in the future.

### 3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

#### (1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2021 first quarter (As of June 30,2020)	FY2020 (As of March 31,2020)
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	3,090,165	2,777,032
Trade notes and accounts receivable	3,151,902	4,170,246
Finished goods	1,480,338	1,371,370
Work in process	740,582	676,406
Raw materials and stored items	925,642	880,321
Other current assets	606,192	704,258
Allowance for doubtful accounts	(8,841)	(13,399)
Total current assets	9,985,983	10,566,235
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	4,086,301	4,147,878
Machinery and equipment	3,625,501	3,694,749
Land	1,291,224	1,270,191
Others	1,788,883	1,753,844
Total tangible noncurrent assets	10,791,911	10,866,663
Intangible noncurrent assets	80,544	88,312
Investments and other assets	610,127	604,173
Total noncurrent assets	11,482,582	11,559,150
Total assets	21,468,565	22,705,609

(Amount: thousands of yen)

	FY2021 first quarter (As of June 30,2020)	FY2020 (As of March 31,2020)
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	2,541,568	2,901,538
Short-term borrowings	2,434,632	2,429,580
Long-term borrowings due within one year	2,836,809	2,979,445
Accrued income taxes	85,059	101,056
Allowance for bonus	245,267	193,547
Provision for loss on disaster	67,580	67,993
Other current liabilities	1,175,139	1,193,791
Total current liabilities	9,375,056	9,866,951
Noncurrent liabilities		
Long-term borrowings	4,938,687	4,900,191
Deferred tax liabilities	237,275	237,350
Liabilities for retirement benefits	1,295,409	1,295,934
Asset retirement obligations	51,887	51,348
Other noncurrent liabilities	855,921	775,257
Total noncurrent liabilities	7,379,181	7,260,083
Total liabilities	16,754,237	17,127,035
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	250,000	250,000
Retained earnings	4,232,837	4,610,760
Treasury stock	(106,034)	(105,954)
Total shareholder' equity	5,376,803	5,754,805
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(505)	(797)
Foreign exchange adjustment	(621,320)	(705,409)
cumulative amount for retirement benefits	(74,008)	(83,608)
Total accumulated other comprehensive income	(695,834)	(789,815)
Subscription rights to shares	33,360	33,360
Total net assets	4,714,328	4,998,350
Total liabilities and net assets	21,468,565	22,125,385

## (2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2021 first quarter (April 1, 2020 through June 30, 2020)	FY2020 first quarter (April 1, 2019 through June 30, 2019)
NET sales	3,736,080	5,322,577
Cost of sales	3,053,695	4,109,612
Gross profit	682,384	1,212,964
Selling, general and administrative expenses	1,011,787	1,185,319
Operating income	(329,402)	27,645
Non-operating revenues		
Interest income	1,975	11,530
Dividends income	1	1,846
Rent income	15,772	13,077
Foreign exchange gains	34,271	—
Subsidy income	29,110	—
Others	22,623	4
Total non-operating revenues	103,755	26,459
Non-operating expenses		
Interest expenses	50,747	27,521
Foreign exchange losses	—	87,680
Other	17,33	8,797
Total non-operating expenses	68,081	124,000
Ordinary income(loss)	(293,728)	(69,896)
Extraordinary gain		
Gain on sales of noncurrent assets	5	1,365
Total extraordinary gain	5	1,365
Extraordinary loss		
Loss on sales of noncurrent assets	—	359
Loss on disposal of noncurrent assets	439	466
Loss on litigation	10,199	21,091
Special retirement expenses	—	49,308
Loss on Covid-19 related	38,054	—
Total extraordinary loss	48,694	71,225
Net Income (or loss) before income taxes	(342,417)	(139,754)
Corporate, inhabitant and enterprise taxes	36,033	26,459
Corporate tax adjustments	(528)	(2,224)
Total income taxes	35,504	24,235
Net income(loss)	(377,922)	(163,990)
Net income (loss) Attributable to Owners of the Parent	(377,922)	(163,990)



QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2021 first quarter (April 1, 2020 through June 30, 2020)	FY2020 first quarter (April 1, 2019 through June 30, 2019)
Income (or loss) before minority interests	(377,922)	(163,990)
Other comprehensive income		
Valuation gain(loss) on other securities	292	(2,992)
Foreign currency translation adjustment	84,088	(186,532)
Consolidated equity for equity method affiliate	9,599	(9,985)
Accumulated other comprehensive income		
Quarterly comprehensive income	93,980	(199,510)
Comprehensive income	(283,942)	(363,500)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(283,942)	(363,500)

(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 FY2021 first quarter (April 1, 2020 through June 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	1,581,045	338,057	475,602	1,341,374	3,736,080
(2) Intra-group Net sales and transfers	101,571	515	25,630	68,116	195,833
Total sales	1,682,617	338,572	501,233	1,409,490	3,931,913
Operating income (loss)	(131,804)	(151,379)	57,290	(117,338)	(343,231)

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	(343,231)
Elimination of inter-segment transactions	13,828
Consolidated Quarterly Operating Income	(329,402)

II FY2020 first quarter (April 1, 2019 through June 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	2,070,069	678,169	530,520	2,043,817	5,322,577
(2) Intra-group Net sales and transfers	361,219	—	15,232	90,676	467,128
Total sales	2,431,288	678,169	545,753	2,134,494	5,789,705
Operating income (loss)	(25,037)	(88,993)	11,549	143,318	39,837

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	39,837
Elimination of inter-segment transactions	(12,191)
Consolidated Quarterly Operating Income	27,645