



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2017 First quarter(three months ended June 30, 2017)

August 10, 2017

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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 10, 2017
Yes
No

1. Performance (April 1, 2017 through June 30, 2017) (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, 2017	4,899	12.1	71	658.0	83	-	47	-
Three months ended June 30, 2016	4,368	(10.7)	9	(93.8)	(22)	-	(61)	-

[Note] Comprehensive income: Three months ended June 30, 2017 141 million yen
Three months ended June 30, 2016 (868) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2017	11.72	11.61
Three months ended June 30, 2016	(15.09)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	19,270	6,316	32.5
As of March 31, 2017	17,024	6,578	38.4

[Reference] Total shareholder's equity: 6,269million yen at June 30, 2017 6,251 million yen at March 31, 2016

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, 2017	--	--	--	30.00	30.00
Year ended March 31, 2018	--	--	--	--	--
Year ended March 31, 2018 (forecast)	--	--	--	30.00	30.00

[Note1] Revisions to the latest forecast of cash dividends: Yes

3. Forecast of consolidated results for FY2017 (April 1, 2017 through March 31, 2018)

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, 2018	20,000	12.0	400	61.8	380	9.7	240	257.1	58.80

[Note1] Revisions to the latest forecasts of consolidated results: Yes

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, 2017
 - 4,153,370 shares at March 31, 2017
 - b. Number of shares of treasury stock at end of period
 - 71,779 shares at June 30, 2017
 - 71,639 shares at March 31, 2017
 - c. Average number of shares issued and outstanding in each period:
 - 4,081,640 shares at June 30, 2017
 - 4,083,921 shares at June 30, 2016

[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, 2017) of the fiscal year under review, US economy continued to show gradual expansion with favorable employment situation and strong consumer spending. In Europe, the overall economy was on a steady upturn with strong German manufacturing industry and improved economy in France especially after the presidential election. In Asia, reflecting expansion of infrastructure investments in China, brisk business situation in high-technology industries and thriving spending in the South East Asia, the overall economy showed signs of recovery. In Japan, the economy is on the recovery track with robust employment situation and increase in consumer spending.

As a result, the consolidated net sales of Advanex group for the first quarter of the fiscal year under review increased 12.1% year on year to ¥4,899 million and operating income increased 658.0% year on year to ¥71 million. Ordinary income amounted to ¥83 million yen (loss of ¥ 22 million recorded in the same period of previous fiscal year) and net income attributable to owners of the parent for the first quarter amounted to ¥47 million. (Loss of ¥ 61 million recorded in the same period of previous fiscal year)

Results for each operating segment are as follows.

[Japan]

Although fixed costs increased due to capital investments in Saitama factory, sales to the automotive market went strong. As a result, net sale of this segment increased 4.1% year on year to ¥1,915 million and segment loss amounted to ¥42 million. (Loss of ¥166 million recorded in the same period of previous fiscal year)

[Americas]

Thanks to brisk sales to automotive market, net sales of this segment increased 24.2% year on year to ¥573 million. Yet, primarily due to increases in fixed costs in the second factory in Mexico and the second factory in USA, the segment loss amounted to ¥40 million. (Loss of ¥23 million recorded in the same period of previous fiscal year)

[Europe]

For reasons such as cheaper pound, net sales in this segment decreased 4.5% year on year to ¥ 429 million. Yet, due to brisk sales to medical equipment market, segment income increased 16.4% to ¥ 30 million.

[Asia]

Due to the inclusion of PT. Yamakou Indonesia in the scope of consolidation and brisk sales to automotive market, net sales of this segment increased 22.5% year on year to ¥ 1,981 million. Segment income decreased 25.2% year on year to ¥125 million due to increases in fixed costs and changes in cost covered by the headquarters.

(2) Explanation of Financial Position

The Status of assets, liabilities, and net assets

Total assets at the end of the first quarter amounted to ¥19,270 million, increasing ¥522 million compared with the end of previous fiscal year (March 31, 2017). Major reasons are as follows.

In assets section, the total amount of current assets increased ¥261 million to ¥11,219 million. This change is due mainly to a ¥210 million decrease in cash and time deposits, a ¥212 million increase in trade notes and accounts receivable, a ¥202 million increase in inventory assets and a ¥55 million increase in other current assets reflecting increases in net sales and order intake. The total amount of fixed assets increased ¥260 million to ¥8,050 million. This change mainly reflects a ¥263 million increase in tangible fixed assets.

On the liabilities side, the total liabilities amounted to ¥12,953 million, increasing ¥503 million from the end of previous fiscal year. This change is primarily due to a ¥171 million increase in trade notes and accounts payable and a ¥282 million increase in borrowings.

In the net assets, the total net assets amounted to ¥6,316 million, increasing ¥18 million from the end of previous fiscal year. This change is primarily due to a ¥122 million decrease in retained earnings reflecting dividend payments and an increase in total amount of accumulated other comprehensive income due to a ¥65 million increase in foreign exchange adjustment and a ¥28 million increase in valuation gain (loss) on other securities.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2018, the company has no changes from the forecasts released on May 11, 2017

2. Other summary information

(1) Change to major subsidiaries during the fiscal period under review

None

(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements

None

(3) Changes in accounting policy, changes in accounting estimated, and restatements.

(Adoption of accounting standard for Business Combinations)

None

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2018 first quarter (As of June 30,2017)	FY2017 (As of March 31,2017)
ASSETS		
Current assets:		
Cash and time deposits	3,696,632	3,906,980
Trade notes and accounts receivable	4,672,786	4,460,515
Finished goods	1,123,529	1,018,881
Work in process	724,509	684,098
Raw materials and stored items	742,626	685,663
Deferred income tax	2,213	1,502
Other current assets	267,846	211,940
Allowance for doubtful accounts	(10,966)	(11,957)
Total current assets	11,219,178	10,957,625
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,974,669	2,002,744
Machinery and equipment	2,811,260	2,668,042
Land	1,134,405	1,138,787
Others	733,270	580,533
Total tangible noncurrent assets	6,653,605	6,390,107
Intangible noncurrent assets	327,727	350,434
Investments and other assets	1,069,520	1,049,791
Total noncurrent assets	8,050,853	7,790,333
Total assets	19,270,032	18,747,958

(Amount: thousands of yen)

	FY2018 first quarter (As of June 30,2017)	FY2017 (As of March 31,2017)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,806,993	2,635,230
Short-term borrowings	1,528,993	1,372,842
Long-term borrowings due within one year	2,092,979	1,987,653
Accrued income taxes	158,521	186,747
Allowance for bonus	238,956	140,071
Provision for loss on disaster	74,352	71,440
Other current liabilities	1,013,439	1,051,330
Total current liabilities	7,914,025	7,445,315
Noncurrent liabilities		
Long-term borrowings	3,279,355	3,258,507
Deferred tax liabilities	223,137	211,925
Provision for environmental measures	3,000	3,000
Liabilities for retirement benefits	1,380,723	1,377,513
Asset retirement obligations	39,255	39,198
Other noncurrent liabilities	113,787	114,284
Total noncurrent liabilities	5,039,258	5,004,429
Total liabilities	12,953,284	12,449,745
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,551,832	5,626,466
Treasury stock	(122,471)	(122,267)
Total shareholder' equity	6,686,078	6,760,916
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	132,261	103,725
Foreign exchange adjustment	(386,337)	(452,099)
cumulative amount for retirement benefits	(162,086)	(161,161)
Total accumulated other comprehensive income	(416,162)	(509,534)
Subscription rights to shares	46,832	46,832
Total net assets	6,316,747	6,298,213
Total liabilities and net assets	19,270,032	18,747,958

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2018 first quarter (April 1, 2017 through June 30, 2017)	FY2017 first quarter (April 1, 2016 through June 30, 2016)
NET sales	4,899,603	4,368,823
Cost of sales	3,728,601	3,277,194
Gross profit	1,171,001	1,091,629
Selling, general and administrative expenses	1,099,978	1,082,259
Operating income	71,022	9,369
Non-operating revenues		
Interest income	6,711	5,608
Dividends income	3,347	3,096
Rent income	13,023	19,309
Others	17,107	3,881
Total non-operating revenues	40,189	31,895
Non-operating expenses		
Interest expenses	11,055	12,073
Foreign exchange losses	10,326	46,348
Provision of allowance for doubtful accounts	5,985	5,059
Others	27,367	63,480
Total non-operating expenses	83,844	(22,216)
Ordinary income(loss)		
Extraordinary gain		
Gain on sales of noncurrent assets	468	117
Total extraordinary gain	468	117
Extraordinary loss		
Loss on sales of noncurrent assets	1,377	—
Loss on disposal of noncurrent assets	80	—
Loss on sales of investment securities	—	—
Total extraordinary loss	1,458	—
Net Income (or loss) before income taxes	82,855	(22,099)
Corporate, inhabitant and enterprise taxes	34,531	44,468
Corporate tax adjustments	506	(4,944)
Total income taxes	35,037	39,523
Net income(loss)	47,817	(61,622)
Net income (loss) Attributable to Owners of the Parent	47,817	(61,622)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2018 first quarter (April 1, 2017 through June 30, 2017)	FY2017 first quarter (April 1, 2016 through June 30, 2016)
Income (or loss) before minority interests	47,817	(61,622)
Other comprehensive income		
Valuation gain(loss) on other securities	28,535	(43,825)
Foreign currency translation adjustment	65,762	(786,611)
Consolidated equity for equity method affiliate	(925)	23,104
Accumulated other comprehensive income		
Quarterly comprehensive income	93,372	(807,333)
Comprehensive income	141,190	(868,956)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	141,190	(868,956)

(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 FY2018 first quarter (April 1, 2017 through June 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	1,915,192	573,579	429,441	1,981,389	4,899,603
(2) Intra-group Net sales and transfers	173,727	—	11,914	38,924	224,566
Total sales	2,088,920	573,579	441,355	2,020,314	5,124,169
Operating income (loss)	(42,714)	(40,832)	30,073	125,045	71,571

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	71,571
Elimination of inter-segment transactions	(548)
Consolidated Quarterly Operating Income	71,022

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

II FY2017 first quarter (April 1, 2016 through June 30, 2016)

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	1,839,472	461,809	449,804	1,617,736	4,368,823
(2) Intra-group Net sales and transfers	87,255	—	17,410	44,695	149,361
Total sales	1,926,727	461,809	467,215	1,662,432	4,518,184
Operating income (loss)	(166,305)	(23,199)	25,843	167,229	3,567

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	3,567
Elimination of inter-segment transactions	5,802
Consolidated Quarterly Operating Income	9,369

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

Not applicable