



## ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2019 third quarter(Nine months ended December 31, 2018)

February 8, 2019

Company name: ADVANEX INC.	Stock listings: Tokyo Stock Exchange
Code number: 5998	URL <a href="http://www.advanex.co.jp">http://www.advanex.co.jp</a>
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Filing date of quarterly securities report:	Yes
Supplementary explanation material for quarterly financial results	No
Holding of presentation meeting for quarterly financial results	

1. Performance (April 1, 2018 through December 31, 2018) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the Nine months ended December 31.).

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	%
Nine months ended December 31, 2018	15,755	4.0	55	(72.3)	97	(60.3)	(71)	-
Nine months ended December 31, 2017	15,151	14.4	199	18.5	245	4.2	103	26.9

[Note] Comprehensive income: Nine months ended December 31,2018 (136) million yen  
 Nine months ended December 31,2017 498 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2018	(17.54)	-
Nine months ended December 31, 2017	25.37	25.15

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	22,350	5,976	26.6
As of March 31,2018	20,315	6,233	30.5

[Reference] Total shareholder's equity: ¥ 5,948 million yen at December 31, 2018 ¥ 6,186 million yen at March 31, 2018

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, 2018	--	--	--	30.00	30.00
Year ended March 31, 2019	--	--	--		
Year ended March 31, 2019 (forecast)				30.00	30.00

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

### 3. Forecast of consolidated results for FY2019 (April 1, 2018 through March 31, 2019)

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, 2019	21,200	4.5	100	(61.5)	180	(24.2)	30	(39.8)	7.34

[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: No
  - b. Changes other than a.: No
  - c. Changes in accounting estimates: 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 December 31, 2018
    - 4,153,370 shares at March 31, 2018
  - b. Number of shares of treasury stock at end of period
    - 59,236 shares at December 31, 2018
    - 75,501 shares at March 31, 2018
  - c. Average number of shares issued and outstanding in each period:
    - 4,087,878 shares at December 31, 2018
    - 4,080,017 shares at December 31, 2017

#### [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 cumulative period of the current third quarter(from April 1 to December 31, 2018), the economic environment in the United States and China has begun to have an impact on business performance due to the escalating trade friction between the United States and China. Consumption in China in particular has slowed sharply. In Europe, although performance has been firm recently, uncertainty about the future has intensified due to issues such as the withdrawal of the United Kingdom from the European Union. Japan has been generally firm, but there has been a growing sense of anxiety as the impact of trade friction has begun to emerge. In the fields in which we are involved, the automotive markets in China and Europe were affected by the recent market slowdown, but both in Japan and the Americas were firm.

As a result, Net sales for the first nine months of the fiscal year under review increased 4.0% year on year to ¥15,755 million, and operating income decreased 72.3% year on year to ¥55 million. Ordinary income decreased 60.3% year on year to ¥97 million, and loss attributable to owners of parent was ¥71 million (compared with net income of ¥103 million in the same period of the previous fiscal year).

Results for each operating segment are as follows.

#### [Japan]

Net sales increased 6.6% year on year to ¥6,212 million due to strong sales in automotive applications. However, segment loss was ¥120 million (compared with segment loss of ¥75 million in the same period of the previous fiscal year), due to soaring material costs and other factors.

#### [Americas]

Net sales increased 10.7% year on year, to ¥1,821 million, mainly due to strong sales in the medical field. However, segment loss was ¥264 million, compared with segment loss of ¥261 million in the same period of the previous fiscal year, mainly due to an increase in start-up costs for a plant in Mexico and a steep rise in material costs.

#### [Europe]

Net sales increased 9.4% year on year to ¥1,498 million due to strong sales for automobiles and aircraft. However, segment income decreased 46.8% year on year to ¥89 million due to expenses incurred for preparations for the opening of a new plant in the Czech Republic.

#### [Asia]

Net sales decreased 1.3% year on year to ¥6,222 million due to the impact of the U.S.-China trade friction and the depreciation of Indonesian rupiah. Segment income decreased 6.5% year on year to ¥352 million.

### (2) Explanation of Financial Position

#### ① The Status of assets, liabilities, and net assets

Total assets at the end of the current consolidated fiscal year amounted to ¥22,350 million, an increase of ¥2,035 million from the end of the previous consolidated fiscal year.

#### Asset

Total assets at the end of the current consolidated fiscal year amounted to ¥22,350 million, an increase of ¥2,035 million from the end of the previous consolidated fiscal year.

Total current assets decreased ¥35 million to ¥12,154 million. This was mainly because although notes and accounts receivable-trade increased by ¥25 million and inventories increased by ¥402 million, cash and deposits decreased by ¥637 million. Total fixed assets increased ¥2,070 million to ¥10,195 million. This was mainly due to an increase of ¥2,223 million in property, plant and equipment resulting from the renovation of our factories.

#### Liability

In the liabilities section, total liabilities were ¥16,374 million, an increase of ¥2,292 million from

the end of the previous fiscal year. This was mainly due to an increase in loans payable of ¥1,987 million.

#### Net asset

Total net assets amounted to ¥5,976 million, a decrease of ¥257 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥113 million in foreign currency translation adjustment and ¥174 million in shareholders' equity due to the appreciation of the yen in some currencies.

#### (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 November 12, 2018.

## 2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

### (1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2019 third quarter (As of December 31,2018)	FY2018 (As of March 31,2018)
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	3,709,338	4,346,905
Trade notes and accounts receivable	4,852,217	4,826,490
Finished goods	1,371,765	1,238,800
Work in process	740,977	659,789
Raw materials and stored items	975,670	786,912
Other current assets	512,798	345,347
Allowance for doubtful accounts	(7,801)	(13,934)
Total current assets	12,154,967	12,190,312
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	2,314,023	2,015,080
Machinery and equipment	3,622,643	3,125,728
Land	1,312,720	1,119,095
Others	1,984,422	750,214
Total tangible noncurrent assets	9,233,810	7,010,118
Intangible noncurrent assets	174,931	225,129
Investments and other assets	787,251	889,848
Total noncurrent assets	10,195,992	8,125,096
Total assets	22,350,959	20,315,408

(Amount: thousands of yen)

	FY2019 third quarter (As of December 31,2018)	FY2018 (As of March 31,2018)
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	3,065,356	2,574,829
Short-term borrowings	2,307,281	2,624,429
Long-term borrowings due within one year	2,522,914	2,109,704
Accrued income taxes	92,982	118,363
Allowance for bonus	111,560	229,306
Provision for product warranties	71,634	75,908
Other current liabilities	1,209,938	1,091,700
Total current liabilities	9,381,667	8,824,241
Noncurrent liabilities		
Long-term borrowings	5,327,315	3,436,123
Deferred tax liabilities	241,572	226,503
Provision for environmental measures	—	3,000
Liabilities for retirement benefits	1,360,084	1,435,779
Asset retirement obligations	39,462	39,412
Other noncurrent liabilities	24,782	116,904
Total noncurrent liabilities	6,993,218	5,257,723
Total liabilities	16,374,885	14,081,965
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,351,736	5,553,820
Treasury stock	(103,328)	(131,313)
Total shareholder' equity	6,505,125	6,679,224
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	73,128	79,392
Foreign exchange adjustment	(500,306)	(387,176)
cumulative amount for retirement benefits	(129,929)	(184,829)
Total accumulated other comprehensive income	(557,107)	(492,613)
Subscription rights to shares	28,056	46,832
Total net assets	5,976,074	6,233,443
Total liabilities and net assets	22,350,959	20,315,408

## (2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2019 third quarter (April 1, 2018 through December 31, 2018)	FY2018 third quarter (April 1, 2017 through December 31, 2017)
NET sales	15,755,567	15,151,522
Cost of sales	12,071,931	11,572,830
Gross profit	3,683,636	3,578,692
Selling, general and administrative expenses	3,628,311	3,379,070
Operating income	55,324	199,622
Non-operating revenues		
Interest income	19,714	19,988
Dividends income	2,521	5,962
Rent income	39,742	39,638
Insurance return	35,670	—
Others	42,336	51,374
Total non-operating revenues	139,985	116,965
Non-operating expenses		
Interest expenses	50,724	38,274
Foreign exchange losses	2,939	12,812
Others	44,014	19,514
Total non-operating expenses	97,679	70,601
Ordinary income(loss)	97,630	245,986
Extraordinary gain		
Gain on sales of noncurrent assets	8,965	7,973
Guarantee commission	5,659	-
Total extraordinary gain	14,625	7,973
Extraordinary loss		
Loss on sales of noncurrent assets	990	2,945
Loss on disposal of noncurrent assets	10,939	287
Settlement package	28,466	-
Total extraordinary loss	40,396	3,233
Net Income (or loss) before income taxes	71,859	250,726
Corporate, inhabitant and enterprise taxes	141,463	141,268
Corporate tax adjustments	2,080	5,934
Total income taxes	143,543	147,202
Net income(loss)	(71,683)	103,523
Net income (loss) Attributable to Owners of the Parent	(71,683)	103,523



QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2019 third quarter (April 1, 2018 through December 31, 2018)	FY2018 third quarter (April 1, 2017 through December 31, 2017)
Income (or loss) before minority interests	(71,683)	103,523
Other comprehensive income		
Valuation gain(loss) on other securities	(6,264)	62,688
Foreign currency translation adjustment	(113,129)	318,441
Remeasurements of defined benefit plans	54,899	13,756
Total other comprehensive income	(64,493)	394,887
Comprehensive income	(136,177)	498,410
Comprehensive income attributable to owners of the parent	(136,177)	498,410

(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

Segment Information etc.  
**【Segment Information】**

I FY2019 third quarter (April 1, 2018 through December 31, 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	6,212,923	1,821,263	1,498,701	6,222,679	15,755,567
(2) Intra-group Net sales and transfers	680,344	-	51,672	210,064	942,080
Total sales	6,893,267	1,821,263	1,550,373	6,432,744	16,697,648
Operating income (loss)	(120,828)	(264,010)	89,091	352,343	56,596

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	56,596
Elimination of inter-segment transactions	(1,271)
Consolidated Quarterly Operating Income	55,324

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

II FY2018 third quarter (April 1, 2017 through December 30, 2017)

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	5,829,351	1,645,488	1,369,374	6,307,307	15,151,522
(2) Intra-group Net sales and transfers	677,949	292	47,272	146,730	872,245
Total sales	6,507,301	1,645,781	1,416,646	6,454,038	16,023,768
Operating income (loss)	(75,863)	(261,022)	167,336	376,775	207,226

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	207,226
Elimination of inter-segment transactions	(7,604)
Consolidated Quarterly Operating Income	199,622

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

Not applicable