



ADVANEX INC. **Flash Report (Consolidated Basis)**

Results for FY2020 First quarter(three months ended June 30, 2019)

August 9, 2019

Company name: ADVANEX INC.

Code number: 5998

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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

Stock listings: Tokyo Stock Exchange

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August 9, 2019

Yes

No

1. Performance (April 1, 2019 through June 30, 2019) (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, 2019	5,322	1.6	27	(50.4)	(69)	-	(163)	-
Three months ended June 30, 2018	5,238	6.9	55	(21.5)	82	(2.0)	(1)	-

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

Three months ended June 30, 2018 (19) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2019	(40.06)	-
Three months ended June 30, 2018	(0.26)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	23,340	5,598	23.8
As of March 31, 2019	22,705	6,079	26.6

[Reference] Total shareholder's equity: 5,564million yen at June 30, 2019 6,048 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, 2019	--	--	--	30.00	30.00
Year ended March 31, 2020	--	--	--	--	--
Year ended March 31, 2020 (forecast)	--	--	--	30.00	30.00

[Note1] Revisions to the latest forecast of cash dividends: No

3. Forecast of consolidated results for FY2020 (April 1, 2019 through March 31, 2020)

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, 2020	21,900	4.4	330	396.1	260	274.1	50	-	12.21

[Note1] 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, 2019
 - 4,153,370 shares at March 31, 2019
 - b. Number of shares of treasury stock at end of period
 - 59,593 shares at June 30, 2019
 - 59,414 shares at March 31, 2019
 - c. Average number of shares issued and outstanding in each period:
 - 4,093,860 shares at June 30, 2019
 - 4,077,843 shares at June 30, 2018

[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

During the first quarter(from April 1 to June 30, 2019) of the fiscal year under review, the U.S. economy saw favorable corporate activity due to favorable consumer spending and other factors, but there was growing anxiety about the trade conflict between the U.S. and China. The Chinese economy continued to decelerate due to the trade friction, and the outlook for Europe and Japan is becoming increasingly uncertain due to sluggish exports caused by the effects of the Chinese economy. In related fields, the automobile market has continued to slow down due to the impact of the trade conflict.

As a result, Consolidated net sales for the first quarter under review increased 1.6% year on year to ¥5,322 million, and operating income decreased 50.4% year on year to ¥27 million. Ordinary loss was 69 million yen (compared with profit of 82 million yen in the same period of the previous fiscal year), mainly due to foreign exchange losses. Net loss attributable to owners of parent was 163 million yen (compared with a loss of 1 million yen in the same period of the previous fiscal year), mainly due to the recording of special retirement benefits at a subsidiary in the United Kingdom.

Results for each operating segment are as follows.

[Japan]

Net sales increased 1.4% year on year to ¥2,070 million, mainly due to steady demand for automotive applications amid a sluggish market environment. Segment loss was 25 million yen (compared with a loss of 54 million yen in the same period of the previous fiscal year) due to a reduction in the loss.

[Americas]

Net sales increased 10.5% year on year to 678 million yen due to the full-scale operation of a part of the production line at the Mexican factory and favorable sales to the medical sector. Segment loss was ¥88 million (compared with a loss of ¥65 million in the same period of the previous fiscal year), mainly due to an increase in start-up costs at the Mexico factory.

[Europe]

Net sales decreased 0.9% year on year to 530 million yen due to the impact of exchange rates and other factors, despite favorable sales for aircraft applications. Segment profit decreased 79.6% to ¥11 million due to higher start-up costs at the Czech factory.

[Asia]

Net sales decreased 0.2% year on year to ¥2,043 million due to sluggish business in China due to the impact of trade conflicts between the U.S. and China. Segment profit increased 8.5% year on year to ¥142 million, mainly due to an improvement in earnings at the Indonesian factory, despite an increase in start-up costs at the India factory.

(2)Explanation of Financial Position

The Status of assets, liabilities, and net assets

Total assets at the end of the first quarter under review increased ¥635 million from the end of

the previous fiscal year(March 31, 2019), to ¥23,340 million. Major reasons are as follows.

In assets section, the total current assets decreased ¥141 million to ¥11,810 million. This was mainly due to an increase of 45 million yen in notes and accounts receivable-trade and an increase of 97 million yen in inventories and a decrease of 468 million yen in cash and deposits. Total fixed assets increased 776 million to 11,530 million. This was mainly due to an increase in property, plant and equipment of 787 million yen resulting from our renovation of the Niigata Plant.

In the liabilities section, total liabilities were ¥17,742 million, an increase of ¥1,116 million from the end of the previous fiscal year. This was mainly due to an increase of 404 million yen in notes and accounts payable-trade of 410 million yen, loans payable of 434 million yen, and the adoption of IFRS 16 "Leases."

In the net assets, Net assets totaled ¥5,598 million, a decrease of ¥481 million from the end of the previous fiscal year. This was mainly due to decreases of 186 million yen in foreign currency translation adjustments and 284 million yen in shareholders' equity.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2019, the company has no changes from the forecasts released on May 9, 2019

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2020 first quarter (As of June 30,2019)	FY2019 (As of March 31,2019)
ASSETS		
Current assets:		
Cash and time deposits	3,258,832	3,727,597
Trade notes and accounts receivable	4,562,480	4,516,777
Finished goods	1,508,036	1,434,438
Work in process	781,284	754,427
Raw materials and stored items	998,995	1,001,821
Other current assets	708,600	524,044
Allowance for doubtful accounts	(7,951)	(7,227)
Total current assets	11,810,278	11,951,879
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	3,221,279	2,304,758
Machinery and equipment	3,699,761	3,683,892
Land	1,310,734	1,319,953
Others	2,585,560	2,721,190
Total tangible noncurrent assets	10,817,335	10,029,795
Intangible noncurrent assets	92,477	93,671
Investments and other assets	620,837	630,262
Total noncurrent assets	11,530,649	10,753,729
Total assets	23,340,928	22,705,609

(Amount: thousands of yen)

	FY2020 first quarter (As of June 30,2019)	FY2019 (As of March 31,2019)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,472,812	3,062,337
Short-term borrowings	2,805,225	2,412,329
Long-term borrowings due within one year	2,769,169	2,529,712
Accrued income taxes	70,959	114,480
Allowance for bonus	299,032	211,929
Provision for loss on disaster	69,650	73,939
Other current liabilities	1,391,272	1,557,933
Total current liabilities	10,878,121	9,962,662
Noncurrent liabilities		
Long-term borrowings	4,862,325	5,060,024
Deferred tax liabilities	174,920	180,706
Liabilities for retirement benefits	1,321,424	1,304,990
Asset retirement obligations	51,827	51,787
Other noncurrent liabilities	454,218	65,803
Total noncurrent liabilities	6,864,716	6,663,312
Total liabilities	17,742,838	16,625,974
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,031,600	5,315,979
Treasury stock	(103,864)	(103,558)
Total shareholder' equity	6,184,452	6,469,138
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(3,821)	(829)
Foreign exchange adjustment	(531,203)	(344,670)
cumulative amount for retirement benefits	(84,697)	(74,712)
Total accumulated other comprehensive income	(619,722)	(420,211)
Subscription rights to shares	33,360	30,708
Total net assets	5,598,090	6,079,634
Total liabilities and net assets	23,340,928	22,705,609

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2020 first quarter (April 1, 2019 through June 30, 2019)	FY2019 first quarter (April 1, 2018 through June 30, 2018)
NET sales	5,322,577	5,238,076
Cost of sales	4,109,612	3,990,941
Gross profit	1,212,964	1,247,135
Selling, general and administrative expenses	1,185,319	1,191,351
Operating income	27,645	55,783
Non-operating revenues		
Interest income	11,530	5,596
Dividends income	1,846	2,104
Rent income	13,077	13,272
Foreign exchange gains	—	17,555
Others	4	12,332
Total non-operating revenues	26,459	50,860
Non-operating expenses		
Interest expenses	27,521	17,744
Foreign exchange losses	87,680	—
Provision of allowance for doubtful accounts	8,797	6,708
Others	124,000	24,452
Total non-operating expenses	(69,895)	82,191
Ordinary income(loss)		
Extraordinary gain		
Gain on sales of noncurrent assets	1,365	3,966
Total extraordinary gain	1,365	3,966
Extraordinary loss		
Loss on sales of noncurrent assets	359	999
Loss on disposal of noncurrent assets	466	27
Settlement package	—	27,731
Loss on litigation	21,091	—
Special retirement expenses	49,308	—
Total extraordinary loss	71,225	28,758
Net Income (or loss) before income taxes	(139,754)	57,399
Corporate, inhabitant and enterprise taxes	26,459	66,445
Corporate tax adjustments	(2,224)	(7,966)
Total income taxes	24,235	58,479
Net income(loss)	(163,990)	(1,079)
Net income (loss) Attributable to Owners of the Parent	(163,990)	(1,079)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2020 first quarter (April 1, 2019 through June 30, 2019)	FY2019 first quarter (April 1, 2018 through June 30, 2018)
Income (or loss) before minority interests	(163,990)	(1,079)
Other comprehensive income		
Valuation gain(loss) on other securities	(2,992)	6,522
Foreign currency translation adjustment	(186,532)	(44,122)
Consolidated equity for equity method affiliate	(9,985)	18,965
Accumulated other comprehensive income		
Quarterly comprehensive income	(199,510)	(18,634)
Comprehensive income	(363,500)	(19,714)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(363,500)	(19,714)

(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

(Change in accounting policy)

Subsidiaries applying International Financial Reporting Standards have adopted International Financial Reporting Standards No. 16, "Leases" ("IFRS No. 16") from the first quarter of the current fiscal year.

As a result, the lessee of the lease has, in principle, recorded all leases as assets and liabilities on the balance sheet.

The adoption of IFRS 16 is in accordance with the transitional treatment.

As a result, "Property, plant and equipment" increased by 402,480 thousand yen, while "Other" in current liabilities and "Other" in non-current liabilities increased by 53,069 thousand yen and 351,337 thousand yen, respectively.

The impact on profit and loss for the first quarter of the consolidated fiscal year under review is immaterial.

(4)Segment Information etc.
【Segment Information】

I 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	142,318	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

II FY2019 first quarter (April 1, 2018 through June 30, 2018)

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	2,040,590	613,722	535,230	2,048,533	5,238,076
(2) Intra-group Net sales and transfers	249,430	—	8,454	70,389	328,274
Total sales	2,290,021	613,722	543,685	2,118,922	5,566,351
Operating income (loss)	(54,607)	(65,766)	56,517	131,214	67,357

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	67,357
Elimination of inter-segment transactions	(11,573)
Consolidated Quarterly Operating Income	55,783